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1. How Schlesinger slashed energy supplies

The manipulations employed by Energy Secretary James Schlesinger and the oil multinationals to choke off U.S. gasoline supplies are one of the most incredible swindles in Schlesinger's career of "calculated cheating." Since the defeat of Schlesinger's energy austerity program in Congress, the Energy Secretary has employed a series of measures to cut back available oil supplies for U.S. industry and consumers.

The "strategic reserve" swindle

To begin with, there is Schlesinger's strategic reserve. A ludicrous scheme to build up some 1 billion barrels in government petroleum stocks stored in abandoned salt mines in Louisiana and Texas, as a "reserve" against a possible future Arab oil cutback, Schlesinger's strategic reserve has in fact contributed heavily to the shortage of supplies in the U.S. Since last summer, the U.S. Energy Department has pumped a total of 85 million barrels of crude oil into the salt domes, an amount more than sufficient to relive the energy shortage in the U.S. During the first quarter of 1979, when the Iranian shortfall was at its greatest, Schlesinger pumped some 15 million barrels into the domes. At the present moment, with gasoline and other shortages plaguing the country, oil is being poured into the DOE reserve at the rate of 200,000 to 300,000 barrels daily according to official sources.

Why haven't the reserve stocks been drawn on to ease the present crunch—their very *raison d'etre*? Because *no pumping equipment exists to recover the reserve stocks*. Schlesinger is pumping valuable oil into holes in the ground from which it cannot be recovered.

This is *not* bureaucratic bungling, but deliberate sabotage of U.S. supplies, designed to drive up prices. As President A.F. Grospiron of the Oil, Chemical and Atomic Workers Union charged this week, "If it was expected by the Carter Administration that product shortages would ensue because of the Iranian crisis, it should have been ordinary prudence to cease immediately diverting the crude oil into SPR stocks."

Diesel shortages threaten freight sector

Trucking industry officials said last week that a shortage of diesel fuel now threatens to disrupt the national transportation grid. The shortage is said to be "much tighter than gasoline." Rail, trucking, bus and agricultural industry leaders are offering dire predictions of the near-term effects of the shortage:

- agricultural produce may rot in the fields, and some industrial production may be lost;
- thousands of bus and rail passengers may be stranded;
- layoffs will spread in affected sectors.

Supplies are already said to be critically short in the far West and Midwest.

Meanwhile, prices of diesel fuel have shot up at an even higher rate than the price of gasoline. In one truck stop in Louisiana diesel was selling for $1.20 per gallon, or approximately double its December price!

As with the gas shortage, the diesel shortage has been stagemanaged by Energy Secretary Schlesinger, with the apparent cooperation of the major oil companies. A little more than two months ago, Schlesinger convinced the White House to issue its now notorious executive order diverting refining capacity to rebuild stocks of heating oil for next winter. Diesel was one of the fuel categories cut back. With demand running high, refiners cut back deliveries to truck stops and other diesel suppliers by 15 to 45 percent; Getty last week halted all diesel sales in the Midwest.

At least one knowledgeable source reported that the oil majors have been "secretly" shipping diesel fuel from Gulf coast ports for sale on the unregulated European market, where it still fetches a higher price than in the U.S. Schlesinger and the Department of Energy, the source reported, have discreetly looked the other way while these shipments—and cutbacks on the U.S. market—took place.

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Significantly, the American Petroleum Institute has calculated that total U.S. oil supply *grew* by 69 million barrels. Schlesinger claims, to the contrary, that stocks declined by 25 million barrels. The difference between the conflicting estimates—94 million barrels—is almost entirely accounted for by Schlesinger's strategic reserve diversions.

Other measures ostensibly designed to guard against the "emergency" are also in fact contributing to the shortage of supplies to the consumer. For instance, Schlesinger's Economic Regulatory Administration (ERA), headed by David Bardin, is empowered to allocate gasoline supplies nationally, and referees the amount of gasoline reaching the pumps across the country. Under ERA procedures, before a drop of gasoline reaches the consumer, 5 percent of the total gas supply is being stored by states in a "state setaside" each month. Another 10 percent is reserved for military and other government customers. This is the reality behind announcements by Exxon, Texaco, and other majors that their oil deliveries to gas stations next month will be only 70 or 80 percent of last year's. It is not the case that supplies are down 20 to 30 percent; rather, more gas is being siphoned off into other useless and detrimental "reserves."

Bardin, who wields the powers that have created these gas supply dislocations, has the strange credentials for his job of having been the Attorney General of a foreign power, Israel, and probably has greater direct impact on the U.S. economy than any other single individual besides Schlesinger.

It is Schlesinger's regulations, too, and not "supply and demand," that are responsible for the soaring of prices some 50 percent in the last five months. Behind the price hikes, and Schlesinger's confident prediction in March that U.S. gas prices would reach $1 per gallon, is a little known regulatory power administered by Bardin's ERA, called "cost banking." "Cost banking" is the basis on which one dealer in California is currently charging $1.36 per gallon *legally* in a government regulated market. Under the until-now unused provisions of the 1975 Energy Policy Conservation Act, a refiner or dealer can add on costs up to a limit defined by the amount below the ceiling that he may have charged in an earlier period. Thus if, as was common, a dealer charged only 65 cents per gallon when the maximum allowed was 70 cents, he "banked" the difference as a credit which he can then "use" when there is perception of tight supplies, so that people are willing to pay almost any price for fuel.

Other Schlesinger directives have furthered contributed to the chaos in supplies. A well-known example is

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Having created the shortage, Schlesinger is now trying to play off the various diesel consumers against both each other and gasoline users.

Two weeks ago, the DOE announced an allocation plan that guaranteed agricultural users full allocation for tractor needs during the spring planting season. While the American Trucking Association supports this action, nothing is being done to provide for truck needs and to prevent potential industrial shutdowns.

Simultaneously, groups of independent truckers whose leaders are controlled by intelligence and foundation networks associated with Schlesinger, have announced plans for disruptive countermeasures against the "government, the oil industry, and greedy users. ..." One group down in Texas staged truck blockages of gas stations over the Memorial Day weekend, while proterrorist Fraternal Association of Steelhaulers (FASH) leader Bill Hill has threatened a replay of the 1974 truckers "strike" that blocked up the interstate highway system.

One perceptive trucking industry official charged Schlesinger with "trying to create economic chaos to get people to give him emergency powers. ... Unless remedial action is taken to alleviate the supply situation, this source felt that there was "no way to avoid major economic disruption."

Even if the supply situation is alleviated, the new diesel price structure—near 100 percent price hikes—is going to have a long-term and negative effect on the transportation sector. Medium size trucking companies fear that the diesel hike may drive them over the edge into bankruptcy, while various rail lines say that it will hasten the demise of already weak companies.

At week's end, scattered reports of violence by independent truckers began making their way into the press. A small number of drivers demonstrated in the wee hours of May 31 in front of the White House, while Mike Parkhurst's Independent Truckers Association, one of the key groups behind the 1974 shutdown promised a mass demonstration in mid-June in Washington.

his directive diverting supplies into home heating fuel, which has affected gasoline and diesel supplies severely. The Energy Secretary also helped guarantee that there would be a shortage by pressuring U.S. oil companies not to buy additional oil on the Rotterdam spot market. Using the fraudulent excuse that such purchases would raise Rotterdam prices even higher, Schlesinger caused an additional 200,000-300,000 barrels per day supply shortfall in the United States. Once the damage had been done, Schlesinger then reversed himself last week, and told U.S. companies to resume purchases on the Rotterdam market, now that prices above $30 per barrel are being rumored.

Oil company complicity

As their attendance at the Arden House meeting suggests, the oil companies have been witting participants in the London-Schlesinger scenario. In March, for example, Exxon announced that it was applying oil supply allocations for its U.S. customers based not on how much oil they got from Iran (a relatively small factor in the U.S. market), but based on how much oil the U.S. consumes—a formula which doubled the impact on the United States.

The ostensible reason for this unusual arrangement was the fact that Exxon and the other U.S. majors are supplying the Anglo-Dutch majors, British Petroleum and Shell, with supplies to compensate for their losses from Iran cutbacks. (BP and Shell were the majority foreign holders in Iran.) Yet Exxon and Co. made these arrangements with the two Anglo-Dutch companies despite the fact that BP and Shell—who as a matter of policy were involved in the destabilization of the Shah and encouraged the temporary shutdown of their own production—had heavy stockpiles, and are making a killing on profits from their holdings in the North Sea, Alaska, and Nigeria.

This diversion of U.S. supplies, coupled with a series of unexplained but conveniently timed accidents, including one at Exxon's huge Baytown, Texas oil refinery, have given credence to the lie that the oil shortage is real.

—William Engdahl

2.Schlesinger's IEA

At a meeting May 21-22 in Paris, the International Energy Agency, coordinated from behind the scenes by U.S. Energy Secretary James Schlesinger and West Germany's Economics Minister Graf Otto von Lambsdorff, adopted a plan that will use the rigged oil "shortage" to slash world economic activity, with the United States, the *New York Times* stated this week, getting the brunt of the working over.

Rejecting rationing plans as "arbitrary cuts," the final communiqué of the IEA meeting declared that "we should encourage oil prices to rise. This will force energy cutbacks of 5 percent." Moreover, warned the agency, which includes the 20 advanced sector nations, "in the foreseeable future, the world oil market will be tense. New surprising disturbances in the oil market, therefore, should not be ruled out in the future." And, the communiqué added, "the energy scarcity worldwide is threatening the prospect of further economic growth."

The IEA, originally formed by Henry Kissinger in 1974 ostensibly to oversee, and in cases of emergency, to distribute world energy supplies equitably, is in fact attempting to function as a world energypolicymaking crisis management body. With world oil production at a record 60 million barrels per day, according to the U.S. Department of Energy, the IEA crisis managers are relying on the big lie that there is a drastic shortage of world energy supplies.

In March of this year, the IEA, meeting in Paris, set the stage for the present crisis scenario in the U.S. when it adopted a "voluntary austerity" energy cutback plan under which members agreed to a 5 percent reduction in consumption of oil. The formula agreed on at the IEA meeting—a formula devised by U.S. Energy Secretary Schlesinger and Undersecretary of the Treasury Richard Cooper together with Graf Lambsdorff at a premeeting in Washington—imposed the cutbacks on the basis of member nations' consumption rather than the amount of oil each country imported. Thus, of the 1.2 million barrels per day cutbacks total among the IEA members, fully 800,000 barrels per day was borne by the United States—by far the largest energy consumer.

Following adoption of the formula by the IEA, it was then voluntarily imposed by Exxon and the other oil multis, in coordination with Schlesinger.

'Energy profligacy'

At the May meeting, Graf Lambsdorff, a German aristocrat, whose policies are sharply and publicly at variance with those of Chancellor Helmut Schmidt, set the tone of the conference by denouncing the heavily