Saudis back Lopez Portillo energy plan

Saudi Arabia's Oil Minister, Sheik Ahmed Zaki Yamani, who visited Mexico for two days at the end of August on invitation of the Mexican government has endorsed Mexico's global energy proposal. The "principal topic" of his talks with Mexican president Jose Lopez Portillo, Yamani confirmed, was the Mexican proposal to establish a global energy policy which Lopez Portillo will personally present to the United Nations General Asssembly Sept. 27.

The thrust of the proposal, aimed at countering the confontationist energy policy of the United States administration, is to establish international agreements reordering production, distribution and consumption that link energy with a strategy of promoting development of the Less Developed Countries (LDCs) to prevent otherwise certain economic collapse and war.

Yamani, speaking as a representative of OPEC nations, endorsed the Mexican idea that energy must be considered as the "common responsibility of all nations," and said that the Mexican president's U.N. presentation "could be the watershed in the history of our energy problems." He described his discussions with Lopez Portillo, saying that "we dealt with the problems of developing countries regarding energy, raw materials, technology transfer, and we dealt with energy problems from a global point of view; I believe that Mexico's position is identical to that of Saudi Arabia and I can also say that it is very similar to that of the greater part of the oil producing countries."

This is the first such endorsement of the Mexican initiative from an OPEC nation, and should add considerable weight to Mexico's U.N. call for action. The energy proposals had already been endorsed by a broad range of countries including the U.S.S.R., France, West Germany, Cuba, Norway, Czechoslovakia, Bulgaria, Poland, and the 26-member Latin American Energy Organization. The U.S. is now the only major oil importing nation to withhold support, with the claim that "there is no proposal."

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Sheik Yamani also threw cold water this week on any speculation that Saudi Arabia would drop its production of crude oil back to the old 8.5 million barrels a day level beginning in the third quarter. Yamani annnounced that his country would continue to pump out at least 9.5 million barrels a day (mbd) of crude through the end of the year. According to oil industry sources, since the early summer the Saudis have been pumping over 10 mbd of crude.

This latest Saudi move is only one of many actions taken by the OPEC producers to insure that the world oil markets have sufficient crude in light of recent reports of an Iranian export cut of 1 mbd from a level already considerably below what Iran was producing at this time last year.

At the same time many of the OPEC producers are taking greater control over marketing their crude, diverting it into state-to-state deals away from the multinational oil companies. Most recently, Iraq announced that it was cutting sales to British Petroleum and Royal Dutch Shell by 200,000 barrels a day, without any commensurate decrease in overall output. Like the Saudis, Iraq's total oil output has climbed dramatically this year to a record 4 mbd output, an increase of 900,000 barrels per day.

Shortly before the Iraqis announced the cutback in sales to the majors, Baghdad signed a state-to-state oil sale contract with Ireland.

Following its own cut of sales of crude to British Petroleum by 300,000 barrels per day last month, Nigeria has signed two state-to-state deals, one with the Swedish state oil company and the other with Portugal. Only this week the newly elected president of Nigeria offered to increase Nigeria's oil output from the current 2.4 mbd level (itself 600,000 over Nigeria's prodcution this time last year) to meet increasing demand from the consuming nations in return for development assistance from the advanced sector. According to the Wall Street Journal Sept. 12, Nigeria is even offering to expand producing capacity in order to meet future market needs if the industrial nations are willing to reciprocate with technology for develoment.

Latest production figures from Kuwait indicate that the Persian Gulf emirate is presently pumping out 600,000 barrels per day above Kuwait's own production ceiling! Oil industry sources indicate that Kuwait is also considering reducing the amount of crude it sells to British Petroleum and Gulf oil through long term contracts, once those contacts come due.

In the last four months, Saudi Arabia, Iraq, Libya, the United Arab Emirates and Qatar have all announced new finds which could dramatically up the total of world reserves.

—Mary Goldstein and Judith Wyer