Energy Insider by William Engdahl

New Anglo-American oil shock?

Henry Kissinger's re-entry into Mideast politics, and rising U.S. imports, leave an uneasy feeling of déjà vu.

Reports are circulating in Washington that former Secretary of State Henry Kissinger is soon to be named President Bush's roving envoy to the Middle East. Informed Middle East observers have privately reacted to these reports with a pained, "Oh, dear!" The last time Dr. K had his hands in the region was during the 1973 Middle East "oil shock."

Oil has been at the center of global power relations of the London-New York international financial cartel power for a good while. In fact, oil has been at the heart of British strategic policy since a young Winston Churchill argued for Britain's naval fleet to switch from coal to oil in the 1890s. The United States and England fought one another ferociously over control of vital petroleum fields in the Middle East, Mexico, Venezuela, and Baku, until the "Red Line" agreement in the 1920s, which carved up the world's most important oil terrain between the two powers. Since that time, Royal Dutch Shell, British Petroleum, Exxon, Mobil, Chevron (including Gulf), and Texaco have controlled world oil politics. And this Anglo-American combination does so to this day.

We raised certain eyebrows recently when we suggested in this space, that the 26% loss in North Sea crude oil output which hit markets with suspicious coincidence at the turn of this year, was perhaps deliberate. Certainly, the surprise series of incidents on Shell and Exxon's North Sea platforms, and the earlier fire hitting Armand Hammer's Piper Alpha Occidental platform, did sharply boost North Sea Brent prices precisely when the fragile OPEC production ceiling pact was being tested.

Only weeks earlier—conveniently for George Bush, eager to sail into the elections with low inflation and interest rates—Brent North Sea blend bottomed in early November at $12.45. And now, since that time, prices for the Brent crude have topped $18 a barrel in the first days of March, a hefty 45% jump in the price of the world's basic energy feedstock over four months. It has the added "benefit" of allowing Kissinger's Western liberal friends to "give" billions of dollars to Moscow, a major oil exporter.

It is also documentable, though not the purpose of this report, that when, in 1973, Mr. Kissinger's "shuttle diplomacy" was ensuring the political crises which led to OPEC's 400% price increase, the publicity-shy Bilderberg group had privately met in Saltsjoebaden, Sweden in May, to hear a certain American member "predict" precisely a 400% increase in what Kissinger soon called "petrodollar" revenue for OPEC countries. Present at the elite Swedish gathering, fully five months before the Yom Kippur War, was Lord Greenhill of BP and Robert O. Anderson of Atlantic Richfield oil. Furthermore, British Petroleum lent generous assistance to the friends of Khomeini inside Iran, in 1979, which led to the second "oil shock" and the astronomical inflation of 1979-80.

Therefore, I noted with more than passing interest the fact that, in the midst of an ongoing world oil capacity glut estimated to be at least 9 million barrels per day, these same oil majors are pouring billions of dollars into high-cost North Sea production.

In the past several months, the entire North Sea has undergone a major reorganization. More than $8 billion has been invested by the major companies to buy out independent companies in the North Sea. This has made BP by far the largest producer in the North Sea, with Shell and Exxon close behind. BP has also been active in the expensive Alaskan region, spending $8 billion a few months ago to buy full control of Sohio with large Alaskan North Slope production, making the British company America's largest "domestic" oil producer. North Sea and Alaska fields were subject of feverish activity in the period prior to the 1973 oil shock as well. In fact, only after that, did North Sea and Alaska investment return a handsome profit.

An oil analyst with a London firm, Smith NewCourt, notes, "If oil prices continue to be weak, then BP will face growing problems." Conversely, if oil prices continue to rise, BP will prosper, as will Royal Dutch Shell, Exxon and friends.

Another ominous sign, is the fact that U.S. oil consumption has changed dramatically in the past several years. Rising U.S. oil imports during the 1970s were a major factor that made the "oil shocks" as severe as they were, despite the fact that the world had adequate supply, even during the 1979 Iran cutoff. U.S. imports rose from 3.2 million barrels per day in 1970 to almost 9 mbd by 1979. Thereafter, they dropped to a low of 4.3 mbd by 1985. Since then, they have begun to rise steeply again. By mid-1988, the U.S. was importing 6 mbd, or 36% of its total consumption, the same level as during the 1973 oil shock. It's more than ominous in this light to note the gains that Moscow has made in the Persian Gulf since the October 1986 Baku International Islamic Conference.