Click here for Full Issue of EIR Volume 4, Number 6, February 8, 1977

EXCLUSIVE

How Rockefeller Sabotages Energy Development

Behind this winter's natural gas shortage is a systematic campaign conducted by Rockefeller family financial interests to prevent the development of new energy sources. Exploration and development of new oil and gas sources fell behind replacement levels not because new sources were not available, nor because the great majority of energy companies were not eager to develop them, but because the Rockefeller family exercized its muscle through market leverage, financial power, control of the Federal regulatory apparatus, and "environmentalist" covert operations.

Exxon, Texaco, and Mobil, the three companies who import 92 per cent of Saudi Arabian oil sold to the United States, are not "oil companies" in any useful meaning of the word. They are the Rockefeller financial group's front against the oil companies. Despite Exxon's notorious gimmick of packing its board of directors with less-than-worldly-wise Texas oilmen, the three Rockefeller companies have no interest in petroleum development. Their policy is to curtail the development of energy sources that would reduce the economic and political leverage of their control over Saudi crude. In the most obvious sense, Exxon-Texaco-Mobil control over cheap Saudi oil was the single reason that oil and gas exploration halved between 1956 and 1972, since the threat of price war hung over the market continuously.

The New York commercial banks who share directors with the three Rockefeller companies — principally Chase Manhattan, Citibank, Morgan Guaranty Trust and Chemical bank — dictate the international credit policies which have placed a lid on exploration and development.

The "environmentalist" movement is an agency of the Rockefeller Foundation, Ford Foundation, Stern Fund, Kaplan Fund, and other covert operations agencies of the Rockefeller family. "Environmental" lawsuits have slowed the rate of nuclear plant construction to a near-halt; prevented the development of off-shore oil in the Gulf of Mexico at the moment the energy industry was mobilized to take it on; stopped the flow of oil through the Alaska pipeline the moment it was completed; and created an atmosphere of terror against any significant capital investment in the industry.

The regulatory system adopted after OPEC raised prices in December 1973 "neutralizes" the effect of the higher prices by placing a charge on producers of previously-developed oil, in favor of the Exxon-Texaco-Mobil group that imports oil with a negligible cost of production from the Persian Gulf.

This overview will not treat the leading foreign policy questions which provide a determining context for the economics of the oil industry. The U.S. State Department, most emphatically under Henry Kissinger, has made its principal objective the control of strategic access to petroleum. This objective interlaces with the Exxon-Texaco-Mobil policy of curtailing development of energy sources, as the recent Jackson Committee hearings in Congress show. (See International Report.)

As this study will demonstrate, the energy industry has suffered badly from the rise in exploration and development costs. Exxon, Texaco and Mobil have benefited from this rise, in two ways. First, the three companies who earn their profits mainly through "downstream" production of crude in Saudi Arabia pay taxes off these revenues; to the extent they engage in high-cost exploration and production they establish a tax shelter against earnings derived elsewhere. None of the Rockefeller trio of companies engages in exploration and development past the level that benefits their tax position. More importantly, the three companies have a strategic position of dominance that would be eroded or eliminated through a successful national effort to bring new petroleum sources and nuclear energy on line.

The benefit the Rockefeller financial group derives from the policy of energy curtailment goes far beyond the immediate cash advantage to the Aramco group. Expensive and scarce energy is the underlying basis — as Carter emphasized in his first fireside chat — for a general policy of economic regression to "labor-intensive" modes of production, de-industrialization, and lowering of living standards. The high price of energy, particularly when the cost is paid to Rockefeller-controlled corporations, establishes the basis for intensified financial looting of the economy as a whole. On a world scale, the paradigm for this form of looting is seen in the consequences of the December 1973 quadrupling of oil prices. Nelson Rockefeller's personal foreign policy advisor Henry Kissinger intervened in the deliberations of the OPEC countries following the October 1973 war to enforce the fourfold rise in the oil price. The price rise established a net tax on the world economy in excess of $100 billion per year. Overwhelmingly, these funds went to the Eurodollar market or the home branches of New York international banks for deposit, and provided the means for a three-fold expansion in Eurodollar lending between 1973 and 1976. As the control points of the major source of international lending — providing 60 per cent of funds lent internationally last year — the Rockefeller-dominated Eurodollar banks assumed the powers of a supranational world government body with respect to a large portion of the developing sector.

© 1977 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

No sector of U.S. opinion has been more badly misled by the pretense that Exxon, Texaco, and Mobil are "energy companies" than the energy industry itself. In particular, the apparent solid front of the "energy industry" in favor of deregulation of the price of petroleum products contains a bitter irony for petroleum companies with a commitment to exploration and development. Despite the quadrupling of oil prices and doubling of natural gas prices, exploration activity in the United States has shrugged off the expected benefit of the price-incentive to exploration. New petroleum sources development ground to a halt by the end of 1975 because companies with the will to explore were over their heads in debt as a result of Rockefeller financial policies, and terrorized by Rockefeller "environmentalist" agents. Under conditions of Rockefeller control of Federal energy policy and Texaco-Exxon-Mobil dominance of the energy market, price de-control cannot possibly have a significant impact on the development of new energy sources.

Dramatic Increase In Oil And Gas Industry Costs Is A Problem of Financing

In 1975, 9,214 new wells were drilled in the United States, below the 1966 figure of 10,313, and not substantially higher than the 1972 figure of 7,539. The relatively low level of exploration is a significant contributing factor to the current natural gas shortage, and is entirely inexplicable from the standpoint of price incentives to the petroleum industry.

As the pro-exploration oil companies themselves have argued, most of the excess revenues resulting from the oil price increase have been taken up in drilling and exploration costs. By 1974, the cost of exploration had risen to four times the 1971 figure; the cost per foot of drilling has been rising at an annual rate of roughly 25 per cent per year since the oil prices quadrupled in late 1973.

This exponential rise in costs breaks down principally into equipment costs, which have escalated significantly faster than the overall rate of capital goods inflation in the most critical sectors, and costs of land leasing, particularly in the highly speculative 1974 rush into offshore leases. But the underlying impetus for the rise in costs — and the principal factor depressing private-sector energy development — is the stupendous aggregation of high-interest debt in the oil and natural gas industry (Graph 1). Chase Manhattan's analysts report on a $4 billion increase in debt service charges to their Group of Petroleum Companies in 1975. Because the availability of energy-related capital goods and the financing of these capital goods involve a single operation, in which the elements of price and financing costs depend closely on each other, the cost-inflation problem is strictly a financial problem.

Since the 1973 rise in oil prices, the large commercial banks which dominate energy financing have been responsible for an anticipatory rise in industry costs, burning out the revenue advantage to the industry through a rise in strictly financial costs. Graph 1 shows that the external financing requirements of a key group

Comparison Of Price Of Capital Goods In The Energy Industry And All Industry

(1967=100)

	1971	1972	1973	1974	1975
OIL FIELD MACHINERY INDEX	122.6	127.3	133.2	157.8	196.3
YEAR-TO-YEAR PER CENT INCREASE				18.5%	24.4%
OIL WELL CASING INDEX	120.7	128.4	133.2	170.7	211.5
YEAR-TO-YEAR PER CENT INCREASE				28.2%	23.9%
ALL CAPITAL GOODS INDEX	116.6	119.5	123.5	141.0	162.5
YEAR-TO-YEAR PER CENT INCREASE				14.2%	15.3%