

The oil crisis: how real is it?

IEA head dispels fears of an oil shortage

The executive director of the International Energy Agency (IEA) has confirmed that the much touted "imminent oil crisis" is a hoax — just as in 1973-74. Dr. Ulf Lantzke, whose IEA is charged with supervising world oil supplies and stockpiles, told the London Financial Times in a Feb. 12 interview, "You cannot move from a glut to a crisis situation in such a short time."

Lantzke pointed out that stocks of crude and oil products of IEA members, now standing at 390 million tons, are marginally higher than assumed in January 1978, when no "oil crisis" existed. He did, however, single out certain forces for creating an artificial panic and particularly cited the Royal Dutch Shell group, which last week said the cut in world oil supplies was as bad as that stemming from the Middle East oil embargo of 1973-74.

Lantzke's remarks reflect the thinking of most of continental Western Europe. West German Labor Minister Herbert Ehrenberg stated Feb. 10 that his nation foresaw no immediate oil shortage problems. This view was echoed by respected Italian economic journalist Vitangeli, who

wrote in the Feb. 11 Rome daily *Il Fiorino* that the "oil crisis is a hoax" and laid part of the blame on U.S. Secretary of Energy James Schlesinger, as well as Royal Dutch Shell and British Petroleum.

The evidence in hand confirms the Europeans' cautious judgments — as our report will show. Reliable sources say that world oil production is down by only a net 2 million barrels below world consumption levels. Yet, a stream of press stories, exemplified by the cover story of the Feb. 19 Newsweek, have taken up the theme of "The Coming Oil Crunch."

Newsweek's scare article opens with, "The last tankers loaded with Iranian crude were steaming toward Western ports last week — and suddenly the world was on red alert. U.S. Energy Secretary James Schlesinger," adds Newsweek, "shocked the nation with a warning that the shutdown of the world's second-largest oil exporter is 'prospectively more serious' than the traumatic oil embargo and oil price quadrupling of 1973-74."

With such warnings echoing on the financial wires,

What they are saying about the oil hoax

Financial Times, Feb. 12: "IEA Director Sees No Need for Oil 'Panic'"

Reports about an impending world oil crisis are unduly alarmist and are causing unjustified panic reactions, Dr. Ulf Lantzke, executive director of the International Energy Agency (IEA), said this weekend.

In an interview.... Dr. Lantzke took issue with a reported statement by the Royal Dutch Shell group last week that the cut in world oil supplies was as bad as that caused in 1973-74 by the Arab oil embargo.

Stocks of crude and oil products in the IEA member countries now stand at 390 million tons, marginally higher than the level assumed last January, he (Lantzke) said. These stocks correspond to about 120 days' net imports and 70 days' consumption. In the majority of member countries, stocks are still well above the official legal level of 70 days' imports.

Il Fiorino (Rome), Feb. 10, article by reporter Vitangeli

The current world oil shortage is not real but is a scenario. If one looks closely one will find the influence of U.S. Energy Secretary James Schlesinger, as well as the Royal Dutch Shell and British Petroleum oil companies aiding this scenario along.

New York Times, Feb. 10: "B.P., Shell Gain as Oil Prices Rise"

Surging oil prices may prove to be a bonanza for at least two giant oil companies....

The British Petroleum Company and the Royal Dutch Shell Group, two of the "seven sisters" at the top of the world industry, are said to be raking in much higher profits despite a total cutoff of the oil they had been getting from Iran.

Unlike American-based companies, BP and Shell are less affected by the strict price controls imposed by the United States, although both companies have significant American interests.

speculators had a field day in the spot market for light crude, pushing the spot rate in Amsterdam this week to levels of \$24 or \$25 per barrel, or \$10 above the current international benchmark price.

Cui bono?

The killing Royal Dutch Shell and BP stand to make speculating on oil supplies gives one good clue as to why the discrepancy between the steadily escalating press scare and the reality of available world supplies. Another is provided by the fact that an oil hoax now would permit Energy Czar Schlesinger to go beyond the back-door imposition of his no-growth, no-energy program and directly implement the "war time measures" of fuel rationing he has advocated since he took office.

But the real key to the oil hoax is Britain's vendetta against the European Monetary System — the thriving infant launched this year by West Germany and France to sop up speculative liquidity and redirect it toward high-technology industrial investment, especially financing development projects in the Third World. The EMS threatens to displace Shell, BP, and the City of London financial network behind them as the seed-crystal of a new world monetary system. A massive world oil shortage would hit especially hard Western Europe, Japan, and the developing sector — precisely the protagonists in this emerging replacement for the International Monetary Fund and World Bank — and fully sabotage the EMS.

In a recent speech Sir George Boulton, and advisor to the Bank of England which has spearheaded opposition to the EMS, came close to openly relishing the effects an oil scarcity might have on France, West Germany, and the other six European Community countries (all save Great Britain) participating in the new monetary system. Europe, according to Boulton, is included among "certain areas of the world which are incapable of further growth." The Bank of England advisor noted that Europe does not control raw materials supplies and is energy-dependent on the rest of the world.

Making it a reality

Far more ominous than the media barrage was evidence last week that British-linked political forces in the United States and elsewhere were prepared to knock out Arab oil fields and make the oil crisis a self-fulfilling prophecy.

Senator Henry Jackson (D-Wash), known as an advocate of the "Middle East Treaty Organization" extension of NATO along the southern flank of the USSR, predicted in Congressional Energy Committee hearings that "it would only take 200 terrorists to blow up the Arab oil fields." On Feb. 13, the leading Italian daily, *Corriere della Sera*, carried maps and instructions on "how terrorists could blow up the oil fields."

Such scenarios and threats are given credibility by the fact that BP and Shell were heavily involved in the strike waves and terrorism deployed against the Shah of Iran, and now being threatened against Saudi Arabia. Furthermore the state of Israel, to which Senator Jackson has long-standing and well known ties, has a publicly enunciated policy of delivering a preemptive nuclear strike against the Saudi oil fields in the event of certain "contingencies."

So far, the oil shortage hoax and the accompanying skyrocketing of fuel prices on the spot market have had little effect on world industrial production or trade. But if the press buildup works, or if sabotage of Middle East oilfields turns the hoax into reality, oil prices could rise between 50 and 300 percent, what the London press is predicting. In terms of production shutdown and unemployment, the economic results — and their political consequences — would be catastrophic. The Third World, targeted in the EMS scheme of things as a massive capital-goods market, would suffer economic losses and a large-scale depopulation.

Is the "coming oil crunch" inevitable? Below, we array the facts that make an answer to that question possible: the authorities who say there is no shortage, and the press that insists there is; the sources of immediate potential increases in oil production, and the story behind BP and Shell's manipulation of oil price hysteria — including, especially, an assessment of the political variables in Saudi Arabia's oil production agenda. Finally, Executive Intelligence Review brings you a few facts about Energy Secretary Schlesinger, the major U.S. harbinger of a long, cold winter — and suggests you judge for yourself whether he is credible or, in the on-the-record opinion of the Mexican government, a "liar." What the picture adds up to, we would suggest, is that whether Britain gets its oil hoax or is stopped by pro-industry forces is a political, not a technical question.

— Richard Freeman