VOL. III NO. 60 16 MARCH 1974

ARAB OIL & GAS

Published by
THE ARAB PETROLEUM RESEARCH CENTER

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Bulletin of studies and information published fortnightly by :

THE ARAB PETROLEUM RESEARCH CENTER

Editor & Publisher : Dr. Nicolas SARKIS

P. O. Box 7167
Beirut–Lebanon

Tel. 234254 - 245793
Cable Add. ARABOIL

VOL. III NO. 60 16 MARCH 1974

IN THIS ISSUE

ANNUAL SUBSCRIPTION RATES

Air Mail	$
Europe, Middle East and North Africa	215
North and South America, Japan, rest of Asia, Australia, Africa (other than N. Africa)	220
Surface Mail	£ Leb.
Lebanon & Syria	430

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OPINION

THE FLARING OF GAS
A Stupid and Criminal Squandering

At the time when the whole world is facing a serious energy crisis, the problem of the wastefully flared gas in the oil exporting countries is assuming increasingly abnormal proportions. Ever since oil production started in the Middle Eastern, African and Latin American countries, many decades ago, most of the associated gas produced with oil has been flared by the concessionaires. Those who have visited these countries could not but have seen the tragic spectacle of these flames which rise, 24 hours a day, like gigantic fires near the oilfields.

In 1972, 58.14 billion cubic meters of associated gas were thus flared in the major three exporting countries of the Middle East : Saudi Arabia, Iran and Kuwait. This quantity represents 66.26% of the gas produced in these three countries during that year. The rest was utilized or reinjected in the fields. For the OPEC countries as a whole, the quantities of gas flared in 1972 are estimated at over 100 billion cubic meters, or a quantity almost equal to the total amount of gas consumed in the West European countries in the same year. Measured in colorific power, this quantity is equivalent to about 86 million tons of crude oil, or more than 1.5 times the oil production of a country like Algeria. At current prices, the quantities of gas flared in 1972 by the concessionaires operating in the OPEC countries are worth at least $ 4.5 billion.

This stupid and criminal squandering of an energy source and a raw material as invaluable as natural gas constitutes one of the most striking aspects of the plundering of the developing countries' natural resources by the major oil companies.

Given the inexistence of sufficient markets in the producing countries and the relatively recent development of the gas market in the major importing countries (Europe and Japan), the concession-holding companies were faced with the following alternative : either to conserve the gas produced by reinjecting it in the fields, at a low investment cost anyhow, or to get rid of it by flaring it. They have judged it more "economical" to flare it to avoid the expenses involved in conserving gas. It should be noted that in accordance with the concession agreements, these expenses could have been added to the oil production cost and shouldered by the companies and by the countries ironically called "host" countries. To this should be added the fact that the international oil companies have not been able to extend their hold to the international gas market which they continue to consider to be parallel to, and in a sense, a competitor of the oil market.

It is to put an end to this squandering of their resources that since 1968 several OPEC countries have promulgated laws for the conservation of their hydrocarbon reserves. In the gas domain in particular, Algeria was the first OPEC country to take in hand the exploitation of associated gas by building two large recovery units (950,000 tons/yr) at Hassi Messaoud. In Libya a liquefaction plant was built by Exxon at Marsa el-Brega and in Iran, part of the gas produced has been exported by NIOC to the Soviet Union since the end of 1970. At present, the OPEC countries are preparing projects for the exploitation of associated gas either for export or for local utilization as a source of energy or as a raw material for the production of fertilizers, sulfur, carbon black, caustic soda, chlorine and other industrial derivatives.

Until these various projects have materialized, it is more than ever necessary to force the operating companies to reinject the gas produced into the fields or else to pay a compensation representing the full value of the uselessly squandered gas.

Gas Produced, Utilized and Flared in 1972
(In million cu.m.)

	Saudi Arabia	Kuwait	Iran
Gas produced	32,568	17,115	38,062
" utilized	2,806	5,041	(17,185*
" reinjected	2,703	1,866	(
" flared	27,059	10,208	20,877

* Of which 7,984 million cu.m. were exported to the USSR.

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FORTNIGHTLY REPORT

EXPORTING COUNTRIES TO MEET ON 16 AND 17 MARCH IN VIENNA TO DECIDE ON LIFTING THE EMBARGO AND ON PRICES

The three major current oil problems, namely the embargo on exports, the Arab oil production restrictions and the prices applicable from 1 April 1974 will be examined during the meetings scheduled for the week-end, from 16 to 17 March in Vienna, by the Arab Oil Ministers and the Organization of Petroleum Exporting Countries (OPEC).

With regard to the embargo, no official decision was announced at the end of the Arab Oil Ministers (with the exception of Iraq) 13 March Tripoli conference presided over by Mr. Belaid Abdesselam, Algerian Minister of Industry and Energy. The short communiqué published at the end of the conference merely indicates that the "Ministers examined the general situation in the Middle East and the results of the oil decisions taken in Kuwait." (These are the measures adopted since 17 October cutting Arab oil production and establishing an embargo on exports to the United States, Holland, Portugal, Rhodesia and South Africa). The Arab Ministers will meet again during the Vienna week-end.

AOG learns that most of the Arab Ministers having participated in the Tripoli conference (Saudi Arabia, Egypt, Kuwait, Abu Dhabi, Qatar and Bahrain) were for lifting the embargo as a gesture of "goodwill" for the efforts displayed by the United States towards a settlement of the Arab-Israeli conflict. The other countries (Algeria, Libya and Syria) oppose on the other hand such a decision until Syria reaches an acceptable agreement on the withdrawal of the Israeli troops from its territories occupied in June 1967 and in October 1973. In the meantime, the Ministers will consult their governments, and until the Vienna meeting the general tendency is for lifting the embargo against the United States provided that a solution to the Mideast conflict is reached rapidly.

Commenting on the Tripoli meeting the Libyan Oil Minister Ezzedin Mabruk declared : "All of us are not happy but we will continue to work together." In a declaration published on 14 March in the Egyptian al-Akhbar, Saudi Minister Yamani in turn affirmed that only the embargo against the United States would be lifted and that it would be maintained for Holland.

It should finally be noted that Egypt displayed great efforts for lifting the embargo. The Egyptian press went as far as announcing this "decision" long before the Arab Oil Ministers' conference initially scheduled for 10 March in Cairo, then reported to 13 March in Tripoli.

As to the production cutback measures, they will be examined by the Arab Ministers in Vienna in the light of the political situation in the Middle East and of the price issue, the two matters being closely tied together.

With regard to prices finally, the 12 OPEC member countries are to meet on 16 March in an extraordinary conference in Vienna to set the prices (posted prices and government take) applicable during the second quarter of 1974. In accordance with the decisions taken on 23 December in Teheran by the six OPEC Gulf countries, the government take has been fixed at $ 7 per barrel for the marker crude, the 34° API Arabian Light, corresponding to a posting of $ 11.651 per barrel for the first quarter of 1974.

AOG learns that the OPEC Economic Commission Board which has been meeting since 11 March in Vienna, has suggested an increase in posted prices of $ 1 per barrel from 1 April next to offset the inflation since 1 January 1974 in the industrialized countries. Saudi Arabia, on the other hand, is the only OPEC country in favor of a price cut. Most probably the prices prevailing during the first quarter of the year will be maintained in the second quarter. In the longer run, prices will have to be set in the light of the studies conducted by the Economic Commission Board in collaboration with specialized consultants. (See details in AOG, 1 Mar. 1974).

IRAQ

- Baath Party Clarifies the Objectives of Iraqi Oil Policy

"The total liberation of Iraq's economy and resources from any form of foreign control has been and will remain at the base of our development strategy." This declaration was made by Iraqi President Ahmed Hassan al-Bakr in a radio-TV address broadcast in three successive stages on 5,6 and 7 March and devoted to the reading of the political report of the Baath party's 8th regional congress held in Baghdad from 8 to 12 January 1974.

The Baath party's report declares that the nationalization of IPC and of the US, Dutch and Partex's interests in BPC constitutes "a major revolutionary measure and a radical action towards national economic independence. This basic mission, the achievement of economic independence, has not yet been completely realized. We have gone through the most important stage," the report proceeds adding : "In the next stage, we must achieve the country's economic independence in a full and definitive manner."

Considering that the development of the oil industry, Iraq's major resource, conditions to a large extent the solution of the other issues related to economic independence and to the country's social progress, the Baath party's report sets for Iraqi oil policy the following objectives :

- Realize the big oil projects like the Haditha-Fao strategic pipeline, the Kirkuk-Dortyrol oil-line and the deep water terminal within the time periods set.

- Create and develop, insofar as it is possible, an Iraqi petrochemical industry in the coming five years. The report considers that "to be limited to the role of crude oil exporter is a backward policy which is incompatible with our national ambitions and does not assure us of an effective position in international oil affairs. Therefore we have to develop our refining industry."

- Finally, with regard to the production level, while stressing "the necessity of raising production at increasing rates," the report condemns the attitude of those who "follow the current triggered by imperialism and applied in Saudi Arabia and Iran in particular, consisting in increasing production at unbridled rates not corresponding to the actual needs of the producing countries and to their capacity for profiting effectively and positively from the huge revenues generated by this increase."

The report concludes the part devoted to Iraq's oil policy by stressing the necessity of making as rapidly as possible a complete and accurate inventory of the country's oil reserves and of accelerating the exploration activities which the foreign oil companies have interrupted since the early sixties.

Reviewing the efforts displayed in the more general domain of national economic development, the report indicates that national income has risen from ID 896 million in 1969 to ID 1,218 million in 1972 and that it is expected to amount to ID 2,550 million in 1974. In terms of per capita income these results give the following figures : ID 100 in 1969, ID 120 in 1972 and about ID 236 in 1974.

As for value-added in the agricultural sector, it rose from ID 202 million in 1969 to ID 303 million in 1972 and should reach in 1974, according to current forecasts, ID 350 million. In the industrial processing sector, value-added increased from ID 103 million in 1969 to ID 154 million in 1972. For 1974, it is expected to rise to ID 205 million.

The report finally indicates that the investments allocated to development projects under the 1970-1974 Five-year Plan reached about ID 1,560 million of which ID 953 were supplied by the central government and ID 322 million by the industrial establishments of the public sector. The contribution of the private sector amounted to ID 285 million.

- <u>$ 500 Million French Credits to Iraq</u>

France will grant Iraq credits totalling $ 500 million under an economic and technical cooperation agreement signed on 12 March in Baghdad by Mr. Chazel Taka, Iraqi Undersecretary of Foreign Affairs, and Mr. Dumorel, French Deputy Economy and Finance Minister in charge of foreign relations. The two parties also signed a document embodying the various projects which they will realize jointly in the different sectors of the oil industry, the exploitation of mineral resources and in agriculture. The execution of the contemplated projects is expected to start in three months.

A Franco-Iraqi joint commission has been formed to supervise the realization of the projects. It will meet once a year, alternately in Paris and in Baghdad.

The new agreement follows the visit made last January to Iraq by French Foreign Affairs Minister Michel Jobert.

Iraq had also signed on 17 January last a cooperation agreement with Japan, under which it obtained Japanese credits of $ 1 billion. Another agreement is being negotiated with Italy (AOG, 1 Feb. 1974).

- <u>No Agreement with Japan on Oil Prices</u>

Talks for Japan's purchase of crude oil from Iraq have not been conclusive, the Japanese Kyodo News Service reported on 14 March.

Quoting Japanese oil industry sources, the news agency said that wide price differences were behind the failure of the talks which have recently been held in Baghdad between Iraqi oil authorities and a Japanese delegation sent by the Ministry of International Trade and Industry (MITI).

These talks follow the economic and technical cooperation agreement signed on 17 January between the two countries. Under this agreement Japan was to grant Iraq $-1 billion credits for financing various oil and industrial projects in Iraq (AOG, 1 Feb.1974).

Still quoting Japanese oil sources, Kyodo News Service indicated that the deadlock in the recent talks had been brought about by Iraq's insistence on getting an export price equal to the posted price of $ 11.672 per barrel while the Japanese delegation offered a little over $ 9 per barrel. The quantities involved are reportedly 90 million tons of crude oil over a period of 10 years commencing in 1974.

- <u>Agricultural Development to Be Tied to the Oil Export Contracts</u>

AOG learns from an official Iraqi source that the Baghdad authorities are considering the execution of an ambitious agricultural development project involving investments of ID 700 million (about $ 2.8 billion) during the coming Five-year Plan which is to start on 1 April next. The program provides notably for land desalination and the improvement of some 2 million dunoms as well as for the realization of several irrigation projects and the mechanization of agriculture.

The Iraqi government is thinking of tying the agreements which will be concluded with foreign companies for the execution of this program to the oil exploration contracts in order to avoid risks and to use oil exports as a guarantee for the realization of the agricultural projects. Negotiations to this effect are underway with the FAO and several foreign countries, notably France and Britain, for the formation of a consortium to be charged with the execution of the contemplated agricultural projects. Iraq has asked FAO to supply it with 40 agricultural experts and has established contacts in Europe, in the Arab countries and in India to recruit about one thousand agricultural technicians.

The importance attached by the Iraqi authorities to the agricultural sector reflects their determination to accelerate the development of the productive sectors likely to take over from the expendable oil and gas resources. Iraqi President Ahmed Hassan al-Bakr has recently summed up the preoccupations of his government in this respect by saying : "Our permanent and real sources of wealth are God and the land."

- Over 30 Offers for the Conclusion of Service Contracts

AOG learns that more than 30 foreign companies have made bids in answer to the international tender launched in July 1973 by INOC for oil exploration and production in six blocks covering a total area of 46,860 sq.km. (AOG, 1 Aug. 1973). Among these companies figure CFP, Amoco, Shell, Agip, Japan Petroleum Development Corporation (JPDC), the Austrian OMV, Atlantic/Richfield and East European oil companies. INOC has proposed the service contract concluded in August 1972 with Petrobras as a model of the minimum conditions for the exploration and production agreements contemplated with the bidders.

- $-11.2 Million Contract for the Purchase of Equipment for North Rumaila 3rd Exploitation Phase

The General Company for Consulting and Planning of Oil Projects has signed with a still non-identified foreign company a contract worth ID 2.8 million ($ 11.2 million) for the purchase of pumping stations, gas separation units and other equipment necessary for the third exploitation phase of North Rumaila.

The field's second exploitation phase will be inaugurated on 7 April next and will raise production from 100,000 b/d to 360,000 b/d. During the third phase production is to rise to 0.8-1 million b/d (AOG, 1 March 1974).

- New Project for the Export of Methanol

Our correspondent in Baghdad learns that a contract worth $ 100,000 has been signed with a foreign company for the undertaking of a feasibility study on the possibilities of producing and exporting methanol from the associated gas produced in Iraq. The study will have to be completed within a 5-month period.

- INOC Orders Five Tankers from Japan

Japan's Ishikawajima Heavy Industries (IHI) will build for Iraqi Oil Tankers Company (IOTC), an INOC subsidiary, a 144,000-ton tanker under a contract signed on 28 February with INOC. The tanker will be delivered in December 1976.

INOC signed on 5 March a second contract with the Japanese company Sumitomo providing for the construction of 4 other tankers with a total capacity of 500,000 tons deliverable in the coming 3 years.

It will be recalled that INOC has already received seven 35,000-ton tankers built by the Spanish shipyards Astilleros Espanoles S.A. and that on 21 February last it placed an order for the construction of four 154,000-ton tankers with the Swedish company Gotaverken (AOG, 1 March 1974).

- New Exploration Contracts

The Soviet company Machinoexport signed on 23 February with INOC a contract worth $ 3.4 million for the execution of a seismic survey in the Dyali and Khanaqin regions, northeast of Baghdad.

Another $-550,000 contract was signed by Iraq National Mineral Company (INMC) with the Czechoslovak company Stroyexport for the execution of a gravimetric survey in a 45,000-sq.m. zone in the Western desert and for the construction of a laboratory destined for rock analysis.

- Sale of 300,000 Tons of Sulfur to Egypt

Iraq is to deliver in April-May next 300,000 tons of sulfur to the Egyptian Abu Zaabal Chemical Fertilizer Company under a contract worth $ 1,165,000 signed on 28 February last in Cairo.

LIBYA

- Oil Exploration and Supply Agreements Negotiated with France

A delegation representing the two French groups CFP and Elf/Erap is awaited in Tripoli to proceed with the negotiations for the conclusion of several Franco-Libyan oil cooperation agreements in the exploration, refining, transport and petrochemical domains. CFP is believed to be particularly interested in obtaining exploration rights in the Libyan offshore. The purpose of the coming negotiations is to define the details of the blueprint agreement concluded with CFP and Elf/Erap's possibilities of participating in the development of the oil industry in Libya. These negotiations follow the long-term protocol signed on 19 February in Paris between the two countries which provides for extended French participation in the development of the Libyan oil industry, the construction of a Libyan fleet (oil and non-oil), the extension of the telecommunications network between the two countries, agricultural development and the construction of public establishments (notably hospitals) and prefabricated houses in Libya.

According to French estimates, this agreement may be as important as the $ 3-5 billion agreement signed on 9 February between France and Iran (AOG, 16 Feb. and 1 Mar. 1974).

The West German group Deminex is also expected to send soon a delegation to Tripoli for talks on oil exploration in Libya.

- Important Oil Discovery Reported in Western Libya

According to a dispatch dated 13 March of the official Libyan news agency ARNA, an important oil discovery has been made in the Ghadames Basin 400 kilometers southwest of Tripoli, in western Libya. ARNA adds that the reserves discovered are estimated at one billion barrels. Five wells were drilled in 1973, and 18 other would be drilled in 1974, ARNA said. Bids will be invited for building a pipeline to the coast, it added.

It is to be noted that several small fields were discovered in western Libya in the sixties by the concession-holding companies. These fields had not been put in production owing both to their small size and their location far from the coast. It seems that the information reported by ARNA relates to the development of these fields.

- Arab Industry Ministers to Meet in Tripoli

The Arab Industry Ministers will hold their third congress from 6 to 15 April in Tripoli. On the agenda figures notably the role of oil in the Arab countries' industrial development.

Several international organizations including OPEC, the Afro-Asian Cooperation Organization, Afro-Asian banks and Arab and Arab-European Chambers of Commerce have been invited to attend the congress.

- Oil Statistics

According to official Libyan statistics, in 1973 oil production in Libya amounted to 2,175,601 b/d compared to 2,239,397 b/d in 1972 (-3.2%). Exports dropped by 2.2% decreasing from 2,214,202 b/d in 1972 to 2,172,753 b/d in 1973.

There were 861 wells operating during that year, of which 360 produce by natural field pressure, 322 by pumping and 179 by gas injections.

As for associated gas, production amounted to 562,922,812,000 cu.ft in 1973 of which 369,168,862,000 were utilized while the rest, or 193,753,950,000 cu.ft were wastefully flared.

- Libya Interested in the Construction of a Refinery in Cyprus

The Cypriot daily Ta Nea reported in its 13 March issue that Libya had manifested its desire to participate in the construction of a 50,000-b/d (2.5 million tons/yr) refinery in Cyprus. The refinery would be fed with Libyan crude and most of its production would be destined for export.

- Two Million Tons of Crude Annually to Sweden

Under an agreement in principle signed on 6 March in Stockholm at the end of Libyan Premier Abdesselam Jallud's visit to Sweden, Libya will supply to Sweden 2 million tons of crude oil annually over a 10-year period. The two countries are also contemplating the joint construction of a refinery in Sweden.

KUWAIT

- New Participation Agreement Expected to Be Amended

The new 60% participation agreement signed on 29 January with BP and Gulf Oil has very little chance of being ratified by the Kuwaiti National Assembly, at least in its present form. This is the conclusion which can be drawn from the discussions of the Assembly's Finance and Economy Committee. Several deputies who are members of this Committee have stressed the necessity of amending certain clauses of this agreement, notably adding one explicitly stipulating accession to full control in 1980.

Another controversy has developed over the clause stipulating that a 75 per cent majority is needed for major decisions of the Joint Management committee to be established by the Government - 2 members - and the companies - 2 members - (AOG, Feb. 16, 1974).

- KFAED Grants a $-33.8 Million Loan to Egypt and a $-6.76 Million Loan to Syria

The Kuwait Fund for Arab Economic Development (KFAED) signed on 7 March two loan agreements with Egypt and Syria.

The first was concluded with the Suez Canal Organization with the Egyptian government's guarantee. It provides for a loan of KD 10 million ($ 33.8 million) destined for financing the Canal clearing works and its restoration to pre-June 1967 conditions. The loan will carry a 3.5% annual interest and will be repaid over an 18-year period from September 1977. The total cost of the works is estimated at $ 93.5 million of which $ 33.1 million are in Egyptian currency and $ 60.4 million in foreign exchange.

KFAED's loan will cover 56% of the foreign exchange cost.

The loan granted Syria amounts to KD 2 million ($ 6.76 million). It will be used for the financing of part of the reconstruction and enlargement works of the 54,000-b/d Homs refinery which was partly destroyed during the October 1973 war.

ABU DHABI

- Talks Underway for the Sale of 30 Million Barrels

Abu Dhabi National Oil Company (ADNOC) denied on 14 March reports on the postponement sine die of the auction sale of 250,000 b/d (of which 150,000 b/d are royalty crude and 100,000 b/d participation crude) deliverable during the four months period April-July 1974, adding up to a total of 30 million barrels. The deadline for the submission of offers had been set for 5 March before being deferred to 9 March, 10.00 a.m. (AOG, 16 Feb. 1974).

Reports from Abu Dhabi indicate that talks are proceeding with the companies which have consented to improve their offers. Some of the bids, AOG understands, have been made on the basis of prices higher than the present Abu Dhabi crude postings : $ 12.636/barrel for the 39° API Murban crude, $ 12.566 for the 40° API Zakum crude and $ 12.086 for the 37° API Umm Shaif crude.

Some 45 companies had submitted bids. They include notably Phillips, Shell, Koch Oil, Petrobras, Charter Oil and the Japanese companies Mitsui, Sumitomo, Nissho-Iwai, C.Itoh, Showa Oil and Kanematsu-Gosho

KUWAIT-ABU DHABI

- Two French Companies Constituted to Participate in the Petrochemical Industry of Kuwait and Abu Dhabi

Two French joint-stock companies, Sofrapad and Sofrapek have been constituted by a French group of banking and industrial firms for the development of the petrochemical industry in Kuwait and Abu Dhabi, a statement published on 11 March in Paris announced.

This group includes the Banque Française du Commerce Extérieur (BFCE), Gazocean, the Société Chimique des Charbonnages (CDF-Chimie) and the Société d'Etudes Techniques Générales (Sodeteg) which have equal shares in the two new companies.

Sofrapad (Société Française pour l'Industrie Pétrochimique à Abou Dhabi) is charged with defining and lining up the means necessary for the realization of petrochemical plants and with participating in the local companies which will be created for the construction and exploitation of these plants in Abu Dhabi.

Sofrapek (Société Française pour l'Industrie Pétrochimique au Koweit) has the same mission in Kuwait.

The French group referred to above has been conducting talks for several months with Kuwait and Abu Dhabi for the realization of petrochemical projects with the collaboration of these two countries. (AOG, Jan. 1, 1974).

ALGERIA

- Skikda LNG Plant Shuts Down Anew

Sonatrach announced that production at the Skikda gas liquefaction plant had been once more interrupted. The plant built by the French company Technip had resumed operations in February last, after a 3-month shutdown caused by technical failures (AOG, 16 Jan. 1974). No official reason has been given by Sonatrach for the new shutdown of the plant. New technical difficulties seem to have arisen.

- Clarification by Sonatrach on the Algerian Crude Sales Prices

Following the reports which have recently circulated on the drop in Algerian oil prices and on the refusal of the French State-owned group Elf/Erap to purchase 3 million tons of Algerian crude at the price of $ 15 per barrel, Sonatrach's Deputy Chairman Nouredin Aït Laouissine delivered the following statement to the French Le Monde of 9 March :

In December 1973, Mr. Aït Laouissine explains, the price of Algerian crude was $ 9/barrel and at year end Sonatrach was establishing contacts with its customers to set the price for the first quarter of 1974. Owing to the decisions taken on 23 December and to the uncertainty still hanging over prices, the Algerian national company agreed with its customers to set a provisional price of $ 12.50/barrel subject to upward or downward adjustment depending on market trends.

Mr. Laouissine added that the French companies had in the meantime demanded additional quantities from Algeria due to the crisis. Because it was France, he specified, Sonatrach meant to show a sign of good will by putting additional quantities at the disposal of CFP and Elf/Erap.

"We have learnt," Mr. Laouissine proceeded, "that Libya was offering on the market 40 million tons at $ 16/barrel and that one of the two French companies, which I do not want to name (actually, it is Elf/Erap) had at the same time established contacts with that country agreeing to the price. Our crude being of better quality and freight being lower, could we have asked for a lower price ? However, the company in question offered us $ 11-12 per barrel. We answered that this was not a serious offer. Buyers were not wanting and we sold to others."

Actually, Sonatrach had asked for a price of $ 16.25/barrel. Mr. Aït Laouissine specified that ten out of fifteen customers had consented to this price, that the other French company (CFP) had made "realistic and serious" offers and that a contract had been concluded with it.

Sonatrach's Deputy Chairman added : "It is we who later fixed the price at $ 14 per barrel for the first quarter, taking into account the evolution of the market on the whole and not on the basis of the prices reached in marginal sales. We have adjusted on the basis of this figure the contracts of the companies which had agreed to pay $ 16.

If we lowered our prices, it was not therefore because we could not find buyers but because we wanted to be reasonable. Indeed, our customers are engaged in exploration in Algeria and we intend to practise a long range policy based on confidence."

"We regret that the positive gestures which we have made and which reflected a reasonable attitude should have been misinterpreted by one company and by the press while our other clients let us know that they appreciated our attitude," Mr. Aït Laouissine concluded.

EGYPT

- New Accelerated Development Programs for 1974-1975 Confirm Egypt's "Opening Up" Policy

Egyptian Deputy Premier and Economy and Finance Minister Abdel-Aziz Higazi announced on 7 March plans for accelerated development programs for 1974 and 1975 to be followed by an overall Five-year Plan ending in 1980. General targets set for the coming two years include reconstruction (of the Canal zone mainly), production growth, land improvement and irrigation, the provision of guarantees for foreign and domestic private investment and the gradual desocialization of the Egyptian economy.

This is part of President Sadat's plans for "opening up" the country's economy which has fully manifested itself since the October 1973 war and more particularly since the disengagement agreement with Israel. It has, among other things, resulted in a rush of foreign and Arab countries offering financial assistance to Egypt to help it in its reconstruction and investment programs.

Thus, early in February Libya agreed to spend $ 800 million on development projects in Egypt, Kuwait $ 700 million and Abu Dhabi £ 2.5 million. Furthermore, Saudi Arabia, Kuwait, Abu Dhabi and Qatar have participated up to $ 200 million in the new Arab Oil Pipeline Company which is to build the Suez-Alexandria (Sumed) pipeline and Arab oil producing countries are also to finance a $-400 million refinery in Alexandria, and to participate in the financing of tourism and housing projects worth about $ 100 million. More recently, the Kuwait Fund for Arab Economic Development (KFAED) has granted Egypt a loan of $ 33.8 million covering 56% of the foreign exchange cost of the Suez Canal clearing and reopening works.

Furthermore, Egypt's opening up to the West and more particularly to the United States is also evident in the recent stand adopted by

Egypt for lifting the Arab oil embargo against the US and in its determination to call mainly on US firms for clearing the Suez Canal and rebuilding the Canal zone. The Suez Canal Organization has interrupted the negotiations underway with a Yugoslav company specialized in clearing works. Another sign is given by the authorization granted to Chase Manhattan Bank to open a branch in Port Said.

In the new program announced by Deputy Premier al-Higazi, an important place is given to the encouragement of foreign and domestic private investment. Thus, an autonomous body, the Arab International Economic Cooperation Authority has been created charged mainly with easing administrative procedures for investment, providing the necessary project studies, preparing and supervising the conclusion of bilateral, regional and international agreements connected with Arab and foreign investments, etc...

As to the accelerated development programs for 1974-1975, they propose to:

- Transform into free zones, the Canal zone, Cairo, Alexandria and most of the Western desert region.

- Develop the basic industries like cement, fertilizers, spinning and weaving, etc...

- Free trade from the duties imposed upon it and remove gradually exchange control.

- Develop agricultural industries.

- Encourage and increase exports and develop export-oriented industries.

- Revise customs duties, ease or remove tariffs on raw materials and industrial inputs.

IRAN

- Agreement with West Germany for the Construction of a 500,000-B/D Refinery

Iranian Premier Amir Abbas Hoveyda last week announced in Bonn that an Iranian-German agreement had been concluded for the construction of a 500,000-b/d refinery (25 million tons/yr) and of a petrochemical complex at the Iranian Busher terminal. The project will be realized by a 50-50 Iranian-German joint company and will cost some $ 2 billion. About one-third of the refinery production will be utilized in the petrochemical complex.

Mr. Hoveyda specified that the rival project initially contemplated with Japan had been cancelled (AOG, 16 Jan. 1974).

- The Shah : The Westerners Are Plundering my Country

In an interview with the Columbian TV on 11 March, the Shah of Iran accused the "blue-eyed Europeans and Americans" of plundering his country over the last several years and of exploiting the Iranian oilfields in a particularly destructive way. The Shah added that this was one of the reasons which induced him to raise the price of Iranian crude.

The Shah further declared that $ 5-6 billion from oil revenues would be invested in Iran this year. The largest part will be allocated to the development of the petrochemical industry. Another part, he specified, "will be used to provide free food in the schools and to raise the annual household income to $ 1,000." He added that he hoped this income would reach $ 1,800 in four years.

SAUDI ARABIA

- Project for the Construction of a 500,000-B/D Refinery in Association with Shell

Petromin is negotiating with Shell the construction of a new 500,000-b/d (25 million tons/yr) refinery in Saudi Arabia, estimated to cost $ 1 billion. The project would be realized under a 50-50 partnership. The capacity of the refinery may later be raised to 750,000 b/d.

- Price of Crude Sold to France Set at $ 10.835/Barrel

AOG learns from French sources that the contract concluded between Petromin and the two French companies CFP and Elf/Erap providing for the delivery of 27-30 million tons over a 3-year period, has been signed on the basis of a price corresponding to 93% of the posting, or $ 10.835/barrel on the basis of the current posted price of $ 11.651/barrel for the 34° API Arabian Light. Furthermore a premium of about $ 1 per barrel will be applied until the embargo against the United States is lifted.

- Minister Yamani May Lose his Post for his "Too Pronounced American Sympathies"

AOG learns from Saudi sources that there is increasing talk about transferring Mr. Ahmed Zaki Yamani from the post of Minister of Oil and Mineral Resources which he has been occupying for 12 years. Several Saudi leaders reproach Mr. Yamani for his "too pronounced

American sympathies" considered to conflict with the Kingdom's interests.

These accusations have been accentuated by Mr. Yamani's recent stands on cutting prices and lifting the embargo on oil exports to the United States.

With regard to prices in particular, the Shah of Iran reaffirmed, on 24 February in a television interview with the American CBS network, his opposition to any cut in current prices. Asked about Mr. Yamani's declarations on the price reduction, the Shah answered : "He has been told to say that, I'm sorry to say this." Pressed by the interviewer, the US journalist Mike Wallace, to name those who "whisper" to Yamani his declarations, the Shah answered : "I'm not going to mention any names."

QATAR

- Qatar is Preparing the Post-Oil Era

The Emirate of Qatar is preparing to face the post-oil era. In a declaration to the press the Ruler of Qatar Sheikh Khalifa Ben Hamad indicated that the country's oil reserves would start to run out at the beginning of the next century. "As in any other country, development is not possible in Qatar without a solid economy," he proceeded. According to Sheikh Hamad, this target can be reached through the creation of an industrial base capable of producing an annual national income of about QR 1.5 billion. The investments necessary for the realization of this objective are estimated at QR 10 billion (about $ 2.53 billion) over the coming ten years.

Several industrial development projects are contemplated, including in particular :

- A 150,000 to 300,000-ton/yr steel plant

- An aluminium smelter

- A big oil refinery

- A petrochemical complex

- Two associated and natural gas liquefaction plants

- The creation of a fishing industry through fish-breeding or through the development of a fishing fleet

- The creation of a commercial fleet

- Enlargement of the chemical fertilizer plant

- Expansion in two stages of the Umm Bab cement plant to double its current 300-ton/yr capacity.

It will be noted that gas will be the main energy source utilized in these projects. "Our natural gas and associated gas reserves will not run out in a hundred years," the Ruler of Qatar declared.

He further believes that "the last energy crisis has not only given to the Arabs a new weight in the world, but has also offered the possibility of realizing a balance between industrialized and Third World countries. We have become partners. We possess the raw materials, the developed countries possess the technology. A new era is opening for humanity, that of cooperation."

SYRIA

- Deadline for the Submission of Exploration Offers Deferred to 31 March

General Petroleum Company (GPC) has deferred to 31 March the deadline for the submission of the bids for oil exploration and production in the 6 blocks subject to an international tender (AOG, 1 March 1974).

Preliminary contacts have already started with European companies, including in particular CFP.

- Signature of the Agreement for Iraq's $-50 Million Aid to Syria

Iraq and Syria signed on 7 March in Damascus the agreement providing for the $ 50 million aid granted by Iraq to Syria to assist it in overcoming the economic difficulties generated by the October 1973 war. This aid will be furnished in the form of Iraqi participation in Syrian projects (AOG, 1 March 1974).

- Easing of Exchange Control Measures

A decree published on 13 March in Damascus has cancelled the restrictions imposed since 1961 on the entry and exit of foreign banknotes.

LEBANON

- Union of Arab Banks Created

A Beirut-based Union of Arab Banks has been created by a decision taken on 13 March by the Arab banks conference held from 11 to 13 March in the Lebanese capital. Mr. Joseph Geagea, President of the Lebanese Bankers' Association has been elected Chairman of the new Union. The Secretary General and Assistant Secretaries General will be appointed later.

Apart from 100% Arab banks, the Union will include Arab-European and Arab-African bank representatives.

GENERAL

- The Prospects of an Arab-European Dialogue Worry Washington

The "Coordination Committee" created by the Washington energy conference started on 13 March its meetings in Brussels to prepare the opening of talks with the oil exporting countries. The Committee includes the representatives of the industrialized countries having taken part in the Washington conference, with the exception of France (AOG, 1 Mar. 1974). The Committee hopes to be able to define a common policy for the industrialized nations before 1 May next and to organize later a conference with the exporting countries.

As for the US government, it fears lest the EEC countries, under France's pressure, seek a tête-à-tête with the OPEC countries and wishes that the oil problems would be debated within the wider frame of a conference grouping all the exporting and the consuming countries.

It will be recalled that the United Nations General Assembly will hold from 9 April a special session, upon Algeria's demand, to examine the energy problems within the general frame of relations between the developing and the industrialized countries (AOG, 1 Mar.1974).

- New East European Pipeline Will Enable Comecon Countries to Increase their Arab Oil Imports

The former project for the construction of a pipeline carrying oil to the East European countries via the Adriatic has finally been the subject of an agreement signed by Czechoslovakia, Hungary and Yugoslavia. The pipeline will run from the Omisalj port, near Rijeka, to the Yugoslav refining centers. A loop line will connect it to Hungary where it will

join the "Friendship" pipeline coming from the USSR. The pipeline will be 720 km long and will cost some $ 350 million. It will have an annual capacity of 34 million tons of which 5 million tons will go to Hungary and an equal amount to Czechoslovakia.

According to East European sources, the IBRD and some Middle Eastern countries will participate in the financing of this project which will make possible a rapid increase of Arab oil exports to Eastern Europe. Hungary has already purchased 16,500 b/d of Libyan crude deliverable from 1976 and an almost equal quantity from other Arab countries.

- Even the CIA Has not Been Able to Get Information on the Real Volume of World Oil Reserves

The US Central Intelligence Agency (CIA) has tried to determine, but unsuccessfully, the real volume of world oil reserves. It is Mr. Richard Helms, former Director of the CIA and new US ambassador in Iran, who affirmed this in a secret statement made to the US Senate Foreign Affairs Committee and published on 10 March.

According to Mr. Helms, the CIA had considerable difficulties in getting accurate information from the oil companies on probable and proven world oil reserves and on the actual price structure. He gave as an example Venezuela where the US oil companies kept the secret jealously and did not share their information among themselves or with anybody else.

The oil issue had been raised in discussions between the Senators and Mr. Helms on the methods used by the CIA to obtain information from US businessmen coming back from abroad. Mr. Helms had then explained that the CIA, not paying these persons and not offering their companies a preferential treatment, depended totally on the good will and honesty of the businessmen who wanted to collaborate with it.

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TOWARDS A NEW INTERNATIONAL OIL EQUILIBRIUM

By Dr. Taki RIFAI
Director at the Arab and International
Investment Bank, Paris

Despite appearances, it is legitimate to credit the producing countries with a sincere concern for the stabilization of oil prices on bases safeguarding the interests of all parties concerned. The more so since the new prices have reached, if not by-passed, a threshold which is preoccupying for the economic and monetary equilibrium of the Western world and is openly tragic for the Third World countries. For certain OPEC countries, the price of oil should be lined up with that of substitute energy products such as those obtained from bituminous shales or the gasifaction or liquefaction of coal. But since such products are not utilizable in the near future, there should be concertation with the OECD member countries in order to study the prospective costs of the future substitution techniques and take them as reference for the setting of oil prices. World inflation should also be taken into consideration.

Here the tone was set in Teheran in the official communiqué published on 23 December 1973 by OPEC which concludes : "Considering that the government take of $ 7 per barrel is moderate, the Ministers hope that the consuming countries will refrain from further increase of their export prices."

This manifestation of good will on the part of the producing countries represented but a meagre consolation for the consuming countries whose bitterness was all the greater since the situation of shortage and of almost exclusive dependence on the OPEC countries did not even allow them to protest, even less to react. The relative easing of the restriction measures imposed by the Arab countries has surely moved away the specter of generalized economic recession, but the sudden and untimely rise in oil prices has hung heavy threats on the world economic equilibrium. The complex and deep problems raised by this new situation can be easily detected by most observers but their analysis, in default of a solution, seems at present to be out of reach.

In the absence of a clear vision of the future, it would certainly be useful and necessary to be able to round up as closely as possible the different problems, to clarify the environment in which they are raised, to highlight their interdependence and define the main factors which are likely to affect the evolution of the situation in the coming months. Not being able yet to make an overall evaluation, the analysis which follows cannot but be schematic and rough. It will however have the merit of putting ideas in order and of stimulating thinking.

For the producing countries, the revenge has been total and smashing. Vis-à-vis the big international companies which had hitherto arrogated all the decision rights to themselves without taking into account national determinations or nationalist aspirations. On the political and diplomatic levels where the whole world sought to gain their friendship, if not their benevolence. And of course on the level of prices which increased by about 650% between 15 February 1971 and 23 December 1973. The government revenue followed the trend in a slightly higher proportion as a result of the improvement of tax rates, the introduction of quality premiums (low sulfur content, freight) and of the implementation of the participation agreement. For the reference crude of the Gulf region (34° Arabian Light), the government take was set in Teheran at $ 7 per barrel. The Saudis can market directly 25% of their production at a price set at 93% of the posting. Taking into account the production cost (about 10 cents per barrel), the profit margin per barrel of participation crude becomes $ 10.74. With a 25% participation, the weighted average income becomes $ 8 approximately; it would amount to about $ 9.25 should participation rise to 60%, as it now seems probable. At the current level of Saudi production, or 7 million barrels daily, Saudi Arabia's annual revenue would amount to $ 20.5-23.6 billion in the two cases indicated. By comparison, its revenue in 1972 was slightly higher than $ 3 billion. Should Saudi production come back to the September 1973 level, prior to the application of the restriction measures, or 9 million barrels daily, then annual revenue would reach $ 26.3-30.4 billion. Should Saudi production reach the level forecast by Aramco for 1980, or some 20 million barrels daily, then the annual revenue on the basis of the price prevailing on 1 January 1974, would amount to $ 58.4-67.5 billion.

Considering that the production of the Gulf region will in 1974 amount to some 8 billion barrels (at the average September 1973 level), the total revenues of the region's producing countries will amount to $ 64-74 billion. Taking into account the higher prices existing in Africa and the sustained expansion of the market, it is probable that the total revenues of the OPEC member countries will in 1974 exceed $ 100 billion, or ten times the 1972 total revenues of the Middle Eastern countries and Libya which then amounted to slightly over $ 10 billion.

Table 1

Posted Prices of Main Gulf Crudes as at 1 January 1974
(US $/bbl)

	API	Gravity Differential API	Sulfur Premium	Freight Premium	Posted Price
Saudi Arabia					
Arabian Light	34°	-	-	-	11.651
Arabian Medium	31°	(0.090)	-	-	11.561
Arabian Heavy	27°	(0.210	-	-	11.441
Iran					
Iranian Light	34°	-	0.250	(0.026)	11.875
Iranian Heavy	31°	(0.090)	0.100	(0.026)	11.635
Kuwait					
Kuwait	31°	(0.090)	-	(0.016)	11.545
Abu Dhabi					
Murban	39°	0.030	0.700	(0.015)	12.636
Marine (Umm Shaif)	37°	0.180	0.250	0.005	12.086
Zakum	40°	0.360	0.550	0.005	12.566
Iraq					
Basrah	35°	0.060	-	(0.039)	11.672
Qatar					
Dukhan	40°	0.360	0.420	(0.017)	12.414
Marine	36°	0.120	0.250	(0.008)	12.013

Note : Figures between brackets are negative.

These figures make one feel dizzy, and one frankly hesitates to calculate cumulative revenues over a certain period of time, say for example between 1974 and 1980. Given the size of these amounts, the classical problem of how the producing countries will use their oil revenues has become outdated since, in any case, the excess liquidities will be several tens of billions of dollars annually. In view of the importance of the Arab countries' oil reserves and of the high level of their unit income per barrel, it is obvious that it will be possible for them to cover their total financial requirements by producing a certain oil quantity much below what is necessary for satisfying demand. Any production above this level will be translated into financial excess which has to find secure, remunerative investment outlets acceptable to the countries concerned. Otherwise, there will be a big temptation to limit production in order to better preserve the natural resources and avoid their squandering. The result is that the production level will essentially depend on the "financial conservation" destined for ensuring the management of the liquidity surplusses which are going to be accumulated in most producing countries.

For the consuming countries of Europe and Japan, the brutal and unexpected shock has called for a heart-rending revision of the hopes and prospects of the Western world. The impact was felt simultaneously on several fronts. The fears of generalized economic recession and unemployment caused by the disorganization of supply channels following the Arab restrictions have somewhat subsided. Without recovering the past situation of abundance, the consuming countries will be able to obtain normal supplies provided they can pay the price. At best, the successive price increases will be fully passed over to the bills to be paid by the consuming countries assuming that the other components of import prices remain at their previous level. OECD experts have calculated that before 16 October 1973, the average import price of a barrel of crude from the Gulf amounted to $ 3.45 of which $ 1.70 represented relatively fixed costs (exploitation cost, company profits and expenses, freight and insurance) and $ 1.75 was paid to the producing countries in the form of taxes and royalties. The government share rose from $ 3.30 on 16 October 1973 to $ 7 from 1 January 1974, raising the final cost to the consumer to about $ 8.70, or an increase of approximately 152%. According to the OECD calculations, the additional outflows of the twenty-four (industrialized) countries members of the Organization resulting from the two price increases will exceed $ 50 billion.

The first impact of the higher oil prices will show itself through the reinforcement of inflationist pressures in Europe and in Japan where it is believed that the direct incidence on prices will be reflected in a 1-2% increase. There is need however for moderating the

Table 2

Evolution of Main Gulf Crude Postings 1971-1974
(US $/bbl)

	1971			1972	1973							1974
	Pre-15 Feb.	15 Feb.	1 June	20 Jan.	1 Jan.	1 Apr.	1 June	1 Oct.	16 Oct.	1 Nov.	1 Dec.	1 Jan.
Saudi Arabia												
Arabian Light	1.800	2.180	2.285	2.479	2.591	2.742	2.898	3.011	5.119	5.176	5.036	11.651
Arabian Medium	1.680	2.085	2.187	2.373	2.482	2.626	2.776	2.884	4.903	4.957	4.822	11.561
Arabian Heavy	1.560	1.960	2.064	2.239	2.345	2.481	2.623	2.725	4.633	4.684	4.557	11.441
Iran												
Iranian Light	1.790	2.170	2.274	2.467	2.579	2.729	2.884	2.995	5.341	5.401	5.254	11.875
Iranian Heavy	1.720	2.125	2.228	2.417	2.527	2.674	2.826	2.936	4.991	5.046	5.006	11.635
Kuwait												
Kuwait	1.680	2.085	2.187	2.373	2.482	2.626	2.776	2.884	4.903	4.957	4.822	11.545
Abu Dhabi												
Murban	1.880	2.235	2.341	2.540	2.654	2.808	2.968	3.084	6.045	6.113	5.944	12.636
Marine (Umm Shaif)	1.860	2.225	2.331	2.529	2.642	2.796	2.955	3.070	5.537	5.599	5.446	12.086
Zakum	-	-	-	-	-	-	-	-	5.964	6.031	5.865	12.566
Iraq												
Basrah	1.720	2.155	2.259	2.451	2.562	2.711	2.865	2.977	5.061	5.117	4.978	11.672
Qatar												
Dukhan	1.930	2.280	2.387	2.590	2.705	2.862	3.025	3.143	5.834	5.899	5.737	12.414
Marine	1.830	2.200	2.305	2.501	2.614	2.766	2.923	3.037	5.503	5.563	5.412	12.013

excessive judgments formulated by certain press organs following the Teheran decisions. The unrelenting price increase in the industrialized countries did not wait for the rise in oil prices to be triggered and generalized in the proportions it assumed. It is rather an easy alibi to which certain officials resort in overcriticizing the producing countries whereas the impact of the increases decided upon in Teheran only represents the "normal" inflation which a country like France undergoes every two or three months.

The impact is not very noticeable either at the individual consumer's level due to the dominant share of local taxes in the sales prices to the public. The price increase however reaches high enough levels to induce people to watch closely their consumption, a result which will have a beneficial effect in putting an end to the current squandering of energy in the Western world.

The real problem will arise on the level of the national balances of payments in which the deficit will grow as a result of a disequilibrium in the trade balances. Thus, theoretically, in 1974 Japan will have to use all its foreign exchange reserves, or $ 15 billion, to pay for its additional oil bills. In Europe, Germany alone seems to be capable of maintaining a certain balance, while there will be a deficit in France of at least $ 3 billion. This situation will grow worse in the following years unless an overall solution is found to prevent this foreign exchange drain.

The consequences of such a phenomenon will be considerable and far-reaching. In the immediate future, the consuming countries in deficit will seek to reduce their imports through saving measures destined for limiting the useless squandering of energy and through holding back somewhat their expansion. However, these measures will not be sufficient for removing the deficit and the consuming countries will have to find appropriate means for earning the dollars necessary for paying their crude purchases. Thus, the monetary problem has come to occupy a major place in world preoccupations and its impact will be determining on the world's new political and economic equilibrium.

For the Third World countries the situation will be openly tragic and apparently hopeless, the more so since their precarious economies as well as the new economic balances of power created by the sharp rise in oil prices do not leave them any possibilities for compensation, contrary to what is expected for the industrialized countries which will transfer most of the higher energy cost to the prices of the manufactured products which they export. Thus, the poor countries will

Table 3

Evolution of the Government Unit Income per Barrel for Main Gulf Crudes, 1971-1974
(US $/bbl)

	1971			1972	1973							1974
	Pre-15 Feb.	15 Feb.	1 June	20 Jan.	1 Jan.	1 Apr.	1 June	1 Oct.	16 Oct.	1 Nov.	1 Dec.	1 Jan.
Saudi Arabia												
Arabian Light	0.989	1.261	1.325	1.448	1.516	1.607	1.702	1.770	3.048	3.083	2.998	7.008
Arabian Medium	0.930	1.203	1.265	1.384	1.450	1.537	1.628	1.694	2.917	2.950	2.868	6.954
Arabian Heavy	0.843	1.106	1.169	1.302	1.367	1.449	1.535	1.597	2.754	2.785	2.708	6.881
Iran												
Iranian Light	0.983	1.250	1.313	1.430	1.497	1.588	1.683	1.750	3.172	3.208	3.119	7.133
Iranian Heavy	0.944	1.222	1.285	1.400	1.466	1.555	1.647	1.714	2.960	2.993	2.969	6.988
Kuwait												
Kuwait	0.958	1.231	1.293	1.406	1.472	1.559	1.650	1.716	2.939	2.972	2.890	6.966
Abu Dhabi												
Murban	1.005	1.272	1.337	1.458	1.527	1.620	1.717	1.787	3.582	3.623	3.521	7.578
Marine (Umm Shaif)	0.966	1.239	1.288	1.391	1.460	1.553	1.650	1.720	3.192	3.229	3.137	7.162
Zakum	-	-	-	-	-	-	-	-	3.451	3.492	3.391	7.453
Iraq												
Basrah	0.933	1.240	1.303	1.419	1.487	1.578	1.671	1.739	3.002	3.036	2.952	7.010
Qatar												
Dukhan	1.052	1.316	1.381	1.493	1.546	1.641	1.740	1.812	3.443	3.482	3.384	7.432
Marine	0.924	1.196	1.260	1.351	1.464	1.556	1.651	1.720	3.215	3.252	3.160	7.162

Note : The government take includes a royalty of 12.5% of the posted price considered as an expense and a 55% income tax applied to the "gross profit" obtained by deducting the royalty and the production cost from the posted price.

Table 4

Evolution of the "Total Cost Including Taxes" of the Main Gulf Crudes, 1971-1974
(US $/bbl)

	1971			1972	1973							1974
	Pre-15 Feb.	15 Feb.	1 June	20 Jan.	1 Jan.	1 Apr.	1 June	1 Oct.	16 Oct.	1 Nov.	1 Dec.	1 Jan.
Saudi Arabia												
Arabian Light	1.099	1.371	1.435	1.548	1.616	1.707	1.802	1.870	3.148	3.183	3.098	7.108
Arabian Medium	1.040	1.313	1.375	1.484	1.550	1.637	1.728	1.794	3.017	3.050	2.968	7.054
Arabian Heavy	0.993	1.256	1.319	1.402	1.467	1.549	1.635	1.697	2.854	2.885	2.808	6.981
Iran												
Iranian Light	1.103	1.370	1.433	1.550	1.617	1.708	1.803	1.870	3.292	3.328	3.239	7.253
Iranian Heavy	1.064	1.342	1.405	1.520	1.586	1.675	1.767	1.834	3.080	3.113	3.089	7.108
Kuwait												
Kuwait	1.018	1.291	1.353	1.466	1.532	1.619	1.710	1.776	2.999	3.032	2.950	7.026
Abu Dhabi												
Murban	1.155	1.422	1.487	1.608	1.677	1.770	1.867	1.937	3.732	3.773	3.671	7.728
Marine (Umm Shaif)	1.166	1.439	1.558	1.691	1.760	1.853	1.950	2.020	3.492	3.529	3.437	7.462
Zakum	-	-	-	-	-	-	-	-	3.751	3.792	3.691	7.753
Iraq												
Basrah	1.053	1.360	1.423	1.539	1.607	1.698	1.791	1.859	3.122	3.156	3.072	7.130
Qatar												
Dukhan	1.172	1.436	1.501	1.633	1.716	1.811	1.910	1.982	3.613	3.652	3.554	7.602
Marine	1.174	1.446	1.510	1.651	1.684	1.776	1.871	1.940	3.435	3.472	3.380	7.382

Note : The "Total Cost Including Taxes" includes the government take and the technical cost of production excluding company profits.

suffer doubly : from the acceleration of world inflation and from the increase in the cost of their oil supplies.

For the United States, the reversal of the situation in its favor was as total as it was unexpected, particularly if it is recalled that the crisis had been triggered by the Arab determination to exert pressure on and even to "punish" the Americans, guilty of supporting Israel actively. In fact the restriction and embargo measures decided and applied by the Arabs did not have the anticipated effect on the United States' supplies while their impact on Europe and Japan was considerable. This is due to the US little dependence on imports from the Arab countries, to the mobilization of the resources not falling under the embargo (Iran, Nigeria, Venezuela, etc...), to the relative effectiveness of controlling final export destinations, to the non-respecting of the embargo decisions by certain Arab countries and to the measures of consumption saving applied in the United States. Furthermore, this crisis has given a stimulus to the general mobilization of the Americans for finding radical and durable solutions to their energy problem, notably the emergency plan designed by the Nixon Administration.

In the longer run, the increase in the cost of energy will considerably improve the United States' supply situation. Production capacity will undoubtedly increase since a large number of marginal fields will become competitive and since exploration motivations will become higher. Moreover, the search for new substitute energy sources will be accelerated under the pressure of events and particularly as a result of the fact that the profit margin has become comfortable. It is no longer utopic to think that by 1980, the United States will have realized its energy revolution. Il will be not only independent but also an energy exporter. Its main source will be gasified or liquefied coal and bituminous shales in the longer run, the largest reserves of both of which are precisely held by the United States. Through this simple fact, all economic predictions, particularly those related to East-West trade, become outdated. The United States will not need Siberian gas and oil. Europe and Japan will probably be the buyers. However if the USSR resorts to US technology to exploit its fields, it will be indebted to the United States and will pay its bill with sales to Europe and Japan which in turn will have to increase their exports to be able to survive. This new industrial geography is all to the United States' advantage. But it has no interest, either political or economic, in the rest of the West being too fragile. Whence the proposal for the common planning of energy made by Mr. Henry Kissinger in agreement with the new US energy "czar", Mr. William Simon.

For the international oil companies, the challenge is most certainly sizable but not at all insurmountable considering their huge resources and high capacity of adaptation. Offhand, the future of the oil companies in the Middle East seems to be gloomy and loaded with uncertainties. However, the degree of gravity of the situation should not be over-exaggerated. The major oil companies' role in the world does not seem to be seriously threatened by the current upheavals in the Middle East. Actually, these companies derive their power essentially from their control of the main markets outside the United States. As long as Europe remains divided on the energy policy level and deprived of adequate professional means for replacing the refining, transport and distribution installations of the major companies, the latter will remain the privileged interlocutors and indispensible customers of the producing countries. The relations between the companies and the producing countries are essentially based on political and fiscal considerations the evolution of which can easily be managed by the companies through shifting the burden to the consumers. Whether oil is produced under the concession, participation or nationalization regime, chances are high that the major companies will remain the privileged channel for directing it to the consumption markets.

Furthermore, the big international companies, not content with reinforcing their oil positions, are turning towards the far future to ensure their domination over the new energy sources. The US companies, to start with the largest two Exxon and Gulf, have already adjusted their strategy. Foreseeing long before the crisis the oil price increase, they started to diversify their activities. Today, they hold more than 60% of US coal reserves and are multiplying their participations in the nuclear industry.

The structure of international oil relations will not therefore undergo deep upheavals on the level of the industry, apart from the shifting of the balance of power in favor of the producing countries, to the detriment of the consuming countries. There will certainly be a considerable increase in the exploration effort almost everywhere in the world, particularly offshore, to discover new reserves both for meeting the growing requirements and for reducing dependence on Middle Eastern oil. The oil price increase has not only rendered more acceptable the exploration risk by raising profit prospects while maintaining expenditures at the same level, but it has also strengthened the hope of finding rapidly competitive substitute energy sources likely to replace oil.

One should however remain realistic and not take one's desires for realities. Oil, more particularly Arab oil, will not be dethroned in the foreseeable future. A glaring commonly made mistake, even by qualified experts,contributes to inducing the public at large in error. To talk of the utilization of substitute energy to replace oil is a delusion, for the oil energy uses proper represent about one-third in Europe (nearly 60% in Japan) of refinery production, while the remaining two-thirds cover products which have no possible or immediate substitutes. Since these products have to be produced in any case to satisfy demand, the other third produced as a primary energy source has to be used whether there are substitute products or not. It should also be recalled that new energy sources are sought to meet the growth of demand rather than to replace the existing installations, so that the impact on the already established position of oil will be gradual and hardly perceptible.

It is human and quite normal to think that the Arab leaders will first worry about "their" problems and will view the problems of the others through their own interests. But how many persons are there in the West who even try to put themselves in the place of the Arabs, analyze their problems and assimilate their aspirations in order to simulate their thinking and decision mechanisms ! It would be quite dishonest to hide from the truth; the West in general shows signs of unfavorable preconceived notions about the Arab world, at best it affects a scornful paternalist attitude. Had President Nixon given more consideration to King Faisal's recommendations of wisdom and moderations and to President Sadat's discreet calls for adopting a bit less partial position in the conflict with Israel, the world would certainly not have been in the situation in which it is today.

Yet the question is no longer one of understanding the Arabs and of giving satisfaction to their immediate aspirations but also one of giving them an important place in the international community. This task is rendered more difficult by the fact that the Arabs, despite their past flourishing civilization and their intuitive intelligence, opened to the modern world only a few years ago. They are also handicapped on the level of men, socio-economic structures and political and financial institutions. It should also be kept in mind that the Arab countries, despite their riches, are part of the Third World. Isn't one of the most realistic approaches that of trying to build a new future with them, at their rythm at the outset, and of weaving new ties where mutual interests developed on a basis of equality and respect would generate a common sense of responsibility, facing the preoccupying prospects of humanity ?

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STATISTICS

ABU DHABI : OIL STATISTICS

Table 1

Exports
(In long tons)

A - By Company

	ADPC	ADMA	ADOCO	Total
1973	37,005,432	23,942,735	187,624	61,135,791
1972	28,951,056	20,714,477	-	49,665,533
% change	+ 27.8	+ 15.6	-	+ 23.1

B - By Country of Destination in 1973

Country	Quantity	% of Total
Japan	22,602,087	36.97
France	12,586,499	20.57
United States	5,459,311	8.92
Britain	6,973,597	11.40
W. Germany	2,572,724	4.21
Holland	2,835,588	4.63
Italy	2,977,797	4.20
Canada	1,173,096	1.91
Singapore	1,015,058	1.66
Switzerland	841,686	1.40
Other countries	2,098,348	3.43
Total	61,135,791	100.00

Table 2

1973 Consumption of Oil Products
(In gallons)

	B.P.	Shell	Caltex	ADNOC	Total
Super gasoline	1,679,000	1,148,641	490,759	3,673,950	6,992,350
Regular gasoline	3,148,120	1,614,236	648,027	5,550,908	10,961,291
Gas oil	8,092,405	5,657,996	3,350,853	14,989,172	32,090,426
Kerosene	371,000	334,138	-	673,824	1,378,962
Aviation kerosene	6,215,665	851,774	-	-	7,067,439
Aviation gasoline	689,442	-	-	-	689,442
Other	855,039	314,950	38,377	-	1,208,366

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