'Living with the oil crisis' from the Süddeutsche Zeitung (6 February 1971)

Caption: On 6 February 1971, German daily newspaper Süddeutsche Zeitung reviews Europe's energy resources and considers the policy pursued by the members of the Organisation of the Petrolium Exporting Countries (OPEC).

Source: Süddeutsche Zeitung. Münchner Neueste Nachrichten aus Politik, Kultur, Wirtschaft und Sport. Hrsg. Dürrmeier, Hans ; RHerausgeber Heigert, H. 06.02.1971, Nr. 32. München: Süddeutscher Verlag GmbH. "Mit der Ölkrise leben", auteur:Uhlmann, Horst , p. 2.

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http://www.cvce.eu/obj/living_with_the_oil_crisis_from_the_suddeutsche_zeitung_6_february_1971-en-aa58cc80-5ecf-4a84-aa86-aa9f13a2d24f.html

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Living with the oil crisis

Oil suppliers have Europe in a stranglehold

by Horst Uhlmann

International oil companies must decide by 15 February whether they want to voluntarily accept the conditions laid down in a resolution prepared at the Tehran Conference of the Organisation of the Petroleum Exporting Countries (OPEC). These conditions impose considerably higher taxes and duties, and work in favour of the supplier countries. If the oil companies do not accept, then — initially in the Persian Gulf countries and undoubtedly later in other oil countries — these conditions will be laid down in law and the oil companies will be obliged to follow them. In practical terms, the result will be the same no matter what the outcome is, as no oil company can afford for the Persian Gulf countries, thus far reliable and happy to deliver, to impose a supply embargo.

The Tehran resolutions were drawn up mainly by the Shah of Persia acting as a spokesperson for the moderate oil countries, whilst the Algerians — who are of course particularly important for France — and the Libyans were in favour of a tougher approach and would probably have preferred to threaten to cut off the oil supply immediately. However, such a threat is a double-edged sword, even for the oil countries themselves. The Sheikh of Kuwait could go without revenue from oil for some time, as his money, which is stashed in banks all over the world, is enough to supply the little country with foreign currency for many years to come. Even Libya would be able to cope. However, whether it would then be able to meet its financial obligations to Egypt is questionable. Iran, on the other hand, *must* sell its oil so as not to jeopardise the extensive development works taking place in the country.

OPEC countries, not a united block

The OPEC countries, which supply 85 % of the oil for Western Europe and Japan, are not expected to take a common course of action. However, notably for Arab states where orthodox nationalists are at the helm, one can never rule out the possibility that emotional impulses will prevail over economic prudence and that the very principle of state finance will be abandoned. As the saying goes, ‘Don’t kill the goose that lays the golden eggs’. The oil countries are just as dependent on their customers as their customers are on them: there is no country in the world that would buy even a fraction of their oil if the supply to Western Europe and Japan were cut off.

Things are never as bad as they seem. However, we should be under no illusions about the fact that it will become increasingly difficult to adjust the balance of energy in the face of rapidly rising global demand. Whilst the Soviet Union and the USA can produce enough energy to satisfy their own needs, Europe will find it ever more difficult to avoid disruptions to its energy supply.

Alaska’s treasures reserved for the US

Outside the Arab world, the only area with any considerable amount of oil is Venezuela, which was the first country to fix its oil prices by law. Venezuela can deliver, but its oil is expensive. The enormous stocks of oil which lie beneath the thick ice off the north coast of Alaska have not yet been tapped, although the US Administration has now granted permission for a pipeline to be installed, running straight through Alaska. Europe, however, will only be able to profit from these North Sea treasures indirectly, as this oil will first be used to replace imports to the US from Arab countries, which have been absorbing increased energy demand in America. It is clear that Europe’s oil reserves are located beneath the North Sea between Norway and Great Britain. We know that the area has large oil fields, but the difficulty is retrieving this oil. It will be a long time yet before we can rely on obtaining any significant amount from this region.

In order to be more flexible, the stores of oil (currently around 75 days) first need to be enlarged. The numerous salt deposits which are dotted along the German North Sea coast are ideal for this. Once cavities have been made in these salt deposits, huge amounts of oil can be stored in them close to pipelines and oil ports. Of course this has to be financed in some way, presumably by the state, because dealing with such large reserves of oil is not a task suited to the private sector. Business could also be conducted with the supplier countries directly, without the international oil companies acting as a middleman. Why not set up a petroleum company divided equally between Germany and Libya to share profits and losses from the source to the petrol station? But of course this would still do nothing to change the fact that the supplier country could use brute force to stop the supply at any time.

Prospects for nuclear energy and natural gas

A renaissance for German coal, on the other hand, seems unlikely. The current high level of supply can only be maintained with a great deal of effort. Buy-outs of profitable coal mines abroad — already finalised in one case — mean that the variety of energy sources on offer is increasing.

Nuclear energy is now also coming to the fore more rapidly than originally predicted. Many nuclear plans were put on the back-burner, as previously nothing could compete with fuel oil on price and it was still widely available. This is no longer the case, at least as far as price is concerned, and generating electricity from nuclear power instead of oil is now high on the energy policy agenda.

Even natural gas can act as a fallback plan. In this respect Europe is very lucky, as beneath the Dutch coast and under large parts of the North Sea there are huge reserves of natural gas. However there are limits as to how quickly this resource can be accessed, because a large integrated network cannot be created rapidly enough to meet current oil supply requirements. This is also true of imports from the Soviet Union, which are due to begin in 1972.