

Schlesinger gains IEA energy cut, tells U.S. oilmen to slow output

The decision of the 20 International Energy Agency member countries at their March 2 Paris meeting to reduce oil consumption is a qualified victory for U.S. Energy Secretary James R. Schlesinger and his London collaborator, British Energy Minister Anthony Wedgwood Benn. On the basis of that international body's decision, Schlesinger has accelerated political pressure on the U.S. Congress to pass a package of draconian anti-energy measures, beginning with his Feb. 26 package of gas rationing, mandatory conservation measures including closings of gas stations on weekends and opening the door for a legislative push to gain passage for a revived Northeast States regional energy corporation, Encono, and other regulatory moves which will rapidly drive the price of domestic gasoline soaring past the \$1 gallon mark in coming months.

What was decided by the IEA?

The meeting of the International Energy Agency's (IEA) governing board in Paris settled on the following package: the 20 member nations of the group, including all of the major industrial nations of the world outside the Soviet Union and France, have been told to pursue a voluntary "crash program" to reduce 1979 oil demand by a total of 2 million barrels per day — the equivalent

of 5 percent of those nations' consumption. The rationale was to relieve the intense speculation on world oil spot markets, where the Dec. 26 shutoff of Iran's 5.5 million barrel daily export has been used by key London-based financial operatives as a lever to force prices for limited short-term crude oil purchases to levels above \$20 per barrel.

The actual communiqué issued from the Paris group stated that the member nations have agreed to take "firm, prompt and coordinated action — to improve the supply-demand balance, to implement flexible stock policies while providing an adequate level of stocks prior to next winter, and to relieve current abnormal market conditions with their pressures on prices." The 5 percent target is cited as a "guidance" to member countries to establish the following four point short-term program:

- 1) Reduction of oil demand by more efficient use, replacement of oil with other fuels,
- 2) Development of domestic energy production,
- 3) Shift to lower grade crude oils and adjustment of regulatory restrictions,
- 4) Adoption of domestic pricing policies which support the 5 percent IEA target.

What is the IEA?

The International Energy Agency was established in the wake of the 1974 Arab oil embargo. It was based on a proposal by then U.S. Secretary of State Henry Kissinger, who styled it a "consumer OPEC" to counter the Organization of Petroleum Exporting Countries. The body is made up presently of 20 nations, including the United States, Japan, Canada, Great Britain, Australia and every major European country — with the conspicuous exception of France. France has refused to participate, declining to submit to an organization which, the French say, would be politically controlled by the

U.S. and which, under appropriate emergency conditions, would have the authority to control allocation of vital world petroleum supplies under a supragovernmental distribution authority. The current IEA, which is chaired by Nils Ersboll of Denmark, is structured to trigger its emergency sharing policy if and when a world oil shortage in member countries reaches the 7 percent level. To date, the Iranian losses have produced a shortage of approximately half that, because of the offsetting gains of increased OPEC oil production from primarily Saudi Arabia.

Propagandistic wedge

As soon as this outline agreement for a 5 percent reduction was made public, the U.S. Administration went into high gear to use the decision, purely voluntary, as a propagandistic wedge to pressure the U.S. Congress and the population into swallowing Schlesinger's unpopular and controversial energy austerity program. Banner headlines across the nation's press trumpeted the announcement by the head of the U.S. IEA delegation, Treasury Undersecretary for Economic Affairs Richard Cooper, that the U.S. would absorb half of the 2 million barrel total cutback, or 1 million barrels daily, even though the actual U.S. loss from Iranian shipments, even according to repeated testimony from Schlesinger, has never been beyond 500,000 barrels per day.

The fact that the IEA even moved to adopt this statement, whose voluntary nature was completely obscured in major U.S. media coverage, was the result of a calculated deployment by Schlesinger and Cooper. Three days prior to the IEA meeting, West Germany was holding firm to the Schmidt government's position opposing the U.S. call for a 5 percent reduction. On the Tuesday before the IEA meeting, German Economics Minister Otto von Lambsdorff met in Washington with Schlesinger and Cooper. Out of these intensive discussions, according to a well-informed Washington source, Lambsdorff bolted from Bonn policy and ordered his delegation to switch its position at Paris, insuring the necessary unanimity in the governing board to guarantee passage. At the same time, British Energy Secretary Benn went after West Germany from the other side of the Atlantic, demanding that all European Community countries cut their oil consumption and calling on the U.S. Congress to permit the export of Alaskan oil, whose controlling shareholder is the same Bank of England-owned British Petroleum which is behind the soaring oil prices and the Iranian destabilization to begin with!

Counterposed to the dominant European position — characterized by the response of France that the Iranian crisis is a temporary one needing no extraordinary measures beyond such steps as the prudent diplomatic and trade moves between France and Mexico and Iraq to secure additional supplies of oil, together with a renewed emphasis on rapid development of domestic nuclear energy sources as a replacement of oil — Schlesinger is going all out to impose energy austerity. He stated bluntly the day of the IEA decision that the U.S. was not able to increase its production of other energy sources ... certainly the case so long as he remains in control of vital national energy policy, but otherwise a complete fraud.

On top of his Feb. 26 legislative rationing package, Schlesinger this week announced that he has sent Presi-

dent Carter a six-point "Iranian response" plan. The latest plan calls for major national energy conservation effort where every citizen and business would be "patriotically" called on to reduce energy consumption by 3 percent. An idea of what Schlesinger actually has in mind was provided to this publication by a Southwestern oil producer who reported receiving a personal call from the Energy Secretary asking him as a "patriotic gesture" to stop production from his oil wells in the midst of a supposed oil shortage!

Schlesinger further held out the prospect of drawing oil from the Strategic Petroleum Reserve, an 80 million barrel government-owned stockpile stored in Gulf Coast salt domes, then to be allocated nationally to regions that may be short of heating oil by next winter. He termed this a "lively possibility."

The best indication of Schlesinger's intent in this Iranian-induced situation is the introduction of a dusted-off version of the unsuccessful Encono legislation the same day as the announcement of the IEA decision. Sponsored in the Senate by Schlesinger crony and Senate Energy Committee chairman Henry Jackson, noted for his open attempts to "bust OPEC," the Encono bill would establish a regional state-level energy agency that would try to sop up OPEC petrodollars to finance what New Jersey Governor Brendan Byrne euphemistically termed "energy self-reliance." Proposed projects specifically include a series of solar, geothermal and related energy-inefficient boondoggles to replace the use of powerful nuclear and conventional fossil energy sources. The Encono project is being coordinated by Felix Rohatyn of the London-run investment house, Lazard-Freres. Schlesinger is reported by Washington sources to be supporting the Encono plan in private conversations.

Schlesinger's attempts to create a national energy crisis have not gone unopposed. Texas Gov. William Clements demanded before a National Governors' Conference meeting in Washington last week that Schlesinger resign for advocating the "unwise and totally ridiculous" emergency rationing plan when what is needed is a full scale emphasis on increased production, not reduction of energy resources. Clements put forward a plan for development of oil, coal and nuclear power. W. Reid Thompson, chairman of the Potomac Electric Power Co. and a leading spokesman for the nation's electric utilities told a meeting in New York the same week that "nuclear plans scheduled to come on line in the next three years have the potential to generate enough energy to replace all the Iranian oil currently cut off from the U.S." He added that environmentalist sabotage and conflicting regulations coming from Schlesinger's office may prevent this.

—William Engdahl