

# 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.