

Two futures for American oil industry

The energy debate sparked in this country by the Iranian oil shortage hoax has brought to the fore the question of how the United States will provide for its future energy needs and what the future will bring for the American-owned oil multinationals — the five U.S. “Sisters” and independents alike.

The problems confronting the future of the U.S. oil industry and the oil rig construction, oil infrastructure and related industries, are both political and economic. On the political side, moves by Sen. Frank Church’s (D-Id.) Senate Foreign Relations Committee to set up an independent marketing board that would bypass the oil majors, and the serious proposal of oil-producing nations to sign increasing numbers of state-to-state deals, means that the upstream, and part of the downstream, capabilities of the oil majors may be eliminated.

On the economic side, the oil companies are confronted by the possibility that in the medium-term they will run out of oil and gas. Although there are reserves to be found and brought on stream within and outside the U.S. borders and continental shelf, it is an uncontested fact that within 30 to 40 years — and perhaps sooner — most of the world’s hydrocarbon reserves will be depleted.

This two-sided political and economic crunch has placed the American-owned oil and related companies — and their future — at a crossroad. Two pathways from this crisis have already been marked.

The first was presented in a report produced in fall, 1978 by the London-centered Royal Institute of International Affairs (RIIA), which argues that the exhaustion of oil and gas reserves combined with the tendency of oil producing countries to nationalize their oil supplies means U.S. oil companies should seek profits downstream and, most importantly, in diversification.

The innocuous sounding RIIA proposal, conduited into the U.S. by oil analyst J. Walter Levy of the Massachusetts Institute of Technology, contains a devastating hidden implication, which is that oil companies should seek their future through decontrol of domestic U.S. oil prices, huge oil price mark-ups off the current Iranian “oil shortage” hoax, and through largely speculative investments to realize large short-term profits.

The RIIA proposal is not in accord with the interests of the oil companies in the middle-term, nor does it offer oil companies a perspective if they hope to remain in the business of energy. The effects of this proposal’s implementation would also be to raise world energy costs, which would trigger world recession.

The second path, long favored by Japan and also

proposed last fall by U.S. Labor Party Chairman and 1980 presidential candidate Lyndon H. LaRouche would provide these oil companies with a future in the energy field while helping them withstand the exhaustion of hydrocarbon supplies.

The LaRouche proposal advises oil companies to diversify into large energy and trading-type company producing giants, much like the huge trading companies in Japan. This would preserve the high-technology and skilled workforce these companies are based on. The new functions of these companies would be to capitalize their profits into the capability to export large nuclear and nuclear-centered industrial packages called nuplexes to all parts of the globe.

This is a multitrillion dollar proposition, projecting well into the 21st century.

Now that the “oil shortage” hoax has hit and re-initiated the national energy debate, we reprint here excerpts of the original LaRouche proposal, entitled, “The Nuplex Approach and U.S. Vital Interests.”

The Grand Design for world development

...We are approaching the end of the petroleum age. Although the magnitude of proven reserves is limited chiefly by the effort to discover and prove new, massive reserves, petroleum will have a diminishing relative importance during the closing decade of this century and the first decade of the next. So, from a corporate standpoint, major petroleum multinationals must shift on balance, into appropriate new fields of primary activity during the quarter century ahead.

The new field of energy production that will take over dominance during the remainder of this century is nuclear energy. We are now passing out of the prebreeder-only phase of nuclear fission-energy generation and must emphasize breeder programs into the 1990s. During the 1980s, fusion energy will begin to come on line in a pilot form (at least). By the end of the 1990s, a shifting composition of ordinary nuclear fission, fission breeder, fission-fusion and fusion energy will be the principal source of new energy supplies into the world’s electrical grid-systems, and waste heat from nuclear production will be a major source of energy for industrial process applications, desalination and related uses in the vicinity of nuclear energy sites.

The nuplex approach

The most efficient approach to the use of nuclear energy in the developing sector generally is the creation of nuplexes.

A nuplex is a new agroindustrial city built around

paired nuclear energy plants, each in the 0.5 gigawatt to 1.5 gigawatt range (by present standards). To economize on distribution costs, and to exploit the waste heat produced, industrial consumers of output will huddle around the plants, creating a new sort of "clean" industrial (and employment) center. With the growing importance of the "clean water" problem and with the opportunity to replicate California's Imperial Valley in many parts of the world, desalination and other water purification exploiting waste heat will make nuplexes key in meeting agricultural population's clean water requirements.

A nuplex also has other natural features. Nuplexes can be established during a four-to-six-year construction period during which period many engineering and other skills are employed on the site. In a developing nation (especially) construction phases are a blend of employed foreign specialists and indigenous employees. The construction period is a period of education and other training of a segment of the indigenous labor force. On-the-job training is not adequate. On-the-site training including schools for technicians, workers and their families' cultural programs, and so forth is

indispensable.

...In the main, we have the proven technology to launch such projects. Looking for the moment solely at U.S. capabilities, our electrical utility industry, the major corporations which supply the utility industry, the oil multinationals and firms specializing in large-scale construction have the capability to create an integrated package mobilizing their vendors as part of the package.

Looking more broadly, our Japanese allies are masters of the integrated approach, and should be our partners throughout the Pacific and Indian Ocean regions most emphatically. French, West German, and Italian high-technology and construction industries have similar capabilities, especially when their capacities are integrated with U.S. potentials. The Soviet Union's Siberian development and related efforts have produced breakthroughs that make them the world's best for certain specific phases of a cooperative division-of-labor in nuplex creation in the developing sector.

Key petroleum multinationals have already developed their pilot capabilities for such diversification....

-Richard Freeman

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