

Energy Insider by William Engdahl

The truth about Soviet oil

A Swedish study of Soviet oil reserves indicate that they're the largest in the world

Is the Soviet leadership out to grab Persian Gulf oil resources? The answer to this question is one of the single most important strategic "facts" in today's troubled international political arena.

Since April 1977, when the Carter administration published a highly controversial CIA estimate of Soviet oil reserves, everyone from former Energy Secretary Schlesinger to President Carter and his National Security Adviser, Zbigniew Brzezinski, has attempted to prove that a necessity to take control of Persian Gulf oil supplies underlies Soviet long-range foreign policy designs. The military action in Afghanistan has been labeled by the administration as an attempt by the Soviet Union to position itself to take over Iranian resources and ultimately the resources of the entire Persian Gulf.

That view has been challenged by a little publicized report titled, "Soviet Proven Oil Reserves: 1946-80" released three months ago by a Malmoe, Sweden consulting firm, Petrostudies. This report is the third and most devastating critique of the CIA analysis.

Prior to 1977, the generally accepted estimation of Soviet oil reserves came from British Petroleum. They calculated "proven" reserves of approximately 70-80 billion barrels. In April 1977, the CIA issued their report, prepared by an obscure economist named Walt MacDonald, which reached the alarming conclusion that "Soviet

proven reserves are 30-35 billion barrels...and there is little chance that new oil will be discovered during the next few years." Energy Secretary Schlesinger waved a copy of the report around Washington to convince Congress of the need to dump billions of taxpayer dollars into his Strategic Petroleum Reserve as a hedge against a Soviet capture of Persian Gulf oil supplies, as well as the need for energy austerity legislation like Carter's 1978 energy bill.

Petrostudies attacks the CIA analysis on the basis of a two year analysis. Petrostudies calculated on this basis that the Soviets have deliberately and systematically downplayed new oil finds over the past 20 years. In fact, they calculate that the actual reserves of the Soviet Union are the largest in the world, substantially above the approximate 150 billion barrels in the Saudi oil fields.

The report further concludes that "there is no danger at all that the U.S.S.R. will become a net importer of oil in the next ten years at least, and compete with other nations for the purchase of OPEC oil. On the contrary, the Soviet leadership has a long-term policy to increase oil exports to the West—particularly refined products—in order to earn hard currency."

Is the CIA analysis updated last month by a subsequent study titled "The World Oil Market," a lie or merely incompetent? In an

exclusive interview, Walt MacDonald revealed the methodology behind his controversial findings. His study used a simple linear extrapolation of recent Soviet discovery rates and then-current technologies to project supply to 1985. When queried as to why he did not take into account the fact that dramatically new technologies for enhanced recovery and exploration were planned for application during this period, MacDonald replied, "I was ordered to do the report this way."

But the director of the U.S. Geological Survey, McIlhenney, who denounced as incompetent the findings of MacDonald's study was quietly fired by the Carter administration. MacDonald's study verged on becoming a self-fulfilling prophesy. Brzezinski declared an embargo on "sensitive" oil drilling technology during the summer of 1978 and held up a multi-billion dollar oil and gas development project in the Yakutsk region of the Soviet Union which involved U.S., Japanese and Soviet construction firms. The latest in this effort to ensure against development of the vast Soviet potential is Carter's economic sanctions against the U.S.S.R., imposed as "retribution" for the Afghanistan invasion.

If, as such Kremlin watchers as former Ambassador George F. Kennan have stated, the Afghanistan events are a warning to the U.S. administration to drop its "China Card" and have nothing to do with any war-risking grab for Persian oil, American readers would do well to think more about Brzezinski-Carter policy from the vantage point of the Swedish petroleum study.