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## OIL CRISIS—MORE THAN ECONOMICS

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AROUND THE WORLD motorists queue for petrol as supplies dwindle and prices rise to levels that were unthinkable a year ago. Industries struggle for available fuel supplies and curtail their output. The shortfall of oil is about two million barrels per day—between 4 and 5 per cent of demand.

In the late 60s experts foresaw a continuing availability over demand and therefore a decline in price. Instead the price of oil has increased 12-fold in the last ten years. Economics alone proved dangerously misleading.

Right through the 60s OPEC, the oil-producing developing nations, had been growing more and more dissatisfied with their share of the wealth from their oil. In 1970 they reversed the decline in crude oil prices and agreed on a schedule of modest price rises through to 1975.

### Less wasteful

In 1973, when the Arab members of OPEC imposed their embargo, other producing countries could no longer make up the difference because demand had been growing so rapidly. Western merchants fell over themselves to obtain what supplies there were and sent prices soaring. The official OPEC price quadrupled.

OPEC countries then set about industrialising with the aim of emulating the material prosperity of the West. Their need for a stable world order caused them to ensure a continuing supply of crude to the West at prices that would not do undue damage to the Western economy. Some also recognised the need of the Less Developed Countries for assistance and granted the LDC's long-term low-interest loans to purchase their essential oil requirements.

Then in 1978, Iran, regarded as perhaps the most reliable of the OPEC producers, overthrew its government. Almost overnight the world was without 10 per cent of its supply. The Iranian cut back was not to obtain a higher share of the value of its oil as in 1973, but rather appears to have sprung from a basic disillusionment with the negative

results of Western modernisation—the breakdown of family structures, the lowering of moral standards, alcohol and its attendant evils.

Iran is now reconsidering if and how it should continue development. It has cancelled huge orders for arms and many major development projects. It therefore no longer needs to export more oil than is necessary to pay for its basic imports, in particular its food needs. This philosophy is a great challenge to the West, as it implies that Iran has little interest in ensuring a healthy Western economy. Clearly the world must plan for no further increase in the availability of oil from Iran for the foreseeable future.

Saudi Arabia has once again in June this year played its role of moderation and responsibility among its OPEC colleagues. However we can no longer count on an indefinite increase in oil from there. Instead of 20 million barrels per day by 1985 as expected a few years ago, it is only planning to increase production to little more than half this. Saudi Arabia's small population has no need of further revenue. The only reason for maintaining production at present levels is to help the Western countries, particularly the USA, to maintain a stable world economy. Little wonder that Sheikh Yamani has said that we must be seen to be less wasteful and more efficient in our use of oil if his country is to help.

### Seeds of tragedy

Prophets of doom after 1973 foresaw world reserves of oil unable to satisfy increasing demand by 1982, and financial catastrophe due to the flood of surplus OPEC funds. But the West's financial institutions proved remarkably flexible. Also the OPEC nations spent their funds on development much faster than had been expected. Difficulties there were, but catastrophe was averted. As for demand, the jump in energy prices, after 1973, as well as the higher prices themselves, caused a sharp fall which has only just started to recover in the last two years. Forecasts made before the events in Iran said that supply would meet demand until mid-90s.

Now we are faced with another shortage. There has been a scramble for available

supplies of crude oil on world markets. Oil that has not been tied to contracts has been sold at prices up to four times the official levels, in turn forcing up the OPEC price.

It is fashionable in the West to blame the OPEC countries for setting high prices, but it is Western consumers who have put up prices by bidding them up and indicating their willingness to pay. If we curbed our use, prices would stabilise at lower levels.

C C Pocock, Chairman of Shell Transport and Trading Company, speaking in London recently, saw the price medium as the only viable method of matching world supply to demand. But, although price must play a major part in curbing demand, on its own it contains the seeds of tragedy. Alone, it means that the rich get what supplies they want while the poor cannot even afford the little they need for subsistence.

### Australia and IEA

A pointer to the extra dimension needed was made at the same time in New York by C C Garvin, Chairman of Exxon. He saw an understanding between consumers and producers as the only way out of the problem. This would require countries like the USA to show their good faith by curbing consumption, he said, and by a willingness to spend large sums to develop new sources of energy.

Such an understanding can come as producers and consumers together find ways of ensuring the Less Developed Countries get the oil they need. This is a tremendous challenge to human resourcefulness, not just in the technical and economic spheres but also in the moral and spiritual realms.

Most industrialised countries belong to the International Energy Agency which aims to share available supplies between its members in an emergency and has a co-ordinating role in developing research into alternative energy supplies.

Although there has been some controversy in Australia about our decision to join, in view of short-term costs to a nation which is 65 per cent self-sufficient in crude oil, I believe we could not possibly have done otherwise. The IEA's potential to mediate for stability in the energy field far outweighs any short term advantages to any one country.

Oil company executive **Dan Cameron** talks to Margaret Smith



IT HAD BEEN the week of President Carter's 'crucial test'. Reaction to White House energy statements ranged from welcome of a new decisive leadership to decrying of words with no substance.

Searching for perspective on the situation, I talked to Dan and Nancy Cameron. He is Director of Manufacturing, Conoco Ltd (Continental Oil Corporation) in Europe. As Americans living in England they had views on the crisis from the standpoint of both sides of the Atlantic.

'To begin with,' Dan Cameron said, 'people talk a lot about an "energy crisis" but it is not an energy crisis, it is an oil crisis. The shortage is of two fuels—diesel and gasoline. The demand is only five per cent more than the supply. It is not going to take a huge change to get things back to balance. Once people's habits have changed enough, we may have a surplus.'

'Even if oil is of limited availability, it doesn't mean energy is of limited availability. What Carter is saying is, "Let's go to other sources." Diversification is already taking place. The oil companies are be-

coming energy companies. Continental Oil Company is the largest coal company in the world next to Britain's National Coal Board.'

Another misconception, he said, is the idea that the Arabs have created the present shortage. 'In 1973 there was a contrived restriction. Oil producing countries, experiencing a strong surge of nationalism, chose to wield power by cutting off supplies. Many predicted that the situation would temporarily right itself, which it did.'

'Now, by contrast, the problem is that production does not meet unrestrained demand. Two million barrels a day disappeared from Iran. But most other countries, with the possible exception of Saudi Arabia, are producing at full capacity.'

'In view of this fact it is absolutely essential that the price of oil increases, so that alternative sources become economic.' Most of this price increase would go to governments, Mr Cameron explained, not to the oil companies. In Britain there is a high direct tax on petrol. Mr Carter's plan for the USA is less popular with the oil companies. He plans to remove price controls on petrol—so the consumer pays more per gallon—then take back the majority of the increased profit in a windfall profits tax on the oil companies. 'The companies don't like this because they will be blamed for the enormous price increase, and their function will be one of acting as the government's tax collectors.'

Do the oil companies try to encourage people to cut back on energy consumption? 'They surely do. They give encouragement within their organisation, and some have done public advertising, to get people to cut down on driving and reduce speed. Gas

companies advertise how to insulate your home to cut down on heating. Our company will send inspectors to your home to show what you can do.'

Did he notice differences between British and American attitudes towards consumption?

'It is a difference of habit, not attitude,' Mr Cameron replied. 'The English are more used to walking—but the USA is a much bigger country with a much less comprehensive public transport system. The people have been subject to high pressure advertising, pushing them to consume. The oil-based economy started in the USA. We had surplus oil until the late '50s. Britain was totally dependent on imports until the recent North Sea discoveries. This difference in history helps to explain the much larger per person use of oil in the USA.'

### No bonanza

In the past, said Mrs Cameron, driving has been one of Americans' cheapest recreations. 'We would drive to the station in the evening to watch the trains, or go to watch the sunset. American parents have put cars in the hands of young people very early.'

'These habit patterns are going to have to change. Now that I have gotten used to bicycling I know that we can do with one less car in the family. Many Americans could do this. But it will be difficult for us to be less independent, to have to gear our schedule to someone else. We are not used to allowing ourselves time to wait for a bus or to sharing a car.'

'What about the staff of the oil companies?' I asked. 'Have you been able to persuade them to be good consumers?'

'They are just like everyone else. That is the trouble.' Mr Cameron paused. 'Knowledge of the problem does not seem to be enough to change people's habits. That is why it is necessary to bite them in the wallet. Economic responses are the ones which ultimately come through.'

Here, in a sentence, he had expressed the dilemma. Prices will have to go up until the public cuts back of its own free will. A five per cent shortage does not sound like much. I reflected that I could bear leaving my car in the garage one day in twenty, and twice a month use the stairs instead of the lift. And car pools have many advantages. It was when we moved onto the implications of all this for the Third World that I felt less comfortable.

'One of the worst situations,' said Mr Cameron, 'is that the developing countries are being priced out of the market. The rich countries got their growth spurt in a cheap energy world, but the developing nations are never going to have this bonanza. This is where you'd hope that the Western countries would make deeper cuts than just five per cent in order to provide slack for the Third World.'

**UNTIL THE GREAT OIL CRISIS** of 1973-4, the world was doubling its use of energy every 14 years. There is no way in which this can continue. The problem now is not shortage of energy but the difficulty of exploiting other sources fast and cheaply enough.

Cheap and easily available oil is running out. Tar sands and shales contain many times as much oil as there is in wells, but the technology to extract it is not yet ready and will be expensive.

There is enough coal to satisfy the world's present energy needs for centuries. But production cannot be expanded fast enough for coal to replace oil before it runs out.

Nuclear fission is the most advanced new source technically. But public opinion, worried by problems like safety, the disposal of nuclear wastes, and the possibility of the spread of nuclear bombs, would not allow it to expand quickly even if this was desirable. Nuclear fusion cannot be exploited until well into the next century.

Solar energy is already being widely used experimentally to heat water and buildings. Solar cells may be able to provide electricity

at reasonable cost in the future. But both solar and wind power have to be supplemented by conventional sources until adequate storage methods have been developed. They could, however, be widely used in the Third World.

Hydroelectric and tidal power can generate large amounts of electricity at appropriate sites, but these are limited. So can wave power, but the technology has yet to be developed, as does the technology to release geothermal energy from the earth.

In the 21st century we should be able to choose between all these sources. The problem is getting from now to then. This can only be done by using the greatest untapped source of all, people power—conservation.

Some recent studies suggest that if all the conservation measures now feasible and viable were implemented, the energy use of rich countries would level off and even fall, so that by 2025 we would be using two thirds of the energy we use now, with an improved standard of living.

Condensed from 'Rich World, Poor World' by Geoffrey Lean, Allen and Unwin, £4.95.

# S AND THE THIRD WORLD

Time to understand the producers, writes **William Conner**



THREE HUNDRED AND SIXTY MONTHS of oil are left to the world at the present rate of consumption. This is one of many disquieting facts that are beginning to percolate into the consciousness of the man in the street everywhere, and to generate insecurity and mistrust in national and international affairs.

In these circumstances, the Arabs are sometimes seen as a personification of the cause of man's insecurity. The popular press is often more effective in portraying the 'ugly face' of rich oil Arabs and in pandering to the public with cartoons of such men, than it is at explaining the true facts of the situation.

## Gadhafi

The Chairman of Esso Corporation (Exxon) was more realistic when he stated recently, 'We need new sources of energy, but we also need workable arrangements with the nations on whom we depend for imported oil. An enlightened and informed understanding of their aspirations and problems

will be essential in the years ahead.' Ten years ago a gallon of grade one petrol was selling in Britain for 35 pence. Of this sum, 20½p went to tax, 13¼p to the petroleum company and 1¼p went to the Arab producer. When I used to tell oil executives about the restless mood in the Arab world caused by this exploitation of their only natural resource by a tight cartel of oil companies, I frequently received the condescending reply, 'Don't worry, old boy, the Arabs can't drink their oil.'

Then in 1970 a young lieutenant, Moammer Gadhafi, brought off a bloodless coup in Libya. He met the oil company representatives, and in the most polite manner offered to continue doing business with them as before, but with new factors introduced. Two of these were that the oil flowing from the sands of Libya was henceforth to be regarded as the property of the Libyans, and that the new government would do business with individual oil companies rather than with the oil cartel.

He finished this simple but dramatic conference with the observation that his people had lived in North Africa for several thousand years without oil and were prepared to do so for a few more years, if necessary. Thus in one hour was destroyed one of the most powerful economic monopolies in the world.

It is interesting to note that now we are paying about a quarter of our petrol price to the Arab producers. Oil has moved from being the great industrial powers' perk, payable in respect of their having discovered the oil in the first place, to being a commodity of sale on the world market at a price dictated by the market.

## Step on the pedal



**REG HOLME won the motor cycling trials for Oxford against Cambridge when a student 50 years ago. Today he is an enthusiastic proponent of a less polluting form of transport:**

**PEDAL POWER** can help to save precious petrol power.

Luckily, there are built-in blessings to benefit those who save energy resources—and increase their own—by taking to the bicycle. Motorists who turn their legs into

do-it-yourself pistons report feeling fitter. A journalist colleague tells me: 'It puts springs in your legs.' A Cotswold country doctor told his sagging-waisted middle-aged patients: 'Get out of your cars and on to bikes or you'll drop dead.' Some didn't and they did.

The British Health Education Council is recommending 'cycling to stay fit' as part of its Look After Yourself campaign. The British Cycling Bureau, predictably but praiseworthily, points to the silent, pollution-free two-wheeler with a slogan, 'You enjoy the spin, they enjoy the spin-off.' Part of the spin-off is, of course, saving oil supplies. To motivate the more romantic (possibly religious?) young folk to leap to the saddle, a rash of bike shops has appeared with such names as Bicycle Revival and Blazing Saddles.

In the USA even before oil queues had built up, the vogue for cycling was gaining ground. To cope with the dangers of colliding with America's gas-guzzling automobiles, the citizens have the sense to use lightweight crash helmets similar to those used by skate-boarders. Anglo-Saxon skulls in the British Isles—thick no doubt—have yet to

As inflation continues throughout the world, the value of oil in the ground increases. At the same time the dollars which producing countries receive for their oil lose value every week. These countries have less and less incentive to pump their capital out of the ground for the benefit of countries whom they have little reason to love. Yet their oil is essential, not only for the developed world but also for those countries of the poor world struggling for development.

## Outstanding opposites

All this underlines the need for a vast development of understanding on the part of the consumer countries, as the Esso chairman wisely stated. One such step in recent weeks was the visit, under the auspices of the Association for British Arab University Visits, of a delegation from British universities to Jordan as guests of the University there. Under the same scheme delegates from Middle East countries are attending the world assembly for Moral Re-Armament at Caux, Switzerland, this month and will be in Britain in August.

These visits are part of a far-reaching programme to bring together the outstanding young leadership of the Arab world with their opposite numbers in the West. Such exchanges are developing understanding and bonds of common thought based on the moral and spiritual values that the world of Islam and the Christian world hold in common. The Minister of Oil of one of the biggest OPEC countries said to me of this project last month, 'Nothing is more urgent at this time.'

get this message.

The British Bicycling Association reports that sales have been climbing steadily for ten years from 648,000 to 1,050,000 last year. T I Raleigh, which claims that its Nottingham plant is the world's biggest cycle factory, turns out some two million bikes a year, and exports two thirds as complete machines or components.

The Government's Transport and Road Research Laboratory has been taking a close interest in the bicycle revival, and has helped to set up cycle routes in Portsmouth and Peterborough. One town, Stevenage, has a 26-mile cycle network and has cut the accident rate for cyclists to a quarter of the national average.

The writer can add a personal note. When I was a student at Oxford and beginning to emerge from a fog of nicotine, alcohol and sex, I had had the thought, 'To be spiritually fit, it helps to be physically fit.' I was reminded of this 30 years later, when, while seeking for God's direction, the idea came, 'Get a health machine.' A friend gave me a bicycle, and I've been pedalling hard ever since.

# Pockets of creation

by Gordon Wise

WHEN PAUL LAPUN, a nationalist leader in Papua New Guinea, clashed with the Australian Government and a multinational company over the mining rights for his country's copper, Lapun had the thought, 'God put the copper into the ground. Surely He can show us how to take it out.' He did. An harmonious agreement was reached with all parties and is working today in the independent nation.

When we consider oil, how about we Western consumers, of whom many profess to be Christian, approaching the Arabs as People of the Book, in the spirit of exploring together God's purpose for, and husbandry of, the oil? After all, He endowed the earth, and these particular areas of the earth, including the North Sea, with this particular resource. It is surely no accident that pockets of the Creation have matured over millions of years to be available to man in this 20th century, to meet a particular need: the need to fuel our machines, which, in turn, arise out of man's God-given inventiveness. For us in Britain the same reasoning can be applied to the coal under our ground as well as the oil under the sea.

If the idea of seeking God's guidance about the production and use of energy seems naive, then I would ask, 'Is the present course more likely to succeed?' For the

present course seems to be a spiral of industrial nations failing to make adequate economies, thus hardening the resolve of the producers, who hoist the price of oil, thus accelerating recession in the industrial countries, weakening the dollar, causing the oil producers to increase their prices—and so on and on. This closed circle may ultimately be broken by an explosion of pent-up fury in the form of a military response, with disastrous consequences for everyone.

We seem hypnotised by the inevitability of oil's end, when we ought to be fascinated by the inevitability of God's positive response to any genuine request for His advice. The world's greatest energy source is still the Holy Spirit. He understands our needs and can supply them, though not necessarily in the ways we expect or demand.

## Every house

If we profess faith, we believe that the Creation was a design and not an accident. Therefore, we, in this age of cybernetics, can plug in to the Master Computer. Co-operation between man and God and man and man is more likely to succeed than confrontation over global energy supplies.

Another simple approach which could have profound consequences, would be for us all to take our *personal* share of responsibility in this energy crisis. It is not just the job of President Carter and his Energy Secretary;

of Mrs Thatcher and Mr Howell; of Sheikh Yamani or BP and Shell; or of the petrol pump operator.

When President Carter called on America a few days ago to follow him, now, in 'a strict, sacrificial war on energy', (as a Washington correspondent described it), he made it clear that the sinews of this war will not come from the White House alone, but from every house in the nation. 'I will do my best,' he declared, 'but I will not do it alone.'

The President went back to first principles and admitted his own failures of leadership, sharing responsibility for what he called a 'moral and spiritual crisis' in the nation. The roots of America's energy gluttony, he said, were that 'too many of us now tend to worship self-indulgence and consumption. Human identity is no longer defined by what one does, but by what one owns.' The right path, he said, is 'the path of common purpose and restoration of our values. That path leads to true freedom.' Of course, the President also listed practical measures which every citizen is expected to implement.

If we are honest, this diagnosis and prescription fits all our nations. We in Britain should regard 'our oil' and 'our coal' as a stewardship of our resources for a wider humanity. Instead of highlighting the other chap's failure—their waste energy—they charge too much for oil—we should reckon to earn what we spend, to save what we can, to work for the extra we hope to be paid, and to share what we possess.

## Stew power

by Margot Lean

DURING THE FUEL CRISIS OF 1973, Yorkshire Television arranged a practical demonstration to bring home to everyone how much the smallest savings of energy mattered. They focussed their cameras on the dial of the power station at Ferrybridge which registers from minute to minute how much electricity is being consumed in a large area of Yorkshire. Then the announcer asked every viewer to switch off a light, a fire, a machine or some other electrical appliance. The response was immediate and the needle on the dial swung back dramatically.

Electricity bills and power cuts have now awakened most households to consciousness of the need to save energy, I think—if not to conscientiousness. Certainly in our home a light left on has become the eighth deadly sin!

I've been dutifully switching off lights and heaters, only boiling as much water as is needed in the kettle, planning meals which can be cooked entirely in the oven or comprehensive stews which use only one saucepan for the whole meal, whenever the world energy situation has forced itself back

onto my conscience.

Only this week, however, it occurred to me that I waste far more than just commercial power—and that this other vital energy, which does not depend on fuel supplies, is also important to the nation. What about the emotional energy which boils over when I get steamed up because I have suffered some petty frustration, like the local store being out of sugar? Or the physical energy lost when I frantically look for something which I have not put away in the right place?

Then there is the creative thought power which is wasted while a resentment over a slight or someone else's 'stupidity' burns

away in my heart. Energy is wasted when I work with the brakes on because I am unwilling to prepare a meal for unexpected guests, or when I burn the midnight oil with a novel and so have less energy the next day.

Over the last year I have found one unfailing source of energy regeneration. When I wake in the morning—I am not a naturally quick waker—I repeat the Lord's Prayer very slowly to myself, trying to mean and realise every word of it. If my mind drifts, I go back to the beginning again—until I get through it thoughtfully. This recharges my batteries and tunes up the engine ready for maximum performance.

