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WITHDRAWAL SHEET

Ronald Reagan Library

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File Folder: NSDD-66 [2 of 5]

OA90992 RAC Box 5

FOIA ID: F96-069-2

Date: 08/30/1999

(30 f8)

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Martin to Clark (2p) R 10/29/02 F96-069/2 #36	4/27/83	P1/F1
2. paper	draft re: energy, attached to #1 (10p) R 1/30/06 F96-069/2 #37	4/21/83	P1/F1
3. memo	Martin to Fortier, Blair (1p) R 10/29/02 F96-069/2 #38	n.d.	P1/F1
4. cable	121819Z APR 83 (4p) R 1/30/06 F96-069/2 #39	4/12/83	P1/F1
5. memo	Martin to Clark (3p) R 10/29/02 F96-069/2 #40	3/15/83	P1/F1
6. cable	101923Z MAR 83 (7p) R 1/30/06 F96-069/2 #41	3/10/83	P1/F1
7. paper	re: NSDD-66 (3p) R 10/29/02 F96-069/2 #42	n.d.	P1/F1
8. memo	Martin to Clark (1p) R 1/30/06 F96-069/2 #43	10/22/82	P1/F1, P5
9. chart	Case I, attached to #8 (1p) R 1/11/01 F96-069/2 #44	n.d.	P1/F1
10. chart	Case II, attached to #8 (1p) R " " " #45	n.d.	P1/F1
11. chart	Case III, attached to #8 (1p) R " " " #46	n.d.	P1/F1
12. memo	Clark to PR (3p) R 1/30/06 F96-069/2 #47	n.d.	P1/F1
13. chart	Case I, attached to #12 (1p) R 1/11/01 F96-069/2 #48	n.d.	P1/F1
14. chart	Case II, attached to #12 (1p) R " " " #49	n.d.	P1/F1
15. chart	Case I, attached to #12 (1p) R " " " #50	n.d.	P1/F1
16. summary	re: USSR (1p) Partial 1/11/01 F96-069/2 #51	n.d.	P1/F1, 53
17. memo	Martin to Clark (3p) R 1/30/06 F96-069/2 #52	2/4/83	P1/F1

RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].

P-3 Release would violate a Federal statute [(a)(3) of the PRA].
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

F-1 National security classified information [(b)(1) of the FOIA].
F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

WITHDRAWAL SHEET

Ronald Reagan Library

Collection: Robinson, Roger: Files

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FOIA ID: F96-069-2
Date: 08/30/1999

File Folder: NSDD-66 [2 of 5]

OA90992

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
18. outline	re: energy, attached to #17 (4p) <i>R 10/29/02 F96-069/2 #53</i>	n.d.	P1/F1 →
19. memo	Bailey to Wallis (3p) <i>A 1/30/06 F96-069/2 #54</i>	2/3/83	P1/F1
20. chart	re: USSR energy, attached to #19 (1p) <i>A " " " #55</i>	n.d.	P1/F1
21. chart	re: Soviet economy, attached to #19 (1p) <i>R " " " #56</i>	2/4/83	P1/F1
22. cable	161653Z Dec 82 (2p) <i>A " " " #57</i>	12/16/82	P1/F1
23. cable	172035Z Dec 82 (1p) <i>D 1/11/01 F96-069/2 #58</i>	12/17/82	P1/F1, B3
24. cable	212158Z Dec 82 (1p) <i>D " " " #59</i>	12/21/82	P1/F1, B3
25. cable	201449Z Dec 82 (1p) <i>D " " " #60</i>	12/20/82	P1/F1, B3

RESTRICTIONS

P-1 National security classified information [(a)(1) of the PRA].
P-2 Relating to appointment to Federal office [(a)(2) of the PRA].

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F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
F-5 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
F-6 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
F-7 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
F-8 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

Robinson

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MEMORANDUM

NATIONAL SECURITY COUNCIL

March 15, 1983

*NSDD 266
Fancy*

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INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: WILLIAM F. MARTIN WFM

SUBJECT: East-West Energy Study

Issue

Ulf Lantzke's letter to Secretary Shultz and attached draft conclusions (Tab I) represent a major step forward in the East-West energy requirements study. Dr. Lantzke has circulated the draft conclusions to other Summit countries. We are planning an active bilateral and multilateral effort to seek agreed conclusions by the time of the next IEA Ministerial meeting, tentatively scheduled for May 8. This would position us well for a successful outcome on this issue at Williamsburg. The package, as presently drafted, represents the framework for international energy security for the next two decades.

The International Energy Security Package

The draft conclusions break down into major energy security agreements on oil, gas, coal and nuclear. Highlights include:

Oil

- reaffirmation of support for the IEA oil emergency allocation system for major oil market disruptions;
- agreement to consult with a view towards taking coordinated action in times of minor oil market disruptions which could have detrimental effects on our economics. Actions might include coordination of stock draw down policies;
- agreement to increase strategic oil stocks.

Gas

- commitment that imports from any non-OECD producer should not exceed 25-30% of any country's total gas supplies;

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--agreement that member countries will urge their companies to begin commercial negotiations in 1983 on Troll to ensure that supplies are made available in the early to mid 1990s;

--assurances that adequate safety measures will be put in place to minimize security risks, including the development of a European emergency gas sharing program.

Coal

--recognition that further expansion of coal use and trade is demand constrained, not supply limited;

--exporting countries agree to assure that the necessary infrastructure is in place to provide for the production, transport and marketing of coal;

--coal importing countries agree to reduce impediments to increased coal use;

--all countries agree to accelerate cooperative efforts to promote a clearer use of coal.

Nuclear power

--recognition that nuclear power makes an indispensable contribution to OECD indigenous energy supplies;

--agreement to undertake the development of procedures which would facilitate the approval of reactors and nuclear facilities;

--agreement on the importance of stabilizing trade among OECD countries in nuclear equipment and fuel supplies;

--commitment to maintain the highest possible standards of nuclear reactor safety;

--agreement on the importance of international cooperation on storage and waste disposal;

--agreement to pursue joint research and development in breeder and fusion technology.

Next Steps

Dick Fairbanks and Dick McCormack will hold bilateral consultations with key Allies in European capitals the week beginning March 20. The IEA bureau dinner on March 23 will offer the first opportunity to discuss these draft conclusions among the Summit seven. We will then push for an IEA Ministerial May 8 to conclude the agreement.

We will want to consider what announcements might be reserved for the Summit setting. We face a long hard road ahead in the next two months, but what was the most divisive issue of Versailles can become the most positive outcome of Williamsburg. This would represent a major victory for the President.

Attachment

Tab I

Lantzke Letter and Conclusions

cc: Bailey
Nau
Robinson
Blair

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INCOMING
TELEGRAM

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FOLLOWING IS TEXT OF LANTZKE'S LETTER WITH ATTACHED
"DRAFT CONCLUSIONS". BEGIN TEXT:

"IEA/ED/83.50, MARCH 9, 1983
THE HONORABLE GEORGE P. SHULTZ
SECRETARY OF STATE

U. S. DEPARTMENT OF STATE
WASHINGTON, D. C. 20520

DEAR MR. SECRETARY:

- THANK YOU FOR YOUR LETTER OF FEBRUARY 11, CONCERNING
THE ENERGY SECURITY STUDY WHICH IS UNDER WAY WITHIN THE
OECD/IEA. I HAVE DELAYED REPLYING TO YOUR LETTER BECAUSE
I WANTED TO THINK OUT THE ISSUES IN GREATER DETAIL AND
EXAMINE WHAT REALISTICALLY COULD BE DONE IN THE COMING
MONTHS.

- SINCE WE MET LAST DECEMBER 15, MY COLLEAGUES AND I
IN THE SECRETARIAT HAVE BEEN WORKING ON A FACTUAL ANALYSIS
OF POSSIBLE ENERGY REQUIREMENTS FOR THE REST OF THIS
CENTURY AND RESULTING POSSIBLE ENERGY SECURITY RISKS.
WHILE THE ANALYSIS IS NOT YET COMPLETE, WE ARE CONFIDENT
THAT WE WILL HAVE FINAL DOCUMENTS BOTH ON THE SPECIFIC
GAS SECURITY QUESTIONS AND ON OVERALL ENERGY REQUIREMENTS
AND SECURITY QUESTIONS BY THE END OF APRIL.

- WHILE WE ARE KEEPING THE FACTUAL AND TECHNICAL
ANALYSIS OF ENERGY SECURITY SEPARATE FROM POSSIBLE CON-
CLUSIONS WHICH MIGHT BE DRAWN BY OECD COUNTRIES ONCE OUR
STUDY IS COMPLETED, IT IS REASONABLE THAT SOME THINKING
ON POSSIBLE CONCLUSIONS SHOULD BE GOING AHEAD. AS I THINK
YOU KNOW, THERE HAVE ALREADY BEEN SOME CONSULTATIONS
BT

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BY afj, NARA, DATE 11/30/06

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USOECD

E. O. 12356: DNGD: OADR
TAGS: OECD, ENRG, IEA
SUBJECT: (U) OECD/IEA ENERGY REQUIREMENTS AND SECURITY
BETWEEN MEMBERS OF THE U. S. ADMINISTRATION AND THE
SECRETARIAT ON THIS SUBJECT, IN AN EFFORT TO EXPLORE
VARIOUS IDEAS AS TO WHAT MIGHT SEEM AN APPROPRIATE AND
BALANCED OUTCOME FOR INDUSTRIALIZED COUNTRIES GENERALLY.

- AS A RESULT, YOU WILL FIND ATTACHED A PAPER WHICH
I THINK COULD FORM THE INITIAL BASIS FOR NEGOTIATIONS TO
REACH A CONSENSUS AT A HIGH POLITICAL LEVEL. I AM AWARE
THAT SOME OF THE PROBLEMS TOUCHED UPON IN THE PAPER WILL
BE DIFFICULT ONES FOR ONE COUNTRY OR ANOTHER. FOR
EXAMPLE:

- - THE IDEA OF COORDINATING STOCK DRAW DOWN
POLICIES IN SITUATIONS OF A LESS THAN 7 PERCENT SHORTFALL;
- - THE IDEA TO AGREE AT THIS POINT ON INCREASES
IN STRATEGIC OIL STOCKS;

- - THE IDEA TO MOVE TOWARD A REGIONAL ARRANGE-
MENT FOR SHARING GAS SUPPLIES IN AN EMERGENCY;
- - SOME OF THE IDEAS FOR IMPROVING THE BASE
FOR SOLID EXPANSION OF NUCLEAR POWER IN OECD COUNTRIES.

- OTHER QUESTIONS WILL HAVE TO BE ELABORATED MUCH
FURTHER. THE IDEA THAT GAS IMPORTS FROM ANY NON-OECD
PRODUCER SHOULD NOT EXCEED 25-30 PERCENT OF ANY COUNTRY'S
GAS SUPPLIES SEEMS ABOUT RIGHT IN GENERAL TERMS BUT DOES
NOT MEET THE SPECIAL NEEDS OF SOME COUNTRIES. FOR
EXAMPLE:

- - AUSTRALIA WILL HAVE TO EXCEED THIS GENERAL
RULE FOR IMPORTS FROM THE SOVIET UNION;
- - JAPAN MIGHT FIND ITSELF IN THE SAME SITUATION
WITH IMPORTS FROM INDONESIA;
- - BELGIUM MIGHT FIND ITSELF IN A POSITION WHERE
IT WOULD HAVE TO RELY FOR MORE THAN A 30 PERCENT SHARE ON
ALGERIAN IMPORTS.

BUT THESE ARE QUESTIONS OF DETAIL WHICH I THINK CAN BE
WORKED OUT. THERE INDEED MAY BE OTHERS.

- I WOULD HOPE THAT THE BASIC CONCERNS OF THE U. S.
GOVERNMENT ARE IN SOME WAY COVERED IN THE ATTACHED PAPER.
I AM AWARE THAT THE PAPER MAY ALSO POSE SOME PROBLEMS FOR
THE U. S. GOVERNMENT. HOWEVER, I THINK IT IS A FAIR, FIRST
APPROACH TO PULL THINGS TOGETHER IN A WAY WHICH, ON THE
GLOBAL ENERGY SECURITY ISSUE, COULD PROVIDE A BASIS FOR
REACHING A CONSENSUS AMONG INDUSTRIALIZED COUNTRIES.

- YOURS SINCERELY,
- /S/ U. LANTZKE

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DTG: 101923Z MAR 83 PSN: 005980

~~"DRAFT CONCLUSIONS:"~~

- OECD AND IEA COUNTRIES HAVE ASSESSED WORLD ENERGY REQUIREMENTS AND SECURITY FOR THE NEXT TWO DECADES. THEY HAVE CONCLUDED THAT CONSIDERABLE PROGRESS HAS BEEN MADE IN RESTRUCTURING ENERGY ECONOMIES AWAY FROM OIL TOWARDS MORE DIVERSIFIED SOURCES OF SUPPLY. TO REINFORCE THESE EFFORTS AND TO STRENGTHEN SHORT AND LONG TERM ENERGY SECURITY, THEY AGREED:

- (1) TO TAKE FURTHER COOPERATIVE MEASURES TO STRENGTHEN THEIR ABILITIES TO DEAL WITH DISRUPTIONS IN ENERGY SUPPLIES;

- (2) TO AVOID UNDUE DEPENDENCE ON ANY ONE SOURCE OF ENERGY IMPORTS, WITH PARTICULAR REGARD TO OIL AND GAS;

- (3) TO ACCELERATE DEVELOPMENT ON AN ECONOMICAL BASIS OF ENERGY RESOURCES INDIGENOUS TO THE OECD COMMUNITY OF NATIONS.
OIL.

- CONSIDERABLE PROGRESS HAS BEEN MADE IN LOWERING OECD IMPORTS AND IN REDUCING THE SHARE OF OIL IN TOTAL ENERGY. THE PRESENT SURPLUS OF OIL IN WORLD MARKETS WITH THE RESULTANT LOWERING OF PRICES HAS BROUGHT IMPORTANT AND
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~~SECRET~~ SECTION 03 OF 04 PARIS 09114

NODIS
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E. O. 12356: DNGD: OADR

TAGS: OECD, ENRG, IEA

SUBJECT: (U) OECD/IEA ENERGY REQUIREMENTS AND SECURITY
WELCOME RELIEF TO OECD ECONOMIES. NEVERTHELESS, OIL
MARKETS ARE EXPECTED TO TIGHTEN AGAIN BY THE END OF THE
DECADE, OR EARLIER IF ECONOMIC RECOVERY IS MORE ROBUST
THAN PRESENTLY EXPECTED.

- IEA MINISTERS REAFFIRMED THEIR SUPPORT FOR THE
INTERNATIONAL ENERGY PROGRAM, INCLUDING MOST IMPORTANTLY
THE IEA OIL EMERGENCY ALLOCATION SYSTEM WHICH REMAINS
THE PRIMARY DEFENSE OF INDUSTRIALIZED COUNTRIES IN TIMES
OF A MAJOR OIL MARKET DISRUPTION. IEA COUNTRIES WILL
CONTINUE THE PROCESS OF IMPROVING THE PROCEDURES AND
OPERATION OF THIS SYSTEM.

- IN CASES OF LESS THAN A 7 PERCENT SHORTFALL WHICH
MIGHT LEAD TO MARKET DISRUPTION AND ECONOMIC DISLOCATION
IN OECD COUNTRIES, MEMBER GOVERNMENTS AGREED TO CONSULT
WITH A VIEW TOWARDS ADOPTING MEASURES THAT COULD DEAL WITH
THAT THREAT, INCLUDING COORDINATION OF STOCK DRAW DOWN
POLICIES.

- TO STRENGTHEN THEIR OVERALL PREPAREDNESS, MEMBER
COUNTRIES ALSO AGREED TO INCREASE THEIR STRATEGIC OIL
STOCKS.
GAS.

- UNIQUE AMONG ENERGY SOURCES, ABSOLUTE LEVELS OF GAS
IMPORTS FROM OUTSIDE THE OECD COUNTRIES ARE EXPECTED TO
RISE CONSIDERABLY DURING THE NEXT TWO DECADES, PARTICU-
LARLY IN EUROPE AND JAPAN. OECD AND IEA COUNTRIES AGREED
TO ESTABLISH MEASURES TO DEAL WITH INCREASED VULNERABILITY
BROUGHT ABOUT BY HIGHER LEVELS OF IMPORTS AND THE REDUCED
FLEXIBILITY OF GAS TRANSPORTATION SYSTEMS.

- THEY AGREED TO WORK TO DIVERSIFY SOURCES OF SUPPLY
SO THAT NO ONE PRODUCER COULD EXERCISE MONOPOLY POWER OVER
OECD AND IEA COUNTRIES. IN THIS RESPECT, THEY AGREED THAT
IMPORTS FROM ANY NON-OECD PRODUCER SHOULD NOT EXCEED
25-30 PERCENT OF ANY COUNTRY'S TOTAL GAS SUPPLIES.

- TO THIS END, THEY AGREED TO TAKE STEPS TO ACCELERATE
THE DEVELOPMENT OF INDIGENOUS OECD RESERVES, PARTICULARLY
NORWEGIAN NATURAL GAS AND OTHER COMPETITIVELY PRICED
SUPPLIES. MEMBER GOVERNMENTS WILL URGE COMPANIES TO BEGIN
NEGOTIATIONS IN 1983 ON THE TROLL FIELD TO ENSURE THAT
SUPPLIES FROM THIS SUBSTANTIAL RESERVE ARE MADE
AVAILABLE AT MARKET COMPETITIVE PRICES BEGINNING IN THE
EARLY TO MID 1990'S. FISCAL REGIMES SHOULD BE STRUCTURED

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IN A MANNER CONDUCTIVE TO REALIZATION OF THIS OBJECTIVE. THEY ALSO AGREED THAT MEMBER GOVERNMENTS WHO HAVE REGULATED PRICES SHOULD MOVE TOWARDS MARKET PRICING.

- WITH REGARDS TO NON-OECD SOURCES OF SUPPLY, THEY AGREED TO UNDERTAKE FEASIBILITY STUDIES TO DETERMINE THE ECONOMICS, ENGINEERING, TECHNICAL CONSTRAINTS AND TIMING OF POTENTIAL GAS IMPORTS.

- MEMBER COUNTRIES UNDERTOOK TO ASSURE THAT ADEQUATE SAFETY MEASURES WERE IN PLACE TO MINIMIZE SECURITY RISKS.

THESE MEASURES INCLUDE INCREASED STORAGE FACILITIES, CONTINGENCY DEMAND RESTRAINT PROGRAMS, INCENTIVES FOR IMPROVED FUEL SWITCHING CAPABILITIES, A MORE FLEXIBLE GRID STRUCTURE, GREATER FLEXIBILITY OF CONTRACTS, MORE SURGE CAPACITY AND MEASURES TO ACCELERATE INTRA-OECD TRADE ON SHORT NOTICE. TO INTEGRATE SUCCESSFULLY THE ABOVE MEASURES IN TIME OF CRISIS, THEY INVITED COUNTRIES WITHIN ONE REGION TO DEVELOP AND NEGOTIATE A MARKET BASED EMERGENCY GAS SHARING PROGRAM WHICH WOULD BE TRIGGERED IF IMPORTS TO ANY ONE COUNTRY OR THE GROUP AS A WHOLE FELL SHORT BY 25 PERCENT. TO ELABORATE SUCH A PROGRAM, INCLUDING A SYSTEM FOR MONITORING IMPLEMENTATION, ANALYSIS AND CONSULTATION WILL BE UNDERTAKEN BY THE IEA AND THE EC.
COAL.

- GIVEN THE LARGE RESOURCE BASE, COAL OFFERS AN IMPORTANT OPPORTUNITY TO REDUCE RELIANCE ON NON-OECD ENERGY SOURCES. COAL'S SHARE OF TOTAL ENERGY IS EXPECTED TO INCREASE SUBSTANTIALLY OVER THE NEXT TWO DECADES.
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E. O. 12356: DNGD: OADR
TAGS: OECD, ENRG, IEA

SUBJECT: (U) OECD/IEA ENERGY REQUIREMENTS AND SECURITY
- MEMBER COUNTRIES RECOGNIZE THAT FURTHER EXPANSION
OF COAL USE AND TRADE IS DEMAND CONSTRAINED, NOT SUPPLY
LIMITED. NEVERTHELESS, EXPORTING OECD COUNTRIES SHOULD
TAKE STEPS TO ASSURE THAT THE NECESSARY INFRASTRUCTURE IS
IN PLACE TO PROVIDE FOR THE PRODUCTION, TRANSPORT AND
MARKETING OF COAL ON AN ECONOMICAL AND EFFICIENT BASIS.
COAL EXPORTING COUNTRIES AGREED TO CONSIDER LEGISLATIVE
STEPS TO ASSURE RELIABLE SUPPLY OF COAL EXPORTS IN TIMES
OF EMERGENCY. COAL IMPORTING COUNTRIES AGREED TO REDUCE
IMPEDIMENTS TO INCREASED COAL USE. TO THIS END, BOTH
COAL IMPORTING AND EXPORTING NATIONS AGREED ON THE IMPOR-
TANCE OF LONG TERM CONTRACTS.

- IT IS ESSENTIAL THAT FUTURE COAL USE BE ENVIRONMENT-
ALLY ACCEPTABLE. TO THIS END, MEMBER GOVERNMENTS AGREED
TO ACCELERATE COOPERATIVE EFFORTS TO PROMOTE A CLEAN USE
OF COAL INCLUDING THE IDENTIFICATION AND PROMULGATION OF
STATE OF THE ART TECHNOLOGIES THAT WOULD MEET THE OBJEC-
TIVES AND SATISFY ENVIRONMENTAL CONCERNS ON A COST
EFFECTIVE BASIS.
NUCLEAR POWER.

- MINISTERS AGREED THAT NUCLEAR POWER MAKES AN
INDISPENSABLE CONTRIBUTION TO OECD INDIGENOUS ENERGY
SUPPLIES. ITS SHARE IS LIKELY TO GROW FROM ITS 6 PERCENT
SHARE IN 1980 TO AS MUCH AS 14 PERCENT OF TOTAL ENERGY
SUPPLIES BY THE END OF THE CENTURY.

- FOR NUCLEAR POWER TO ASSUME ITS POTENTIAL ENERGY ROLE
IN OECD ECONOMIES, BOTH INSTITUTIONAL IMPEDIMENTS AND
PUBLIC ACCEPTANCE CONCERNS WILL HAVE TO BE VIGOROUSLY
ADDRESSED. OECD AND IEA COUNTRIES AGREED TO UNDERTAKE THE
DEVELOPMENT OF PROCEDURES WHICH WOULD FACILITATE THE
APPROVAL OF REACTORS AND NUCLEAR FACILITIES.

- TO FACILITATE INCREASED NUCLEAR POWER GROWTH,
MEMBER COUNTRIES ALSO STRESSED THE IMPORTANCE OF
STABILIZING TRADE AMONG OECD COUNTRIES IN NUCLEAR
EQUIPMENT AND FUEL SUPPLIES. TO THIS END, THEY AGREED
THAT EXPORT REGULATIONS MUST BE PREDICTABLE, THUS
ENSURING RELIABLE SUPPLY, WHILE MAINTAINING EXEMPLARY
NON-PROLIFERATION CONDITIONS. MINISTERS RECOGNIZE THAT
WITHOUT ALL COUNTRIES' ADHERENCE TO A REGIME OF CAREFULLY
CONSTRUCTED EXPORT RESTRAINTS AND PRACTICES WHICH MINIMIZE
THE RISK OF PROLIFERATION, NUCLEAR COMMERCE WILL NOT BE
POSSIBLE.

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- THEY AGREED THAT MEMBER COUNTRIES WOULD MAINTAIN THE HIGHEST POSSIBLE STANDARDS OF NUCLEAR REACTOR SAFETY AND CONTINUE TO COOPERATE IN VARIOUS FORA ON THE IMPLEMENTATION OF REACTOR SAFETY PROGRAMS.

- THEY ALSO STRESSED THE IMPORTANCE OF INTERNATIONAL COOPERATION ON STORAGE AND WASTE DISPOSAL. THE IEA AND THE NEA WERE DIRECTED TO ESTABLISH A WORKING GROUP THAT WOULD BE RESPONSIBLE FOR HOLDING PERIODIC SCIENTIFIC CONSULTATIONS TO THAT MEMBER GOVERNMENTS COULD REPORT ON THEIR PROGRESS IN THE WASTE DISPOSAL PROGRAM.

- MEMBER COUNTRIES ALSO AGREED TO PURSUE JOINT RESEARCH AND DEVELOPMENT IN BREEDER AND FUSION TECHNOLOGY AND DIRECTED THE IEA AND THE NEA TO IDENTIFY POSSIBLE VENTURES." END TEXT.

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How to Achieve Energy Objectives

NS DD 66
Rings

NSDD 66 OBJECTIVES

In National Security Decision Directive 66, the President established that the principal objective of the United States in the energy area is an agreement that countries participating in the "Summary of Conclusions" agreement will:

- "not commit to any incremental deliveries of Soviet gas beyond the amounts contracted for from the first strand of the Siberian pipeline;
- not commit themselves to significant incremental deliveries through already existing pipeline capacity; and
- participate in the accelerated development of alternative Western energy resources, principally Norwegian gas reserves."

To achieve this objective the President directed that "the U.S. should undertake intensive work with our Allies and within the IEA/OECD to encourage development of these Western alternatives and to encourage that adequate safety net measures are adopted to protect against a shut off of Soviet gas."

"SUMMARY OF CONCLUSIONS"

The "Summary of Conclusions" on East-West economic relations provides that:

"In the field of energy, they will initiate a study of their projected energy requirements and dependence upon imports over the next decade and beyond and possible means of meeting these requirements, with particular attention being given to the European energy situation. The study will be conducted under the auspices of the OECD."

INTERNATIONAL INSTITUTIONAL ARRANGEMENTS

The following international institutional structure could be utilized to carry out and monitor the energy studies, and provide the framework for negotiating an agreement on East-West energy relations:

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NARA DATE

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- A U.S. chaired Ad Hoc Summit Group on Energy would be established to carry out the energy dependence and alternatives study. The Ad Hoc Group would be expanded to include other concerned countries, specifically the Netherlands and Norway. The Ad Hoc Group would draw policy conclusions based on the OECD/IEA analysis (see below), and member country contributions. As Chairman of the Ad Hoc Group, the U.S. would be responsible for drafting any report. If agreement on common policies is reached, we could have the Group's conclusions ratified at the Williamsburg Summit. The Ad Hoc Group could meet as early as December 15 (on the margin of the December 16 IEA Governing Board meeting in Paris) to discuss terms of reference and modalities for carrying out the energy study.

If the EC Ambassadors balk at including the Norwegians and Dutch in the Ad Hoc Group, we could use the Summit High Level Monitoring Group on Energy (HLMG). (The HLMG was created at the Venice Summit and has been used to prepare energy topics for succeeding Summits. Membership is the Summit Seven, plus the EC Commission and the EC Presidency. The HLMG is supported by the IEA Secretariat.)

- The OECD/IEA Secretariat would be commissioned by the Ad Hoc Group to prepare the energy study based on terms of reference and guidance from the Group.
- The IEA Natural Gas Security Study is already underway, and will be based on data provided to the IEA by member governments and the European Commission.

The IEA will construct disruption scenarios, and utilize technical consultants to build a basic gas supply system model to test preparedness. The gas security study is under the auspices of the IEA's Standing Group on Long Term Cooperation, chaired by John Ferriter (EB/IEP/ECC).

- The Sherpas would be kept apprised of the efforts of the Ad Hoc Summit Group on Energy.
- The CIA would conduct parallel "shadow" studies on energy dependence and alternatives, and natural gas security. The CIA studies, which should be completed as soon as possible, would serve as checks on the work performed in the IEA and provide a basis for U.S. monitoring of the studies in the HLMG.
- Bilateral technical discussions would be held with key European gas producing and consuming countries to apprise them of our views regarding European gas dependence and the need to promote the development of alternative sources, particularly Norwegian gas. These discussions would complement and reinforce the Ad Hoc Group and IEA deliberations.

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- Ambassador Galbraith would continue to discuss with European gas producing and distributing companies the issue of the commercial development of North Sea gas, particularly Norway's Troll field. Additional technical discussions with those companies would be undertaken to obtain an accurate, up-to-date assessment of the prospects for, and impediments to, the timely development of North Sea gas reserves.

- The IEA Ministerial in mid-May 1983 would review the findings of the IEA Natural Gas Security Study, and could be used to obtain the views of smaller IEA members on the Energy Alternatives study.

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Robinson

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off NSDD/66 energy

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET~~

October 22, 1982

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: WILLIAM F. MARTIN *wfm*

SUBJECT: Soviet Gas in European Markets

We have received a troubling CIA assessment on the potential market for Soviet gas in European markets through use of only one strand of the Siberian pipeline and full use of existing infrastructure. This illustrates very clearly that unless we can get a commitment from the Europeans to limit their gas contracts to present levels, the Soviets will capture most of the market of the 1990s and drive out the competitive alternatives.

Attached (Tab I) are three visuals which tell the story.

Case I is the no Siberian gas case. The key here is that Dutch gas would have to be increased over the short term, but over the longer term, Norwegian and North African producers can meet demand. This is the President's original alternative energy case.

Case II assumes that the first strand of the pipeline is completed but that there are no more gas contracts with the Soviet Union. As you can see, there is still room for alternatives, particularly Norwegian gas. Sufficient market is preserved to allow development of the giant Troll field.

Case III shows how big a chunk the Soviets can take out of the market with only one strand, if some limitation is not imposed on contracts. The results are dismaying. They can effectively block out all large scale alternatives. Only the Sleipner field in Norway is assumed to be developed. Troll is knocked out.

Bottom line: The Foreign Ministers communique is presently inadequate because it does not contain a statement to limit gas purchases over the longer term. If we do not get this commitment, then economic momentum will be on the side of the Soviets. They have all the advantages. We must even the scales. I think that the President must be made aware of this analytical evidence and the consequences of not pressing the Europeans now to limit their gas purchases over the longer term.

Attachment
Tab I Visuals

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cc: Bailey, Blair, Nau, Pipes, Robinson

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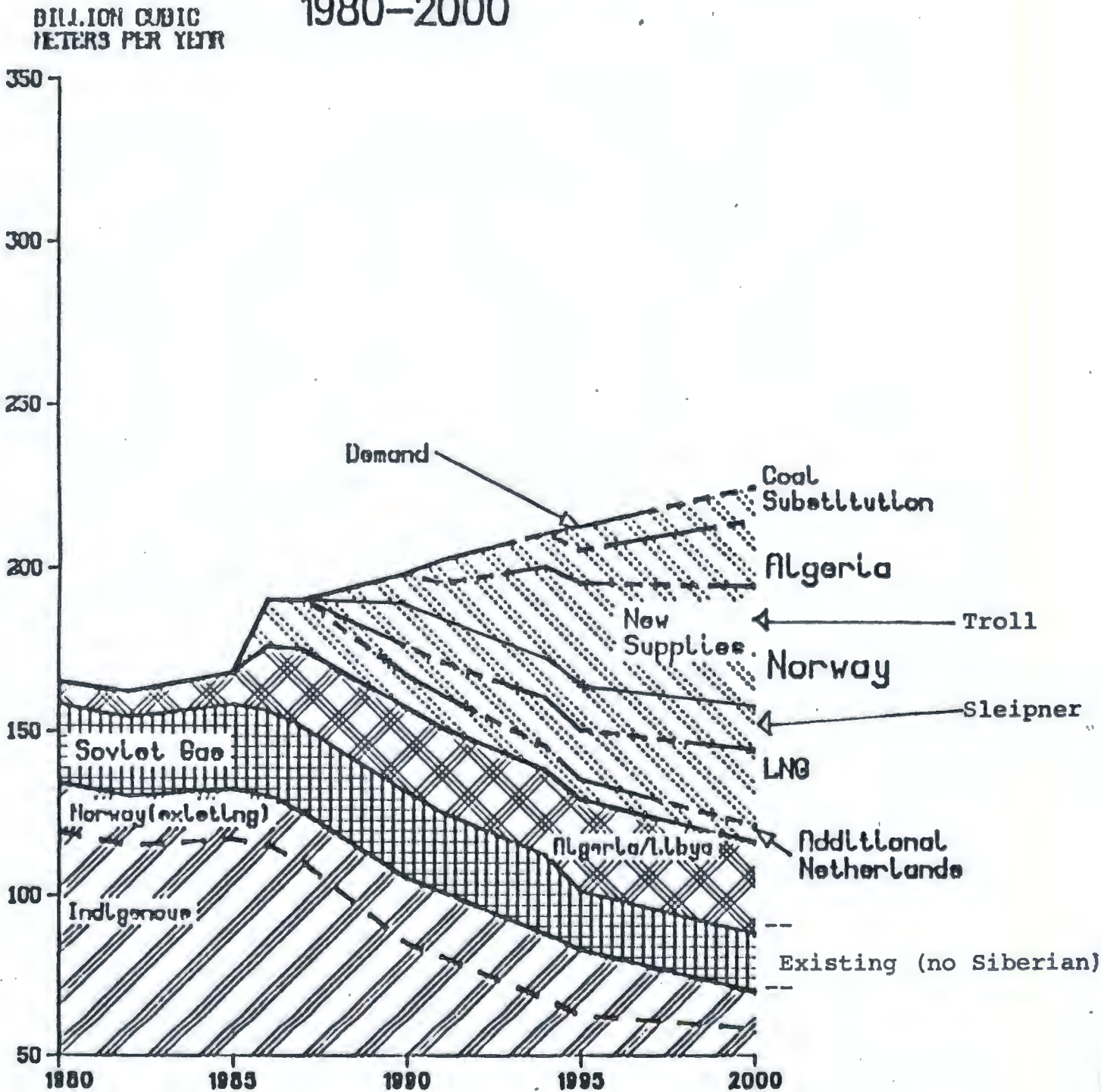
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Continental Europe: Natural Gas Supply and Demand Forecast 1980-2000



Low Demand Scenario Without Siberian Gas

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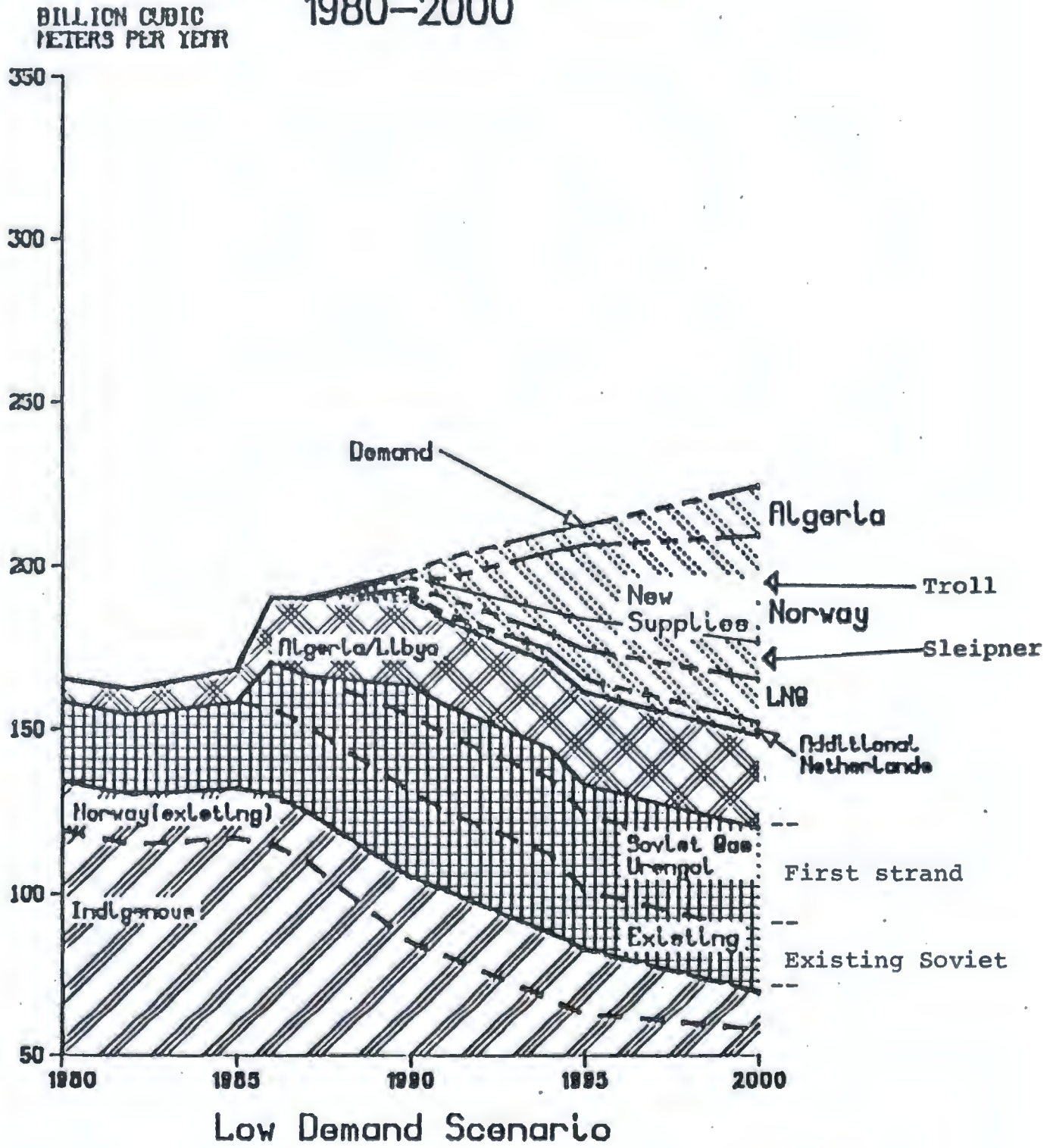
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BY CAS, NARA, DATE 1/22/02

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Case II -- Limitation of
Siberian Gas Contract
to Existing Levels

Continental Europe: Natural Gas Supply and Demand Forecast 1980-2000

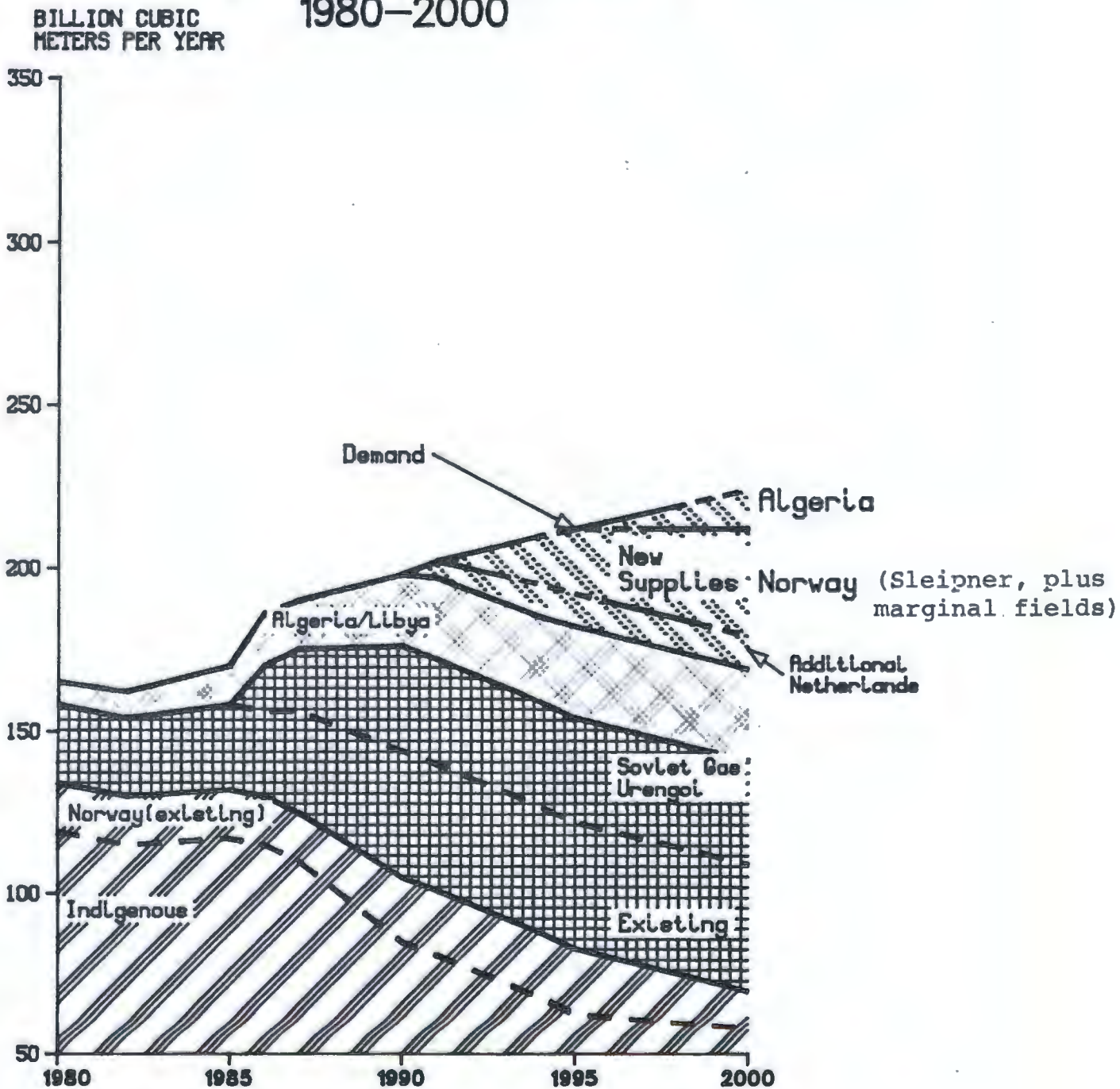


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BY CS 1/11/01

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Case III - Soviet Domination of Gas Market with Only One Strand and Full Use of Existing Capacity

Continental Europe: Natural Gas Supply and Demand Forecast 1980-2000



Maximum Utilization of Existing and Planned Soviet Pipelines

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NLS FRN-069/2 #46
BY CAJ, NARA, DATE 11/1/01

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

NSDD 66
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INFORMATION

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MEMORANDUM FOR THE PRESIDENT

NLS F96-069/2 #47

FROM: WILLIAM P. CLARK

BY WPC, NARA, DATE 1/30/06

SUBJECT: The Soviet Threat to European Gas Markets

Summary

We have received a troubling CIA assessment on the potential market for Soviet gas in European markets through use of only one strand of the Siberian pipeline and full use of existing infrastructure. The analysis shows that unless we can get a commitment from the Europeans to limit their gas contracts to present levels, the Soviets will capture most of the market of the 1990s and drive out the competitive alternatives. It is absolutely essential that we get some concrete results out of the energy studies which will be carried out within the framework of the Foreign Ministers communique.

Analysis

Attached (Tab A) are three visuals which tell the story.

Case I is the no Siberian pipeline case which backstops your instinct at the Ottawa Summit that there are alternatives to more Soviet gas. The bottom of the graph shows the basic European predicament: shrinking indigenous production from older fields in the North Sea and Netherlands. It is estimated that European imports will have to increase from 15% today to almost 50% by 2000. The visuals illustrate that there are a variety of alternatives which could be developed: Norwegian gas (especially the Troll field which could provide as much as the Soviet pipeline), LNG from North Africa, Algerian gas and some coal substitution. A key to this case is higher levels of production by the Dutch during the early years to provide a bridge to the longer term alternatives. Hard currency earnings in 1990 for the Soviets would be \$5 billion (in 1981 dollars). Despite the obvious attractiveness of this case, there are numerous political and economic obstacles.

Case II assumes that the first strand of the Siberian pipeline is completed but that there are no more gas contracts with the Soviet Union. Some of the alternatives in Case I are blocked out, but there is still room for Norwegian gas, particularly the

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Prepared by:
William F. Martin

the giant Troll field. This is a relatively balanced case from a security perspective -- for every btu of gas from the Soviet Union, there is a btu from Norway. Hard currency earnings for the Soviet Union in this case are \$10 billion annually.

Case III shows how large a chunk the Soviets can take out of the market with only one strand and use of surplus capacity in present lines. The results are dismaying. The Soviets can effectively block out all large scale alternatives, including the Troll field. Soviet hard currency earnings in this case rise to \$14 billion. If the Soviets choose to construct a second parallel strand, then they could take the rest of the market, now noted as "New supplies" on the graph. Hard currency earnings in this case could approach \$20 billion (81 prices). For comparison purposes -- total Soviet hard currency imports in 1980 amounted to \$26 billion.

Conclusions

1. The Soviets can become the marginal supplier of gas to Europe. Their gas is cheaper and readily available by turning on the tap. Alternatives, especially the large scale alternatives, such as the Troll field, are more expensive, have longer lead times and are technically challenging. Given an environment of falling oil prices and shrinking demand, there will not be economic inducement for these alternatives to be developed. The Soviets will sweep the market if no constraints are put on gas contracts.

2. There is a difference in hard currency earnings of almost \$10 billion between Case II (contract limitation) and an extreme Case III (full use of existing pipeline capacity and a two strand Siberian pipeline). Over a decade, that is \$100 billion (in 81 prices). This difference alone is sufficient to pay for four years of present hard currency imports into the USSR.

3. Norway is worried about this market outlook. The Chief Economist of the International Energy Agency reported to one of my staff that his recent high level talks in Norway revealed a very similar market assessment. Norwegian officials are hoping for a commitment to limit Soviet gas contracts to present levels. Without it, they feel their energy development is too much of an uphill battle. They will develop smaller, marginal fields, but the big field, Troll, will not be developed until well into the next century. The Chief Economist of the IEA also concurs with this assessment.

4. Our strategy must therefore be:

a. Within the context of the energy studies in the non-paper, seek a commitment from the Europeans to limit their gas contracts to present levels.

b. Work with our Allies within the International Energy Agency on natural gas security to ensure that adequate security measures are adopted to protect against a shutoff of Soviet gas, including more oil and gas storage and stocks, better integration of the European gas grid and more shut in capacity in the Dutch fields.

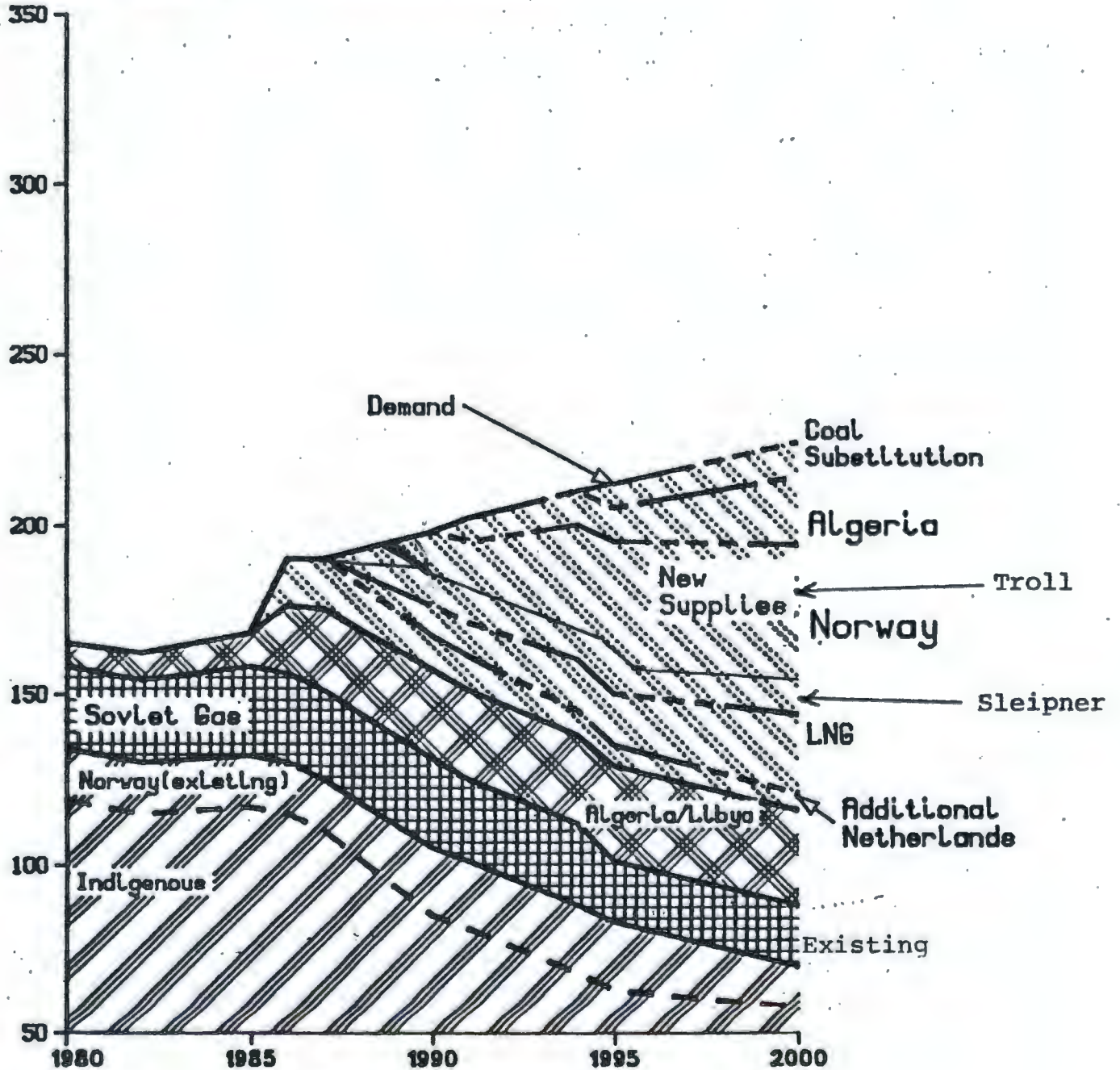
c. Reach conclusions on gas security and energy alternative issues at an IEA Ministers meeting next spring so that the technical underpinnings can be established for the political discussions which could occur at the Economic Summit or earlier by Foreign Ministers.

d. Take some actions domestically to help our credibility in these discussions, including complete decontrol of gas prices, encouraging our coal exports by adoption of user fees for port improvements and by opening up some Alaskan energy resources for export.

This assessment, which is a summary of over a year's work on energy alternatives, basically proves that your instincts at the Ottawa Summit were correct. There are alternatives to Soviet gas, and it is critical that we and our Allies pursue their development.

Continental Europe: Natural Gas Supply and Demand Forecast 1980-2000

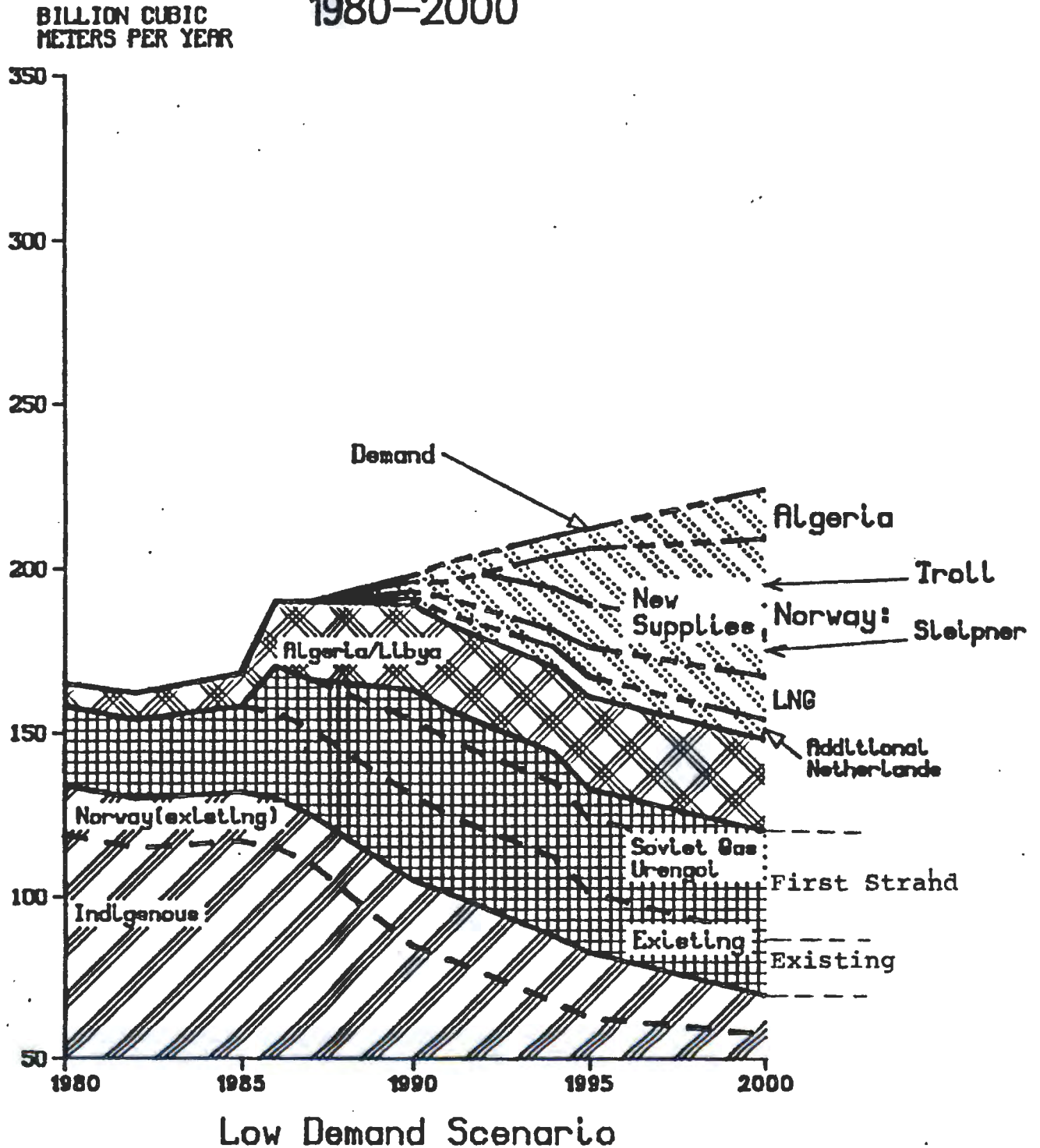
BILLION CUBIC METERS PER YEAR



Low Demand Scenario
Without Siberian Gas

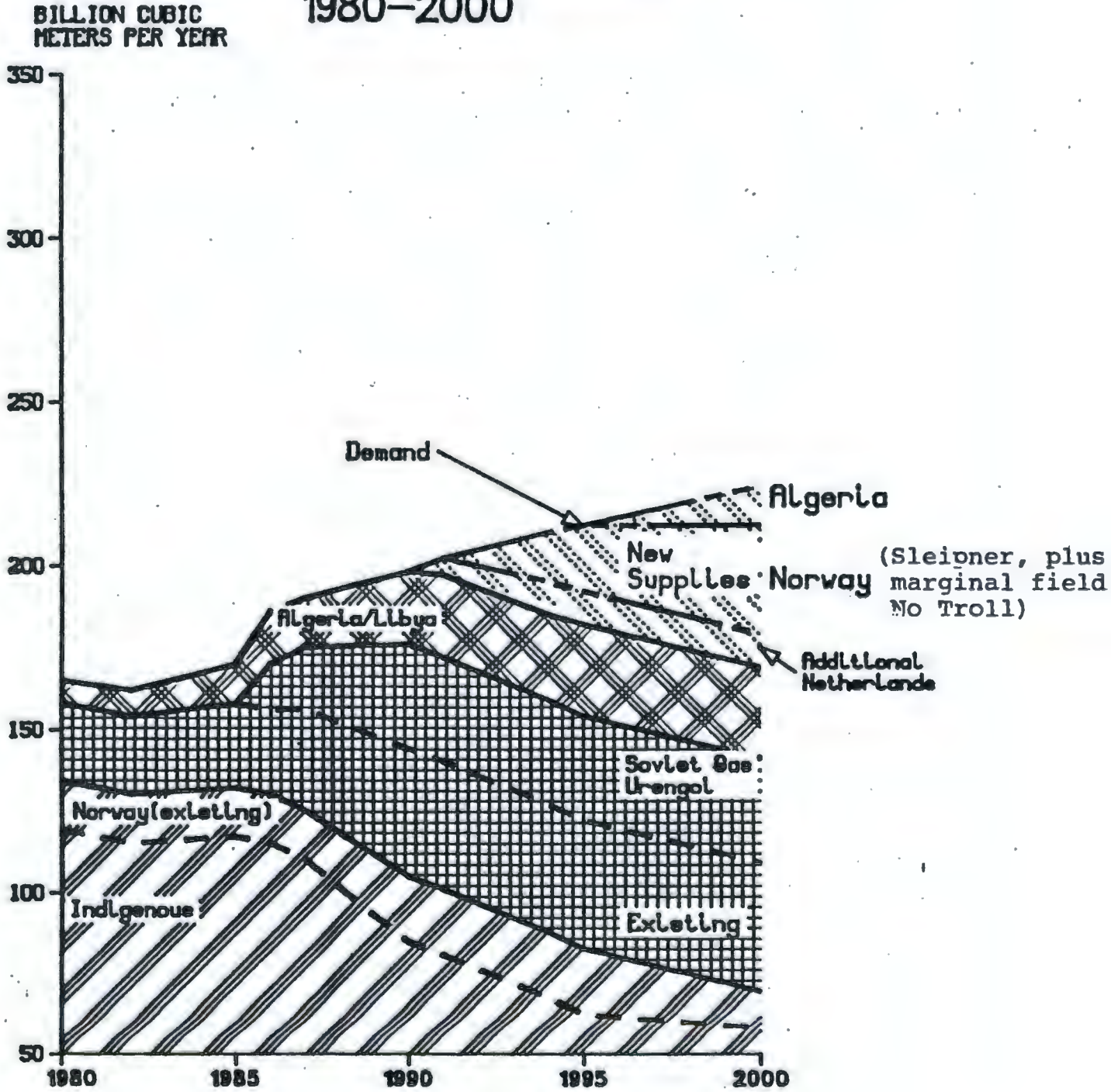
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BY CAS NARA, DATE 1/11/01

Continental Europe: Natural Gas Supply and Demand Forecast 1980-2000



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BY CAI NARA, DATE 1/11/01

Continental Europe: Natural Gas Supply and Demand Forecast 1980-2000



Maximum Utilization of Existing and Planned Soviet Pipelines

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BY CAJ NARA, DATE 1/11/01

ITEM RETURNED
TO NSC
SECRETARIAT
IN APRIL 1987

LOG # 02465 ^{# 011} PUBLICATION/OCT 82

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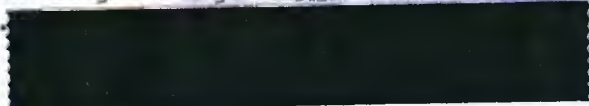


USSR: Shortages of Pipeline Equipment

[Redacted] shortages of pipeline equipment produced in the USSR may be threatening the timely completion of the gas export pipeline to Western Europe. [Redacted]



Comment: The slump in the steel industry and bureaucratic bottlenecks have impeded production throughout the industrial sector, affecting even factories that produce equipment for high-priority projects. Transportation, logistic, and environmental problems encountered in West Siberia also could delay the completion of the pipeline and progress on the network that feeds into it. The problems are unlikely, however, to prevent the Soviets from meeting obligations for delivering gas to Western Europe. [Redacted]



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MEMORANDUM

NATIONAL SECURITY COUNCIL

NSDD energy

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INFORMATION

February 4, 1983

MEMORANDUM FOR WILLIAM P. CLARK

FROM: WILLIAM F. MARTIN *wfm*

SUBJECT: East-West Energy Studies

1. We have seriously lost momentum on the natural gas studies and alternatives to Soviet energy.
2. Contacts today with CIA, OMB and DOE officials confirm that technical coordination of alternative energy issue is off track. Due to weak role of coordination by State, my former technical team has now turned to other, more "pressing" issues. They are submitting off the shelf studies. No new thinking has been activated.

FOIA(b)(6)

3. [REDACTED] in charge of the East West energy study group has one year of experience in energy and no technical background. While he is a fine foreign service officer, he is not capable of coordinating technical issues. This weakness could prove fatal in our race to move Europeans toward the North Sea and away from the Soviet Union.

4. Given present situation, I have called an emergency technical meeting on Friday at the CIA to get things going again. We will undertake a crash program to get material in shape for the next critical meeting with the Allies, now scheduled for February 23-24. Each of the five parts of the energy study terms of reference will be examined from the following perspective:

- a. What shadow USG studies are we preparing so that IEA results can be checked against our figures? (I want the CIA to do the same study as the IEA. State, however, has dropped my earlier request from their tasker, that the CIA produce a detailed European gas security study.)

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b. What analytical studies and technical facts can the USG contribute to the IEA Secretariat? How can we most effectively collect, organize and present data to the Secretariat? (We are very fortunate that the IEA has encouraged us to provide them with technical information. However, State is handing over material in a piecemeal fashion.)

c. What are our talking points for the upcoming Summit country energy meeting in Paris?

d. Despite our request to State to give NSC alternative representative status (same level as DOE DAS), our representation as key IEA working dinner last December was limited to State and DOE DAS level participants -- both of whom are civil servants. Unless we press State to give NSC more prominence on delegation list, we will miss opportunity to participate in future restricted meetings where key policy decisions will be taken regarding the East-West energy study.

5. In conclusion:

-- our technical work at the moment is totally disorganized and basically at a standstill. We have lost at least two months. Now we must crash to prepare for the extremely important Summit country energy meeting in two weeks.

-- NSC has been excluded from restricted dinners where key policy issues are discussed. We are represented by civil servants.

-- I often hear of technical problems second-hand. State has not kept me sufficiently informed, primarily because they do not fully grasp the problems.

6. In the future we must bank on our strengths:

-- technical excellence. My approach in chairing the alternative energy technical working group in the past was to develop the best and most detailed technical studies our government could collectively produce. We must go back to that approach if these energy studies are to achieve the objectives of NSDD-66. If the IEA study is a disappointment, then we must be able to put own own analysis on the table and discuss it with the Allies.

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-- senior representation. At my urging, Dick Fairbanks will lead our three man delegation to Paris for the next Summit energy meeting. Dick will do a great job, but we must have our technical work in decent shape. My recommendation is that Dick and I be the senior delegates to these meetings. DOE can take a back seat.

-- my close personal relationship with [REDACTED]

FOIA(b)(6) [REDACTED] If things are not going correctly, then we can use this link to get them back on track in the international arena. [REDACTED] knows what he must provide us in the way of conclusions (i.e., getting Troll going), and he will work hard for this objective.

8. One final comment. I do not dispute State's right to lead delegations. However, a very serious mistake was made to let State chair most of the East-West study groups. The subjects of credits, technology transfer and energy are complex. The study groups should provide the technical underpinings to our efforts abroad. I would recommend that at this stage we assess the technical work of the other East-West study groups. I strongly suspect that there may be many similarities to the problems we face in the energy groups, and we should reappraise the role of Robinson and Blair on the all important Wallis-chaired Steering Committee which to our knowledge has never met.

I would welcome an opportunity to discuss these matters with you as time is now critical.

P.S. I just returned from my meeting at the CIA where I raised these issues with State, DOE, OMB and CIA officials. While recognizing some of the problems, the State official said, "Well, at least the energy study is in better shape than all the other studies."

cc: Norman Bailey
Dennis Blair
Roger Robinson
Charles Tyson

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Energy Study Terms of Reference
(and Framework for USG work)

Outline

USG
Contributions
to IEA

USG
Internal Analysis

Introduction: Definition of terms, risks, justification for concentration on oil and gas.

I. Energy Requirements

1. Pattern of present energy consumption in OECD countries.

- a) analysis by fuel source in major OECD countries
- b) sectoral demand patterns

2. Examination of demand patterns—three scenarios, with price and growth assumptions

- a) analysis by fuel source in major OECD countries
- b) likely sectoral demand patterns (i.e. increasing use of gas in premium markets, coal/nuclear penetration in electricity generation)

II. OECD Indigenous Study

1. Pattern of present indigenous energy supply situation in major OECD countries and regions by fuel source.

2. Analysis of future supply prospects for indigenous fuels in major OECD countries and regions, given current policies, demand and price scenarios.

3. Intra-OECD energy trade, present and projected.

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BY CK NARA, DATE 10/29/02

Outline

Import Dependence

Integration of supply and demand analysis in each of three scenarios for oil and gas. Focus only on current and projected import dependence from non-OECD sources in each major OECD country and region.

Vulnerability on a Regional and Country Basis

Risk analysis of supply flows and sources

- a. Current situation
- b. Implications of likely future energy supply/demand developments for energy security.
 - by major OECD countries
 - by OECD regions
 - by fuel source (oil, gas and coal)
- c. Assessment of risks of interruptions, including analysis of combined oil and gas disruptions (Persian Gulf plus USSR gas) resulting from related incidents.

Physical systems for coping with disruptions - current

- a. oil
 - level of emergency reserves
 - IEP oil sharing system
 - approaches to pricing allocated oil
- b. gas
 - findings of IEA Natural Gas Security Study
- c. coal and nuclear
 - electric generation over-capacity by country
 - coal stock levels

USG Contributions to IEA

USG Internal Analysis

Economic Impact of likely disruptions,
particularly effects on key sectors

Evaluation of means to improve energy
security - long term measures

- a. better balanced and more efficient
energy economies
- b. increased indigenous production
and OECD-indigenous production
- c. diversification of import sources

Evaluation of means to improve energy
security - contingency plans

- a. oil: consideration of
 - approaches to pricing of
allocated oil
 - level of emergency reserves
 - disruptions not covered by IEP

- b. gas
 - arrangements for access to
shut-in capacity
 - storage, demand restraint
 - enhanced pipeline flexibility
(to flow from IEA Natural Gas Study)
- c. coal
 - stock levels
- d. nuclear
 - emergency cooperation plans

Outline

USG Contributions to IEA

USG Internal Analysis

Alternatives/Conclusions

Identify most serious energy security risks (from Section IV) and present most important energy supply security options (from discussion in sections IV 4 and 5). Discussion of institutional, policy, financial and technical aspects of:

1. possibilities for enhancing development of indigenous OECD energy sources
2. potential for inter-fuel substitution
3. possibilities-for enhancing intra-OECD energy trade
4. safety net preparedness
5. externalities.



DEPARTMENT OF STATE

Washington, D.C. 20520

NSDD66
Energy

February 3, 1983

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MEMORANDUM FOR W. ALLEN WALLIS

FROM: M. J. Bailey *MJB*

SUBJECT: "Hard Currency" and Other Arguments for Trade Embargoes

The talking papers and assessments I have seen on reasons for denying western exports of oil and gas technology to the Soviets seem to me to need improvement. In discussing the arguments, I will take for granted the problem of Western vulnerability to a gas cutoff, which arises from the inflexibility (heavy capital intensity) of the pipeline system. It's the other arguments that need work. These concern the wisdom of buying gas or anything else from the Soviets, and of selling them oil-field equipment. There is one good argument for embargo of all oil and gas-related equipment, which I have not seen in any of the relevant papers, and three bad ones, which I have seen. I accept without discussion the CIA estimate that an effective COCOM embargo would set back Soviet oil and gas development by about two years. In so doing it would reduce their net energy exports and could conceivably make them net energy importers by 1990. I can't vouch for the reliability of this estimate, but have no basis for challenging it.

The one good argument is that so long as the Soviet are net energy exporters they have a financial interest, in addition to their political interest, in disrupting Middle Eastern oil supplies. By the end of the 1970's they were collecting about \$10 billion a year in extra revenue from oil sales alone (plus smaller sums from gas and from gold) due to the big increases in their prices. The Soviets had contributed directly to these price increases by providing arms and mischievous encouragement to Egypt, Syria, and Iraq. (As an extra bonus they are now selling arms to Syria and Iraq for hard cash, paid for at the gas pumps of Europe and the U.S.) If Western countries aid Soviet oil and gas development with advanced equipment, the Soviets will continue to have a financial incentive to disrupt the Middle East; that is, they can get their political gains, such as disrupting NATO, at a cash profit. It is in our interest to remove that incentive, if we can.

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BY *[Signature]*, NARA, DATE 1/30/06

The bad arguments are the following:

1. The Soviets use hard currency earnings for political and clandestine uses that we oppose; therefore we should try to deny them hard currency earnings.
2. Hard currencies are becoming increasingly scarce for the Soviets; limiting those earnings will impose heavy economic burdens on the Soviets.
3. Purchase of cheap Soviet gas will block the development of safety-net measures and alternative sources to protect against a gas cutoff.

The reasons these are bad arguments follow, with matching numbering.

1. Political and clandestine uses of Soviet hard currency earnings that we oppose represent a small fraction, perhaps ten percent,* of the uses of those earnings. An effective embargo might cut the earnings by as much as forty percent. In response to that, the Soviets might cut a little from the small budget of sensitive items, but only the lowest-priority uses. Because that program has a priority for them similar to their military budget, they won't cut it back in any way that they perceive as harming their vital interests.

2. It is true that reducing trade with the Soviets would impose economic burdens on them; it would also impose burdens on the Western economies. Just as trade increases the real resources available to the Soviets, some of which they can devote to their military, it increases the real resources available to Western economies. With these extra resources, the Western countries can better defend themselves. An example is Soviet oil and gas exports, which (apart from the good argument noted above) lower world energy prices and so strengthen Western economies. The thing to look at is how the gains from trade are divided between East and West. If it makes sense to try to tilt the terms of trade more in favor of the West, an embargo is not the way to go about it.

3. Cheap Soviet gas will lower the cost of such safety-net measures as gas storage, and if the purchase lowers energy prices generally it will probably also lower prices of oil and gas drilling equipment. Therefore it is likely to lower the cost of developing alternatives such as the Troll gas field. If Western governments respond rationally to the opportunity, it will be cheaper and therefore politically easier to take the necessary steps for energy security, whatever those steps may be. That is, it will if selling gas is the only way the

*Inferred from CIA data.

~~CONFIDENTIAL~~
(with ~~SECRET~~ attachment)

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Soviets intervene in energy markets. However, if the Soviets mean to disrupt oil markets and then threaten to cut off gas at the same time (and if they can do so at a profit), that's another matter; it is also another argument.

In sum, the last three arguments, alone or in combination, don't make sense. It may well be that developing Troll field is an important, efficient part of a prudent safety-net program for Western energy security, and that the purchase of more Soviet gas would reduce that security intolerably. It may also be that prudence requires an allied embargo on all exports of oil and gas related equipment to the Soviet Bloc. The bad arguments won't help us get from here to there.

More detailed analysis of these points is in the works. The first attached table shows Soviet revenue gains from oil supply disruptions in the past ten years, and their hard currency arms sales. The second attached table shows projections of Soviet hard currency earnings to 1990, with and without an allied embargo of oil and gas equipment and technology.

Attachment:

Table

DRAFTED BY: MJBailey:gm
2/3/83:#0012E

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(with ~~SECRET~~ attachment)

(1) Actual Value of USSR Oil Exports to Free World Countries (\$ million)

(2) Value of USSR Oil Exports to Free World Countries, if no Supply Disruptions (\$ million)

(3) USSR Revenue Gain from Supply Disruptions (\$ million)

(4) Hard Currency Arms Sales (\$ million)

(5) Gold Sales (\$mill)

		(a) Constant Rel. Price	(b) Rel. Price Grows 10% per year	Column (1) Minus (2) (a)	Column (1) Minus (2) (b)		
1970	607	607	607	0	0	35	
1971	865	865	865	0	0	50	2
1972	865	865	865	0	0	0	28
1973	1,664	1,004	1,104	660	560	250	96
1974	3,766	959	1,160	2,807	2,606	250	1,17
1975	4,410	1,220	1,624	3,190	2,786	1,200	72
1976	5,900	1,585	2,321	4,315	3,579	1,500	1,36
1977	6,976	1,817	2,927	5,159	4,049	1,500	1,61
1978	7,170	2,056	3,642	5,114	3,528	1,700	2,52
1979	12,330	2,062	4,019	10,268	8,311	5,500	1,49
1980	15,819	2,193	4,701	13,626	11,118	3,300	1,58
1981	16,004	2,213	5,218	13,791	10,786	5,000	2,70

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BY [Signature], NARA, on 11/30/06

Sources: (1), (4) and (5) - CIA
(2) and (3) - Calculated from (1)

SOVIET HARD CURRENCY EARNINGS
(Billion 1981 US \$)

A. Expanded Gas Sales

	<u>1981</u>	<u>1985</u>	<u>1990</u>
Total, Current Account of which	32.8	25 to 34	33
Oil	11.5	1 to 10	0
Gas	3.4	4.0	12.7

B. No further gas sales; effective COCOM Embargo
of all oil and gas technology and equipment

	<u>1985</u>	<u>1990</u>
Total, Current Account of which	25 to 34	20
Oil	1 to 10	-10
Gas	4.0	9.5

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2/4/83

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E. O. 12356: DECL: OADR

TAGS: ENRG, EEWT, GE, UK, UR

SUBJ: BP DROPS OUT OF FRG - SOVIET GAS DEAL

REFS: (A) BONN 22130, (B) BONN 15968, (C) BONN 6558

1. ~~CONFIDENTIAL~~-ENTIRE TEXT.

2. WE HAVE LEARNED FROM COMMERCIAL SOURCES, WHICH HAVE PROVIDED RELIABLE INFORMATION IN THE PAST, THAT BP'S GERMAN SUBSIDIARY, BP-GELSENBERG, HAS DROPPED OUT OF THE SOVIET NATURAL GAS DEAL. BP'S DEPARTURE, TOGETHER WITH THE DECISIONS OF THE REMAINING COMPANIES (RUHRGAS, BEB, AND THYSSENGAS) TO AVAIL THEMSELVES OF THE PERMANENT VOLUME REDUCTION CLAUSES IN THEIR CONTRACTS WITH THE SOVIETS, MEANS THAT THE MAXIMUM FRG TAKE WILL BE 7.92 BILLION CUBIC METERS PER YEAR. THIS VOLUME, IN TURN, MAY BE REDUCED BY UP TO 20 PERCENT BASED ON ANNUAL DECISIONS TAKEN UNILATERALLY BY THE COMPANIES. FORMALLY, THE PERMANENT OPTIONS DECISIONS ARE POSTPONED UNTIL THE SPRING, AND HAVE NOT YET BEEN COMMUNICATED TO THE SOVIETS, BUT INDUSTRY SOURCES TELL US THAT THERE IS NO LONGER ANY DOUBT THAT THE REMAINING FRG FIRMS WILL EXERCISE THESE RIGHTS.

3. OUR SOURCE CITED GELSENBERG'S INABILITY TO PENETRATE THE FRG GAS MARKET, PLUS THE PARENT COMPANY'S FINANCIAL CONDITION AS THE REASON FOR THE DECISION. WE HAVE ALSO HEARD, BUT ARE NOT YET ABLE TO CONFIRM, A RUMOUR THAT BP IS SEEKING TO SELL ITS 25 PERCENT SHARE-HOLDING IN RUHRGAS. IF THIS PROVES TO BE CORRECT, IT WILL SPELL THE EFFECTIVE WITHDRAWAL OF BP FROM THE FRG GAS MARKET. WOESSNER

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