

FOEC 031/29

OO UKREP BRUSSELS

GRS 596

CONFIDENTIAL

DESKBY 292130Z

FM FCO 291825Z MAR 82

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 598 OF 29 MARCH

INFO IMMEDIATE LAGOS, JEDDA, UKREP BRUSSELS
PRIORITY PARIS, BONN, UKDEL OEGD, ROME, MEXICO
CITY, TEHRAN, BAGHDAD, CARACAS, DOHA, JAKARTA,
DHABI, DUBAI, ALGIERS.

INFO SAVING QUITO, LIBREVILLE, MUSCAT

IMMEDIATE

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BENDER / HEALY /

+ 10.

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S.A./Lab & R Policy

OPEC

1. YOU WILL HAVE SEEN PRESS REPORTS OF ARAB/OPEC ALLEGATIONS THAT OIL COMPANIES ARE UNDER-LIFTING IN NIGERIA IN ORDER TO PUT PRESSURE ON A VULNERABLE OPEC MEMBER AND SO BREAK THE VIENNA OPEC PRICE AGREEMENT. ACCORDING TO THESE REPORTS THE COMPANIES ARE BEING THREATENED WITH DENIAL OF DIRECT OR INDIRECT SUPPLY BY ARAB OPEC MEMBERS (AND POSSIBLY BY OPEC MORE GENERALLY).
2. NO OIL COMPANY IN LONDON HAS BEEN PREPARED TO ACKNOWLEDGE TO THE DEPARTMENT OF ENERGY THAT THEY HAVE RECEIVED A DIRECT THREAT BUT SHELL AND BP HAVE SAID THAT THEY HAVE RECEIVED INDIRECT MESSAGES. IN BOTH CASES, THESE EMANATED FROM KUWAIT, IN THE CASE OF BP SPECIFICALLY FROM ALI KHALIFA, THE KUWAITI OIL MINISTER.
3. THE MAJOR SELLER OF NIGERIAN OIL IS THE NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC) WHICH MAKES ITS OWN MARKETING ARRANGEMENTS. SHELL IS THE FOREIGN OIL COMPANY WITH THE LARGEST LIFTING ENTITLEMENT (EQUITY PLUS PURCHASE). WE BELIEVE THE OTHER MAIN FOREIGN COMPANIES WITH REGULAR ENTITLEMENT TO NIGERIAN OIL ARE GULF, MOBIL, PHILLIPS, TEXACO, AGIP, ELF ASHLAND, AND PANOCEAN. THE MIX OF EQUITY AND CONTRACT OIL IS SIGNIFICANT, SINCE THE COMPANIES' EQUITY ENTITLEMENT IS PROPORTIONATE TO THE VOLUMES SOLD BY THE NNPC. THE CONSEQUENCE IS THAT IF THE NNPC LOSES THIRD PARTY CUSTOMERS, THE VOLUME LIFTED BY THE EQUITY PARTNERS ALSO DECLINES.
4. THE COMPANIES' VULNERABILITY TO ARAB OPEC THREATS IS VARIED. IF THE SAUDIS REALLY ARE A DETERMINED PARTY TO THE THREAT, MOBIL AND TEXACO, AS ARAMCO PARTNERS, MUST BE ACUTELY WORRIED. SHELL LIFTS ONLY ABOUT 26,000 BD IN SAUDI ARABIA AND NOTHING AT PRESENT IN KUWAIT. GULF HAS ONLY A MINIMAL DEPENDENCE ON OPEC OIL. BP HAS NO COMMITMENTS OR ENTITLEMENT IN NIGERIA, SO SHOULD NOT BE AT RISK. (BP HAS REPLIED TO KHALIFA, THROUGH THE INTERMEDIARY, TO THIS EFFECT.)

5. ONLY MOBIL AND GULF ARE KNOWN TO HAVE MADE ANY PUBLIC STATEMENT ON THE THREATS. BOTH HAVE DENIED UNDERLIFTING AND POINTED TO SCHEDULED NEW LIFTINGS. DEPARTMENT OF ENERGY HAVE ASKED THE LONDON OFFICES OF MOBIL, GULF AND TEXACO ABOUT THE PARENT COMPANIES, BUT HAVE BEEN GIVEN NO REPLY YET.
6. SHELL HAVE SENT A MESSAGE TO SHEIKH YAMANI SAYING THERE MUST HAVE BEEN SOME MISUNDERSTANDING SINCE IT HAS RESPECTED ITS NIGERIAN LIFTING COMMITMENTS AND, INDEED, IS CURRENTLY OVERLIFTED.
7. IT IS LIKELY THAT THE MAIN LOSS OF NIGERIAN SALES IS DUE TO THIRD PARTY CUSTOMERS DISENGAGING AT SHORT NOTICE WHEN IT BECAME CLEAR AFTER THE VIENNA MEETING THAT THE NIGERIANS DID NOT INTEND TO REDUCE THEIR PRICES. BUT OUR VIEW IS THAT WHATEVER THE MAJORS MAY CLAIM ABOUT THEIR LIFTINGS UNDER EXISTING CONTRACTS THEIR INTENTION WAS TO DISENGAGE, AT LEAST TO SOME EXTENT, FROM 1 APRIL AS CONTRACTS COME UP FOR RENEWAL.
8. (FOR WASHINGTON) WE SHOULD BE GRATEFUL FOR AN EARLY ACCOUNT OF US THINKING. YOU MAY INFORM US OFFICIALS IN STRICT CONFIDENCE OF PARAS 1-7 ABOVE. IF ASKED YOU SHOULD SAY THAT WE ARE STILL CONSIDERING THE WIDER IMPLICATIONS OF THESE MOVES. (WE HAVE ALSO SPOKEN TO THE US EMBASSY IN LONDON).
9. (FOR OPEC POSTS) YOU SHOULD NOT TAKE THE INITIATIVE IN RAISING THIS WITH OPEC GOVERNMENTS. IN RESPONSE TO ANY ENQUIRIES YOU SHOULD SAY THAT WE HAVE RECEIVED NO OFFICIAL CONFIRMATION OF THESE REPORTS. THIS IS A QUESTION ON WHICH THE OIL COMPANIES ARE BETTER PLACED TO COMMENT THAN US.

CARRINGTON

NNNN