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to me
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FROM RIYADH 230931Z JAN 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 10 OF 23 JANUARY

INFO IMMEDIATE JEDDA, LAGOS

INFO PRIORITY GULF POSTS, BAGHDAD, TEHRAN, JAKARTA, ALGIERS,
QUITO, MEXICO CITY, CARACAS, WASHINGTON AND OSLO

JEDDA TELNO 51

MEETING OF OPEC PRICE DIFFERENTIALS COMMITTEE

1. THE MINISTRY OF PETROLEUM ARE BEING VERY CAUTIOUS IN THEIR COMMENT ON THE MEETINGS. HUSSEINI (DIRECTOR ECONOMICS) WHO WAS PRESENT TOLD ME THAT HE COULD SAY ONLY THAT THE POSITIONS ON DIFFERENTIALS HAD COME A BIT CLOSER. HE MAINTAINED THAT THE BENCHMARK PRICE HAD NOT (NOT) BEEN DISCUSSED AT THE MEETINGS. AS TO THE CURRENT SAUDI PRODUCTION LEVEL HUSSEINI SAID THAT IT WAS NOW QUOTE SOMEWHAT BELOW UNQUOTE THE DECEMBER LEVEL OF ABOUT 3.5 MBD. HE ADDED POINTEDLY THAT THIS WAS NO DOUBT QUOTE GOOD FOR SOME UNQUOTE.
2. THERE WAS SPECULATION AMONG MAJOR OIL COMPANY REPRESENTATIVES HERE THAT YAMANI AGREED AT A PRIVATE MEETING WITH DAVID-WEST THAT SAUDI ARABIA WOULD NOT OBJECT TO A DROP OF ONE DOLLAR IN THE BENCHMARK PRICE IF NIGERIA AGREED ON DIFFERENTIALS AND UNDERTOOK TO KEEP TO ITS QUOTA. THIS WOULD NOT BE INCONSISTENT WITH HUSSEINI'S REMARKS.
3. WE HAVE CHECKED ON A REPORT BY A RIYADH CORRESPONDENT IN TODAY'S LOCAL ENGLISH LANGUAGE PRESS THAT THERE WAS AGREEMENT AT THE MEETING ON A DOLLARS 2.5 CUT IN BENCHMARK PRICE. THE MINISTRY OF PETROLEUM HAVE AS YET OFFERED NO OFFICIAL COMMENT BUT WE CONCLUDE THAT IT IS INACCURATE: THE ARTICLE CONTAINS SEVERAL OTHER OBVIOUS ERRORS.
4. THE OIL COMPANIES ALSO TELL US THAT PETROMIN'S LPG CUSTOMERS HAVE BEEN NOTIFIED THAT ONLY FORTY PERCENT OF CONTRACTED VOLUMES OF PROPANE AND BUTANE WILL BE AVAILABLE IN FEBRUARY: THIS SUGGESTS PREPARATIONS FOR A STILL LOWER LEVEL OF CRUDE PRODUCTION.

MUHR

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