

EXCLUSIVE

The Fight to Build the Alaska Pipeline

This summer, the first of 600,000 barrels of oil per day is expected to come through the Alaska pipeline to the port city of Valdez, ready for supertanker shipment to consumers within the continental United States. These are the fruits of the labor of a consortium of oil companies led by British Petroleum (BP), Standard Oil of Ohio, and Atlantic-Richfield (ARCO), who will own three-quarters of the output, and who have worked for eight years to bring this Alaskan North Slope crude on line.

The project was built with an enormous expenditure of manpower and materials. Skilled construction laborers put in more than 60-hour weeks, and the pipelines total cost is now estimated at over \$7 billion. From its inception, the work faced bitter resistance from the Rockefeller oil and financial interests, led by Exxon and its then-chairman, John Kenneth Jamieson. The pipeline, which promises to make available new oil supplies in greater daily volume than the production of OPEC member Algeria, was completed despite challenges from Rockefeller-funded environmentalists, pro-Rockefeller government officials, and such Rockefeller legislators as Walter Mondale and Sen. Birch Bayh (D-Ind).

Delivery of the oil may still be delayed and the use of the pipeline may ultimately be blocked. Exxon sabotage of the project may yet achieve its desired goal.

The building of the Alaskan pipeline has been a small-scale war, unreported in the press except for occasional misleading headlines, but fought out on a global scale. At stake is the Rockefellers' hold on the world oil market and international energy supplies.

It is also an exemplary case history of the myriad attempts by Exxon Co., the Rockefellers' conglomerate in the field of oil and energy, to stymie oil production and exploration, the basis of its international policy since at least 1960 when Monroe Rathbone became chairman of the Exxon Board.

The fight over the pipeline became ferocious in the 1970's, when Exxon used State Department policy, environmentalists and such politicians as Sen. Walter Mondale and Rep. Les Aspin (D-Wis), to stage furor over the Alaskan project. At one point the fight threatened to spill over into lawsuit by British Petroleum, which charged Exxon with sabotage of the pipeline.

The fight continues today. On the "Face the Nation" TV show Feb. 6, Secretary of the Interior Cecil Andrus told the press that he may consider holding up the shipment of Alaskan oil if it is determined that the pipeline has faulty welding or other flaws which might permit leaks. Alaskan oil faces a stiff resistance from the Rockefellers' (environmentalist) challenges, which could become the means of blocking it.

Exxon's Strategy

Since 1960, Exxon has followed a policy of blocking world oil exploration. Since that time, Exxon has functioned only peripherally as an oil company; its actual role has been that of a holding company and political arm for Chase Manhattan Bank.

During the 1960s, of course Exxon's exploration zoomed upward. But Exxon's purpose in discovering oil was to prevent its exploitation, as Anthony Sampson reports in first-hand interviews in his book, *Seven Sisters*. Writes Sampson:

"Although Exxon was spending huge sums in new exploration, the last thing they wanted was new production. Howard Page (Exxon's Middle East chief) was once told by one of the Exxon geologists, who had just come back from Oman, 'I'm sure there's a ten billion oil field there.' Page replied, 'Well, then I'm absolutely sure that we don't want to get into it. I might put some money into it if I were sure that we weren't going to get oil, because we are liable to lose the Aramco concessions.'"

Sampson elaborates, "Page saw the market like a bulging balloon, 'push it in one place, it comes out in another...If we acceded to all those demands, all of us, we would get it in the neck.' The balloon was pressed harder with each new oil discovery. New sources of oil are opening up all along the gulf, in Qatar, in Oman, and most spectacularly in the small sheikdom of Abu Dhabi, which by 1970 was producing a million barrels of oil a day. And the most irresistible opportunity was in Libya, where Exxon was the leader. But the more they took from the new sources, the less they could take away from Iran or Saudi Arabia."

Here lay the rub. In the latter two countries, Exxon had reached agreement on how much oil would be produced, and any new production during the moderate market for oil in the 1960s had to eat into the market for the old, jeopardizing Exxon's control over the Shah of Iran and the Saudis.

When British Petroleum began exploration in the North Slope area of Alaska in the early 1960s, Exxon became worried. Here was an area where BP, acting with some independents, might discover oil and then, not bound by the magnitude of agreements Exxon had to protect in the Middle East, it might actually begin marketing the oil to the rest of the world. This posed a major threat to tight Exxon control over the size and price structures of the world energy market. More importantly, such newly discovered oil might go to OECD and Japanese markets, thus freeing them from their dependence on Exxon's supplies.

Realizing that it could not influence decisions by standing on the outside, Exxon bought into the Alaskan fields in 1968, shortly after Arco, one of the independents working with BP, discovered oil in the Prudhoe Bay in June 1968. Exxon used its financial muscle to exploit Arco's shortage of cash for exploration to acquire 20 percent rights to all oil discovered in Alaska by Arco.

British Petroleum's Role: Development

BP's need to find oil was acutely accentuated by the consequences of the 1954 Exxon-CIA coup against Mossadegh in Iran. In one blow, BP's holdings in the Iranian National Oil Company were reduced from 100 percent to 40 percent, and Exxon, Mobil, et. al. crashed into the coveted Iranian oil market.

BP, was no longer oil rich, and faced a need for new exploration and production.

In the late 1950s, it bought leases from the state of Alaska, but only turned up a welter of dry holes. But after ARCO discovered the North Slope in June 1968, BP also made discoveries.

Estimates by geologists placed the Prudhoe Bay field as the largest oil reserves in the U.S., a currently estimated 9.5 billion barrels. After initial pumping at 600,000 barrels per day, it is estimated that, after six months time, Prudhoe Bay production capacity will reach 1.2 million barrels per day. This represents one-seventh the volume of current U.S. oil production (8.1 million barrels per day), it is not much less than the daily production of Kuwait, and is larger than the daily production of Algeria.

'I'm sure there's a ten billion oil field there.'

— Exxon geologist

'Well then, I'm absolutely sure we don't want to get into it.'

— Howard Page, Exxon's Mideast oil chief

As the oil flow from Alaska seemed imminent BP began tying up marketing arrangements in the U.S. and Japan.

Buys In the Midwest

To secure a market in the U.S., BP began a complex process of buying into first East Coast and then midwest marketing outlets.

Most important of BP's purchases was a majority interest in Standard Oil of Ohio, the major marketing outlet in that state and still under considerable Rockefeller influence at the time.

Thus a second theme is introduced into the Alaskan pipeline story: Exxon's attempt to block BP's purchase

of controlling shares in Standard Oil of Ohio (Sohio).

In 1968, British Petroleum bought the marketing and refining assets of Sinclair Oil on the eastern seaboard and then in 1968 re-sold the northeastern Sinclair holdings to Sohio. In return, Sohio awarded BP a 25 percent share in Sohio stock, which became dividend bearing and voting on Jan. 1, 1970. BP was also awarded three members on Sohio's board of directors. This allowed BP to begin calling the shots at Sohio.

BP's purchase agreement had an even more important secondary clause. It provided that BP could increase its holdings to a maximum of 54 percent — a clear controlling interest — contingent on BP's ability to provide Sohio Oil with 600,000 barrels of Alaskan oil daily by the end of 1977.

The alarmed Rockefellers' first action against BP employed their retainers in the Justice Department, to block the Sohio purchase in the courts. Chief of these was Justice Department, anti-trust head Richard McLaren.

In 1968, McLaren began scrutinizing the BP purchase agreement with Sohio with a view to forestalling it. Anthony Sampson writes about the affair.

"...Richard McLaren, then in the first flush of his crusade against mergers,... tried to restrict it (the purchase). Protests followed from London with implied threats of reprisals against American companies, and BP's chairman, Eric Drake, complained to the Attorney General, John Mitchell. The merger went through, but BP with its huge hopes for expansion, was now to be a kind of hostage against any British action against American companies."

The first tactic of anti-trust action having failed, Exxon tried another. If the Alaskan oil delivery were stalled, and it could not deliver 600,000 barrels of oil per day to Sohio by 1977's year end, then BP would lose outright dominance over Sohio. BP would still retain its 25 percent holdings and strong influence, but this would leave them subject to countermoves and pressures from Exxon and the Rockefeller banks.

Exxon's Inside Job

In the winter of 1969, Exxon showed why it had bought into the Alaskan pipeline. Sampson writes, "Exxon, having found its Alaskan oil, was in no hurry to get it out, since they still had ample and far cheaper supplies from Arabia and Iran...ARCO and BP were desperate to push ahead fast; but Exxon was moving very slowly. They experimented with sending an ice-breaker, the SS Manhattan, to force its way through the Northwest Passage as a means of bringing the oil through the sea. But BP, though they had to collaborate to 'show they were good Americans,' suspected that it was basically a delaying tactic by Exxon to put off building a pipeline. Drake became so impatient that he threatened the chief executive of Exxon, Ken Jamieson, with bringing an anti-trust suit."

The SS Manhattan attempt to traverse the Northwest Passage was to go down in history as "Exxon's folly," as one lawyer put it. The ship emerged on the east coast, after months, as full of holes as a fully ripened swiss cheese. But no one was surprised, least of all Exxon. It had delayed planning of the pipeline for months. Exxon then shifted into covert operations, its chosen vehicle being the "environmentalists."

The Environmentalists

Beginning in 1970, the Environmental Defense Fund (EDF), the Natural Resources Defense Council (NRDC), and the Center for Law and Social Policy (CLSP), all Rockefeller family-funded groups, raised a bevy of environmental objections to the pipeline. In parallel action, Rockefeller stooges in Congress led by senators Walter Mondale (D-Minn) and Birch Bayh (D-Ind) and Representative Les Aspin (D-Wis) in the House conducted "investigations" into the pipeline and championed the less efficient, more costly and more time consuming Trans-Canadian route.

Between 1970 and 1973, this activity set up enough obstacles to prevent a single foot of steel pipe from being laid. By the mid-1970s, however Exxon's ability to block the building of a pipeline was fast diminishing. From the start, Exxon only had a minority interest in the Alaska project (Trans Alaska Pipeline (TAPS) renamed in 1975 the Alyeska Pipeline Co). Ownership control, which determined how much of each company's oil could traverse it, stood in 1970 as follows:

Company	Percent Ownership
Sohio Pipeline Co.	33.84%
BP Pipeline Co.	15.84
Arco Pipeline Co.	21.00
Phillips Petroleum Co.	1.66
Union Alaska Pipeline Co.	1.66
Amarada Hess Co.	<u>1.66</u>
Subtotal	75.00%
Exxon Pipeline Co.	20.00
Mobil Pipeline Co.	<u>5.00</u>
Total	100.00%

Sharing with Mobil only a small minority interest, Exxon launched a two-fold strategy: 1) to object to the pipeline on the grounds that it was environmentally unsound, and 2) propose an alternative pipeline, cutting through Canada, to be known as the Trans-Canadian Pipeline (TCP), which would prove more time-consuming to build, and by several estimates, more costly, and would actually reduce the amount of oil transported. But, it was alleged, the TCP was "environmentally sound." Through this backdoor, came the Rockefellers' whole zoo of environmentalists.

One of the oldest of the Rockefeller-Ford Foundation "Naderite" groups, Resources for the Future, prepared a brief on the various causes for environmental concern over the Alaska pipeline. In 1972, Charles Cicchetti, a Resources for the Future director released a book, "Alaskan Oil, Alternative Routes and Markets," which catalogued the different areas of alleged pipeline violation of the Environmental Protection Act.

*** Permafrost — "Heated oil could cause the permafrost to thaw progressively around or under the proposed pipeline, resulting in pipeline displacement."

*** Tundra — "A pipeline built from the North Slope to

Valdez would pass through tundra for a sizeable portion of its route and would certainly have some effect on the tundra vegetation." Tundra is a mat-like cover of grass, lichen, sedges, etc. It was claimed that the hot oil passing through the 48-inch diameter pipe would melt the tundra.

*** Caribou — Alaska is the home of 35,000 caribou who prefer lichen as a year-round food supply and depend on it as a major source of winter food. If the tundra went to bits, the starving caribou might perish, and in any case, they wouldn't like the pipeline blocking their path.

*** Earthquakes — The 800-mile pipeline would pass through several areas of potential earthquakes in its trek from the Prudhoe Bay fields in the North Slope of Alaska down to the Port of Valdez at the other end of the state. According to a report submitted to the Department of Interior, on Feb. 17, 1971, the lower 70 percent of the pipeline, "lies within 25 miles of a recorded epi-center." It was also alleged that the most frequently mentioned tanker routes to the U.S. West Coast also pass through an area with a sizeable concentration of recorded epi-centers.

*** "Native Americans' Rights" — Finally, it was alleged that the oil companies had no right to the leases of the Alaskan land on which the oil was found because such leasing violated the rights of Alaskan natives (Indians and Eskimos) under the Alaskan Statehood Act. It was alleged that this guaranteed the natives' use, occupancy, domain, and ownership of the land.

All of these various points were incorporated into lawsuits and were argued by the environmentalists, and between 1970 and 1973, the course of the Alaskan pipeline (TAPS) was held up while courts endlessly debated the finer points of each suit brought against the consortium of oil companies.

Especially pivotal is the way the environmentalists chose to argue the case: they claimed that the very fate and future viability of the enforcement provisions of the National Environmental Policy Act (NEPA) of 1969 hinged on the outcome of their court cases. Thus, the Alaskan case was the most momentous example of an attempt to use NEPA to shut down a vital part of U.S. industry that could contribute to the world economy.

The Nixon Counter-Coup

The Nixon Administration, was strongly representative of southwestern oil interests, finally broke the back of Exxon's game in a congressional showdown during the summer of 1973. While Arco mobilized its support for the pipeline from its friends within the continental United States, BP was applying pressure on the U.S. State and Justice Departments to have the pipeline built.

In mid-july 1973, Administration forces mobilized to cut off the whole spate of environmental challenges to the pipeline, which threatened to hold it up indefinitely. The issue was brought to a head by motion in the Senate to cut off all further litigation on the pipeline and to waive all specifics of NEPA as they applied to the pipeline, providing that TAPS directors showed themselves willing to reasonably answer some of the environmentalists' objections. This meant an override of NEPA and the environmentalists knew it. The Environmental Defense Fund carried headlines on its newsletter, "Will

This Be The End for NEPA?'

In the decisive vote in July 1973, Vice President Walter Mondale (then a senator) and Sen. Birch Bayh (D-Ind) introduced a resolution to kill TAPS. Instead, they proposed the building of the Trans-Canadian Pipeline (TCP) as an alternative. The vote on TCP showed only 29 Senators in favor. But the vote on TAPS resulted in a tie, with Administration, Republicans and oil-state senators for it, and "liberals" against it. Vice President Spiro Agnew, acting under his authority as President of the Senate, cast the tie-breaking vote in favor of the pipeline.

In the House, the opposition to the TAPS was led by Les Aspin (D-Wis), in 1971, Aspin issued an article for *Not Man Apart* magazine, which carried his message, "It's Not Too Late to Stop the Alaskan Pipeline." But the vote in the Senate worked to affect the vote on TAPS in the House and it passed the House by a comfortable margin. In November 1973, Nixon signed the Trans-Alaskan Pipeline Act into law.

Alliance With Japan

The Mondale forces were able to blunt the Nixon counter-coup to the extent of forcing into the pipeline act one significant clause: the oil developed from the Alaskan North Slope could not be sold to a foreign country. The one country Mondale et al. most had in mind when introducing this restriction was Japan.

The reason is obvious: Japan, without oil sources of its own, could, if it could lock up an important percentage of its oil needs from the oil consortium in Alaska, to that extent free itself from the control of the Rockefellers'.

There is evidence that there existed an understanding between BP and the Japanese to exchange British oil for Japanese steel to build the pipeline. This evidence is confirmed on two counts: first, according to a lawyer involved in the pipeline legal cases, the Japanese had already shipped steel to Alaska in 1972, even before Congress had cleared up the pipeline litigation mess caused by the environmentalists. Second, according to a high-level source for Japanese industry, the Japanese are *still* expecting Alaskan oil as their due.

Finally, after three years of delay, the construction of the Alaska pipeline began in March 1974. The pipeline is scheduled for completion in May or June 1977.

The cost of the pipeline was originally projected at \$900 million. But because of mysterious accidents and the like, the extreme cold, and the cost of meeting the specifications set by the environmentalists, the bill on the pipeline has zoomed to \$7 billion at last count.

This cost overrun must be paid by the consortium of pipeline companies that make up TAPS, now renamed Alyeska. Especially if the pipeline's delivery of oil is delayed by current environmentalist challenges, Sohio, whose share of pipeline costs is over \$2.5 billion, would be in an extreme financial squeeze, which would require a mobilization of BP's financial resources to rescue it from an immediate cash crisis.

Rockefeller's Last Fling

A spokesman for North American British Petroleum told a reporter Feb. 7 that he believed, given all that BP had been through in connection with Alaskan oil since 1968, that the end is at last in sight and that the pipeline

would be delivering oil in the summer of 1977. "At least that is my hope," he added.

Beginning in 1976, the Rockefellers' launched a round of attacks against the delivery of Alaskan oil to the continental U.S. as part of their emerging plans for a Carter Administration energy dictatorship in this country. The attack centered around a series of regulatory codes and government investigations instigated by Naderites in the states of Alaska, Washington and California, and in the federal government.

'British Petroleum, with its huge hopes for expansion was now to be a kind of hostage...'

The same crew that was behind the efforts to hold up the construction of the pipeline in 1970 is involved here. This time around, their effort centers on preventing *delivery* of substantial portions of the Alaskan oil to the continental U.S. or other countries. Summarized here are the most important instances that could prevent the oil from ever being used to meet industrial production needs:

*** Investigations into the pipeline's safety. On "Face The Nation" Feb. 6, Carter's Secretary of the Interior Cecil Andrus told the press that he may consider holding up shipment of Alaskan oil if it is determined that the pipeline had faulty welding or other possible leak points. The Congressional General Accounting Office, under the direction of former National Security Council member, Elmer Staats, is conducting its own investigation into the safety of the Alaskan pipeline.

*** Regulatory codes. The regulatory codes brought in by the Naderites in the states of California, Washington and Alaska, are intended to halt the oil's delivery at the few select geographical points that it can be unloaded. The points include ports sufficiently deep to accommodate supertankers, large enough to set up terminals where the tankers can unload, and having refineries and pipeline connections to other parts of the U.S. not far away.

The myria of threatening codes are;

*** Alaska: The state of Alaska passed a series of regulations giving oversight responsibility to the state for tanker passage in Williams Sound, off the coast of southern Alaska. These codes will regulate ships entering and leaving the port of Valdez, the end point for the pipeline and thus the pipeline's outlet to the rest of the world. Ships entering the port will be required to have double hulls, on-board safety equipment and be below a certain tonnage. If they do not meet these standards and should have a large spill, they are subject to liabilities of \$50-100 million. Of 31 ships currently traveling regularly, most could not meet these standards.

In similar situations recently, the Rockefellers are suspected of arranging "accidental" spills intended to further outright bans on ship traffic.

*** Washington: The state of Washington in May 1975 passed legislation similar to that of the state of Alaska.

The legislation features codes regulating Puget Sound, in the northwest part of the state. The Washington laws declared that tankers of more than 125,000 dead weight tons could not enter the sound. Arco, which has refineries near the Sound, challenged the ruling. It was declared unconstitutional by a three judge federal panel, presiding in Seattle, in Sept. 1976. The state of Washington has challenged the panel's ruling all the way to the Supreme Court, where the case is currently being heard. The Washington state law also requires tankers entering the port of Puget Sound to have a tanker escort, to meet certain ballast laws, and other nuisances.

***California: In California, there are a slew of Naderite regulations, and it is here that the largest volume of Alaskan oil has been destined for unloading.

At the key port of Long Beach, Naderites have launched a virtual armada of regulations and codes to prevent the North Slope oil from disbursement in the continental U.S. In many ways, Long Beach is the key to oil from the Alaskan pipeline finding successful refuge in the U.S. Long Beach is in the vicinity of some very large ports owned by SOCAL. Of equal importance, not far from Long Beach is an old abandoned natural gas pipeline owned by El Paso Natural Gas. The gas pipeline runs from Texas to California and BP has hoped to reconvert the gas pipeline, with El Paso's backing, to oil transportation running from California to Texas.

The various California regulations affecting the shipment of oil through California to Texas, where it can be refined for further shipment throughout all points in

the U.S., include:

a) The air cleanliness of the Port of Long Beach must be cleared by the California State Air Resources Board before BP is allowed to *begin* building a terminal for unloading Alaskan oil. The board must test tankers for spewing certain pollutants, such as oxidents, oxides of nitrogen, sulfates, etc. into the air. The studies of air pollution levels are still underway, and may not be completed for another year, according to a spokesman for the board.

b) The tankers BP employs must also meet the requirements of the California Coastal Act, which was only passed at the insistence of the Naderites — in 1976.

c) The proposed oil pipeline within the state of California must be approved by the California Utilities Commission, while the use of the California-to-Texas pipeline must be approved by the Rockefeller-run Federal Power Commission.

As the Naderite codes in the states of California and Washington cripple the plans for unloading oil via these states, there is an already decided-on short-term remedy for transporting the North Slope oil to the United States: going through the Panama Canal. But if small tankers must be used as a result of the Alaska restrictions on use of the Port of Valdez, then the cost of transport of oil through the Panama Canal will rise astronomically. At the same time, use of the Panama Canal is fraught with political problems, and the flow of Alaskan oil through the canal could be reduced to a trickle.

— Richard Freeman