

Energy Insider by William Engdahl

DIA foresees ample Soviet oil

The agency's new intelligence estimate sharply challenges the scenarios prefabricated under Schlesinger.

The U.S. Defense Intelligence Agency (DIA) has just made public its latest intelligence estimate of Soviet and Chinese oil and gas production potential. The new analysis contradicts the highly controversial Carter-Schlesinger April 1977 CIA assessment.

I happen to have first-hand knowledge of the circumstances surrounding the estimate made in the April 1977 CIA report "The International Energy Situation: Outlook to 1985."

One of the prime economists involved in "massaging" Soviet data so that Energy Secretary James Schlesinger, a RAND protégé, and National Security Adviser Brzezinski could advocate a specific strategic doctrine was the pathetic Walt MacDonald, who has admitted to working up the numbers in such a way as to contradict reality and give the impression that Soviet oil production would peak in 1980-82. This then would be followed by a sharp and growing decline, prompting Kremlin attempts to militarily secure Persian Gulf oil.

That CIA estimate is best described as a fraud, designed to back up the Schlesinger-Brzezinski view of the world. Right now, a battle continues between those U.S. intelligence officials who managed to survive the Carter purges, and people such as RAND's Henry Rowan, brought in as head of the CIA's National Intelligence Estimates under Bill Casey. All this spookery is

relevant because the issue of Soviet energy availability, and all strategic estimates, should be taken away from the RAND kooks and fully examined.

The DIA analysis, made public following closed-door testimony by Maj. Gen. Richard Larken before the joint Economic Committee on July 8, declares that "continued growth in energy production is one of the few bright prospects in the Soviet economic future."

According to DIA calculations, the U.S.S.R. will meet its 1981 oil production goal of 12.2 million barrels per day, continuing its role as the world's largest oil producer. They predict increasing absolute production through the rest of the 1980s, although at a somewhat declining rate of increase. Then, in the 1990s, given the fruits of increased exploratory drilling and increasing capital investment, DIA estimates that the Soviets could further increase production. "Continuation of the U.S.S.R. as a net oil exporter for the foreseeable future is anticipated," DIA concludes.

By 1985, Soviet oil production will reach an estimated 12.4 million barrels per day, with internal consumption of 9.5 million. Last year, internal consumption was 8.8 million. The report cites the usual problems of manpower, organization and equipment but claims that these "probably will have little effect on the industry." One reason is the priority being accorded to the

petroleum industry in the latest Five-Year Plan. The portion of industrial capital investment allocated to the oil and gas sectors has risen from about 12 percent in 1970 to more than 17 percent by the end of that decade, and its share is projected to increase. Energy investment in the Soviet Union is expected to increase roughly twice as rapidly as total Soviet investment.

But the real heart of Soviet energy expansion plans, according to the DIA lies in the U.S.S.R.'s enormous natural gas reserves.

DIA projects that natural gas production, which in 1980 exceeded the goal and reached 15.35 trillion cubic feet (tcf), will reach 22.24 tcf by 1985, with 19.49 tcf consumed internally. The rest will be for export to Eastern and Western Europe. The total available for export by 1986-87 will be an estimated 3.53 tcf per year, with about 60 percent going to Western Europe, including the large U.S.S.R.-West German project now in final negotiation. The U.S.S.R. is already the world's leading exporter of natural gas; the defense analysts expect this lead to widen during the 1980s.

Estimated reserves are placed at 1.059 quadrillion cubic feet, equal to 180 billion barrels of oil.

The Soviet planning strategy, according to DIA, is to use the vast natural gas resource "as a means to help reduce domestic requirements for petroleum. This in turn could permit greater exports of oil, a major source of hard-currency earnings." Soviet analysts, especially since last year's party congress, have placed this strategy of hydrocarbon exploitation in the context of the U.S.S.R.'s commitment to fission and fusion development.