

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
June 21, 2006

DECLASSIFIED
Authority NND969019
By LC NARA Date 4-15-0



INDICATE:
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 CHARGE TO

31

Department of State

TELEGRAM

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Classification APR 11 2007 25

Pet 6 Iraq

063120

Pet 3 OPEC

Pet 6

Pet 14

B-38

DISTRIBUTION

- ACTION: Amembassy LONDON
- Amembassy TRIPOLI
- Amembassy TEHRAN
- Amembassy KUWAIT
- Amembassy JIDDA
- Amembassy BEIRUT
- AmConGen DHAHRAN
- Amembassy PARIS
- Amembassy THE HAGUE
- Amembassy VIENNA

63120

STATE: *Pet 6 Iraq, Pet 3 OPEC, Pet 6, Pet 14*
SUBJECT: Middle East Oil Negotiations

REF: London 2851, 2623 *+ Pet 6 Iraq, Pet 11 Iraq, Pet 6, Pet 14*
LINDUS

1. Oil companies have offered Iraq and Saudi Arabia higher price for oil exported by pipeline from Eastern Mediterranean terminals which is comparable to new price reached in negotiations with Libya, after adjustments for transporta- rejected offer and tion, gravity, and sulphur content. Iraq has/demanded additional 20 cent premium for the special qualities of its oil, and reinvestment commitment by companies in desulphurization installations in Iraq. Companies believe they cannot accept Iraqi demands which would leave them open to demands for further upward price adjustments elsewhere.

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NEA/ARP - Mr. ~~Karp~~ Wrampelmeir *sw e*

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ACTION:

2. Saudi Arabian Petroleum Minister Yamani has told companies that at Tripoli meeting April 9-10, Iraqi Oil Minister Hammadi tried to get Libyan and Saudi support for Iraqi position. According to Yamani, Hammadi asked Libyans not to "leapfrog" and make further demands from the companies if Iraq received premium. Outcome of meeting was not revealed, but Yamani said there was some friction between Libyans and Iraqis as each claimed to be the most militant in dealing with companies. Hammadi said he would take his case before OPEC if companies did not give in to Iraqi demands.

3. Yamani has given companies choice of signing agreement now with Saudi Arabia on terms offered by the companies provided they do not give Iraq more favorable terms, or not signing agreement now in which case he will use his influence with Iraqi to make reasonable common settlement. Companies are leaning toward signing now with Saudi Arabia. Companies have also given thought to making sharing agreement

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ACTION:

with CFP in case Iraq oil production is shut down, but have decided against such a move for time being.

4. Syria has told IPC that since companies have given short haul premium to Libya, companies should also increase transit fees for pipelines crossing Syria delivering shorthaul crude to Mediterranean.

5. Meanwhile Iranian Finance Minister Amuzegar told Consortium General Manager Van Reeven that Shah was "displeased" with size of price increase given Libya by companies. Amuzegar said companies had "paid too much in Libya" and that Iranian posted price was now 10 to 19 cents too low. He also said 10 cent low "objectionable" and "side payment" to Libya (instead of retroactive price increase) was/ sulphur premium given Libya was too high/ However no specific demands for higher prices were made by Iranians.

Van Reeven told Amuzegar Iran should take heart since Libya ~~has~~ was ^{pricing} ~~pricing~~ its crude out of the European market.

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ACTION:

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6. Having given low sulphur premium to Libyans, companies now expect that Abu Dhabi and Oman will demand premium for their low sulphur crudes. Abu Dhabi exports crude with 0.8 percent sulphur (1.9 percent in derived fuel oil) and Oman exports crude with 1.2 percent sulphur (1.8 percent in derived fuel oil). This is a lower sulphur content than other Persian Gulf crudes, but higher than Libyan crude which contains less than 0.5 percent sulphur.

IRWIN

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