

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

PET 3 OPEC

DECLASSIFIED
Authority *AND 967000*
By *EW* NARA Date *5-31-02*



Department of State **TELEGRAM**

XR PET 6 IRAN

~~SECRET~~ 023

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ACTION: SS-45

INFO: OCT-01 SSO-00 /046 W

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PI 12100018 FEB 71
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 3449 PRIORITY
INFO AMEMBASSY LONDON

~~SECRET~~ TEHRAN 722

SUBJ: OIL SITUATION (BRIEFING BY COMPANIES)

FOLLOWING IS SUMMARY OF BRIEFING GIVEN TO U.S., U.K.,
FRENCH AMBASSADOR AND DUTCH CHARGE BY COMPANY REPS:
PIERCEY (ESSO), CARLYLE (SHELL), KIRCHNER (CONTINENTAL),
MONTIGUE (CFP) ON MORNING FEB 12:

1. PIERCEY AS SPOKESMAN SAID COMPANIES HAD
"COLLAPSED" AND MET VIRTUALLY ALL OPEC DEMANDS IN MEETING
IN PARIS WITH AMOUZEGAR WHICH HE CHARACTERIZED AS "VERY
GOOD." HOWEVER, THERE WERE STILL SOME MATTERS TO BE SORTED OUT
RELATING TO A SMALL POSTED PRICE DIFFERENCE (HE MENTIONED
ONE CENT); MARKETING ALLOWANCE (ONE-HALF CENT A BARREL)
AND A FEW OTHER ITEMS.

2. HE THEN WENT ON TO SAY THAT THE MOST IMPORTANT ELEMENT
OF SOLUTION STILL NOT SETTLED RELATED TO
FREIGHT DIFFERENTIAL IN MEDITERRANEAN DUE TO
LIBYA'S FAVORED GEOGRAPHIC POSITION (STATE 22654,
PARA 3A). OPEC GULF PRODUCERS HAD ORIGINALLY
TAKEN POSITION THAT IF PRESENTLY JUSTIFIABLE FRIEIGHT
DIFFERENTIAL FOR LIBYA IS NOT REDUCED WITH DROP IN
FREIGHT RATES, IPEC WANTS PERSIAN GULF PRICES INCREASED
BY COMPARABLE AMOUNT. PIERCEY SAID COMPANIES HAD MADE
AN OFFER WHICH WOULD LIMIT THEIR LIABILITY, WHILE
AMOUZEGAR IN PARIS HAD SEEMED RECEPTIVE TO THIS OFFER
WHICH WAS VERY BEST COMPANIES COULD MAKE, HE HAD NOT
ACTUALLY ACCEPTED IT. THEREFORE COMPANIES FELT THAT

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TIME MIGHT COME IN NEXT FEW DAYS WHEN GOVERNMENTS (BASICALLY US AND UK) SHOULD INTERVENE WITH GOI ON THIS MATTER ON WHICH AN AGREEMENT DEPENDED.

3. US AND UK AMBASSADORS REPLIED THAT THEY HAD ALREADY TAKEN THIS MATTER UP INFORMALLY WITH COURT MINISTER ALAM ON FEB 4 (TEHRAN 605) URGING HE LOOK INTO IT. WITHOUT INSTRUCTIONS FROM THEIR GOVERNMENTS THE US AND UK AMBASSADORS DID NOT BELIEVE THAT THEY COULD MAKE ANY FORMAL DEMARCHES TO THE GOI. FURTHERMORE IN VIEW OF THE EXTREME SENSITIVITY OF THE SHAH, ANY SUCH DEMARCHES AT THE GOVERNMENT LEVEL AT THIS JUNCTURE COULD DO HARM AND BE COUNTER-PRODUCTIVE.

4. THE COMPANY REPRESENTATIVES SAID THEY UNDERSTOOD THIS BUT DEPENDABLE ASSURANCES FOR A FIVE YEAR AGREEMENT WERE SO VITALLY IMPORTANT THAT PERHAPS IF AN AGREEMENT WAS ACTUALLY REACHED AND SIGNED, IT COULD BE NAILED DOWN BY SOME DIPLOMATIC NOTE TO THE SHAH. BRITISH AMBASSADOR EXPLAINED THAT EMBASSIES DID NOT SEND DIPLOMATIC NOTES TO SHAH BUT THAT WE FULLY UNDERSTOOD THE IMPORTANCE OF A DEPENDABLE 5 YEAR AGREEMENT AND AS THE SITUATION EVOLVED WE WOULD HAVE TO REMIND THE DESIRABILITY OF TRYING TO DO SOMETHING THAT WOULD NAIL DOWN A BIT MORE THE ASSURANCES WHICH OPEC MIGHT GIVE TO COMPANIES.

COMMENT

5. AFTER ABOVE MEETING I MET PRIVATELY WITH UK AMBASSADOR WRIGHT FOR PURPOSE OF DISCUSSING POSSIBILITY OF NAILING DOWN FURTHER SUCH ASSURANCES AS IRAN AND OTHER OPEC MEMBER SMIGHT GIVE TO COMPANIES RE FIVE YEAR AGREEMENT. SINCE SHAH HAD GIVEN SUCH ASSURANCES TO UNSEC IRWIN IN LATTER'S CAPACITY AS PRESIDENTIAL EMISSARY, I TOLD WRIGHT THAT IF AGREEMENT REACHED BETWEEN PRODUCERS AND COMPANIES, I WOULD RECOMMEND WE CONSIDER POSSIBILITY OF MESSAGE FROM PRESIDENT TO SHAH EXPRESSING GRATIFICATION THAT AGREEMENT HAD BEEN REACHED MAKING REFERENCE TO IMPORTANCE OF ASSURANCES FOR FIVE YEAR PERIOD, ETC. ON HIS PART WRIGHT UNDERTOOK TO ASK LONDON TO CONSIDER A FORMAL FOREIGN OFFICE STATEMENT IN SAME SENSE FOLLOWING AGREEMENT. HE FELT THIS

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UNITED STATES OF AMERICA

DISSEMINATION

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WAS BEST WAY FOR BRITISH TO NAIL DOWN ASSURANCE SINCE
IF THERE WERE PARALLEL MESSAGES FROM BOTH PRESIDENT AND
UK PRIMMIN HEATH TO SHAH, LATTER MIGHT FEEL THAT IT
WAS A GANGLING UP JOB AND BE RESENTFUL. IF AGREEMENT IS
REACHED AND WHETHER OR NOT THERE IS A PRESIDENTIAL
MESSAGE (WHICH TENTATIVELY I BELIEVE COULD BE USEFUL
BUT WISH TO RESERVE FINAL JUDGMENT UNTIL AFTER
CONCLUSION OF PRESENT TALKS) WE BELIEVE IT WOULD BE EX-
TREMELY HELPFUL IF OTHER IMPORTANT CONSUMING GOVERNMENTS,
PARTICULARLY JAPAN AND WESTERN EUROPEANS, MAKE FORMAL
AND PUBLIC DECLARATIONS NAILING DOWN THE FACT THAT THE
AGREEMENT IS FOR FIVE YEARS.

6. COMPANIES MEETING
WITH OPEC GULF COMMITTEE AT 1530
LOCAL FEB. 12.
MACARTHUR

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