

Note from the British Government on the supply of Middle East oil to Europe (29 November 1963)

Caption: On 29 November 1963, the Secretary-General of Western European Union circulates to the WEU Council a paper from the British Secretary of State for Foreign Affairs, Richard Butler, on the British Government's findings on the supply of Middle East oil to Europe. The figures indicate that in seven years' time, Western Europe will be much more dependent on oil imports from the Middle East for its energy requirements and that, while maintaining significant stocks, it should also examine the question of diversifying sources of supply.

Source: Council of the Western European Union. Secretary-General's note. Middle East Oil. London: 29.11.1963. C (63) 156. 3p. Archives nationales de Luxembourg (ANLux). <http://www.anlux.lu>. Western European Union Archives. Secretariat-General/Council's Archives. 1954-1987. Foundation and Expansion of WEU. Year: 1963, 01/06/1963-17/01/1964. File 131.0. Volume 1/2.

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http://www.cvce.eu/obj/note_from_the_british_government_on_the_supply_of_middle_east_oil_to_europe_29_november_1963-en-3a669e2d-7c31-4eb6-990e-79c9d19b2957.html



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SECRETARY-GENERAL'S NOTE

Middle East Oil

1. In the course of the ministerial meeting held in The Hague on 25th October 1963, Mr. Butler, Secretary of State for Foreign Affairs of the United Kingdom, stated that his delegation would circulate a paper summarising the British Government's findings on the supply of Middle East oil to Europe (see document CR (63) 20 PART I, item II, 3).
2. The Secretary-General now circulates the paper in question.

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MIDDLE EAST OIL

1. The new study of Middle East oil, to which Mr. Butler referred at the Council meeting on 25th October, covered the whole of the world oil supply position up to the year 1970. By that time the Middle East - excluding North Africa - is foreseen to be producing around 500 million tons a year, or one-third of the free world's oil; North Africa would be producing less than 8%. The European members of O.E.C.D. would be consuming more than twice as much oil as in 1961, and nearly the whole of this increase (about 230 million tons) would have to be met by imports. Imported fuels would account for half of the total energy requirements of the E.E.C. in 1970 and rather less than half of the United Kingdom's. In 1961 the Middle East supplied about 140 million tons, 64%, of O.E.C.D. Europe's oil: in 1970 it would be supplying about 260 million tons, 58%, but of a much larger total.

2. These estimates indicate that Europe will be much more dependent on oil imports for its energy requirements in seven years from now. This means greater dependence on the Middle East. The reserve production capacity of the United States is an alternative source of supply but this capacity will be increasingly required to meet Western Hemisphere demand in an emergency. Western Europe's main insurance against the risk of temporary interruption of supply must be the maintenance of adequate stocks.

3. Since 1958 British policy has been to try to ensure that civil oil stocks in the United Kingdom available for inland use in peace time are equivalent to four months supply. Europe's stockpiling and emergency arrangements need to be reviewed by the O.E.C.D. Oil Committee in the light of the growing importance of oil.

4. There is also the question of the scope for diversifying sources of supply. At present there is an abundance of oil and returns on investment are reduced. The need for economy has led the oil companies to cut down their exploration activities, to use existing proved resources and to concentrate on exploration in low cost areas, which means the Middle East. Vast sums have been spent in other parts of the world, but with comparatively little success. It has been estimated that of 62,000 million dollars spent on oil exploration and production between 1952 and 1961 only 2,000 million dollars were spent in the Middle East. Nevertheless, Middle East reserves and production represented a much higher share of the world total at the end of this period than at the beginning.

/5. Europe ...

5. Europe cannot have security of oil supplies in the sense that the United States has it, that is by virtue of large indigenous production and reserves. Security for us means supplies at reasonable prices. But our supplies could be impeded by hostile domination of the Middle East, serious widespread disturbances or centralised control of the oil policies of the area, although this last would probably make itself felt through pressure on prices rather than denial of oil supplies. But the risk of interruption of supply or of excessive pressure for high prices is lessened by the fact that the oil producing countries depend for their development very largely on their oil revenues - a dependence which is likely to increase - and that the interests of these countries do not necessarily coincide.

6. Europe's need for increasing quantities of oil at reasonable prices can best be met in our view by the international oil industry, constituted more or less as at present. Direct government to government trading would be likely to lead to higher prices and to political friction which would impede the flow of oil and disorganise a well tried pattern of trade. The world-wide organisation of the international oil industry and the considerable contribution which it has made to Europe's rapidly growing energy requirements are grounds for confidence in its ability to provide continuous and economic supplies of oil.