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USSR AGREES TO PAY MORE FOR IMPORTED GAS

After almost a year of bargaining, the USSR agreed last week to an 85% increase in price for Iranian natural gas. The new price, retroactive to 1 January 1974, is 57 cents per thousand cubic feet. As part of an extensive new economic

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agreement, the Soviets agreed in July to pay Afghanistan 34 cents per thousand cubic feet for its natural gas - 80% more than previously. In 1974 the USSR is scheduled to import 430 billion cubic feet of natural gas, four-fifths of it from Iran. The Soviet bill for imported gas in 1974 will exceed \$220 million, about double that for 1973.

The new prices are still favorable for the USSR. The Iranian price is equivalent to \$3.40 per barrel of oil, and the Afghan price to \$2.00 per barrel. In 1973, Soviet natural gas was sold at 40 cents per thousand cubic feet to Austria and 57 cents per thousand cubic feet to West Germany (both f.o.b. the Soviet border). The USSR agreed to increase gas deliveries to Austria in 1974 by some 21 billion cubic feet, at a price reported to exceed \$1.00 per thousand cubic feet.

Resolution of Soviet-Iranian differences on gas pricing probably will enable discussions to resume between Moscow, Tehran, and Bonn on a proposed three-country deal. The proposal calls for construction of a second pipeline from Iran to the USSR and delivery of gas via the USSR to West Germany. Iran may be paid in hard currency by West Germany for the gas, and the USSR is to receive a transit fee for delivery across its territory. The price of the gas for West Germany has not yet been determined but presumably will exceed 57 cents per thousand cubic feet. As an alternative to carrying Iranian gas all the way to West Germany, the Soviet Union may use the gas in the North Caucasus region and deliver West Siberian or Central Asian gas to West Germany. (Confidential)

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