

DATE/TIME SENT

WASHFAX MESSAGE NUMBER

DATE/TIME RECEIVED

FEB 5 7 22 AM '91

159

CIA
OPERATIONS CENTER

SITE A

WASHFAX MESSAGE RECEIPT
COMMERCIAL PHONE #
703-482-6500 & 7680

C
FEB 5 7 51

FROM: CIA OPERATIONS CENTER

SUBJECT: PERSIAN GULF OIL SITUATION REPORT

CLASSIFICATION: ~~S/SP/NF/WN~~

PAGES

7

SENT TO:	DELIVER TO:	EXTENSION	ROOM
B STATE	DAVE VANCE, INR/EG	647-9348	7240
S DEFENSE	DAVE TARBELL, IEEA	695-2659	4b938
K-I TREASURY	JOHN ROBSON, DEPUTY SECRETARY	566-2801	3326
L COMMERCE	THOMAS MURRIN, DEPUTY SECRETARY	377-4625	5838
D JCS	ADM. D.E. JEREMIAH, VICE CHAIRMAN	694-9848	2E860
C NSC	RICHARD HAASS, SR.	395-6900	351
J ENERGY	Melby	586-5009	GA301
H DIA	Deal		2A520
→ CENTCOM	Danzansky		
○ OMB	Deland	SOCIATE DIRECTOR	395-3040
→ DOT	Cell		366-0001

REMARKS:

F, H,
NOIC

DATE/TIME SENT

WASHFAX MESSAGE NUMBER

DATE/TIME RECEIVED

FEB 5 7 22 AM '91

159

CIA
OPERATIONS CENTER

SITE A

WASHFAX MESSAGE RECEIPT
COMMERCIAL PHONE #
703-482-6500 & 7680

FROM: CIA OPERATIONS CENTER

SUBJECT: PERSIAN GULF OIL SITUATION REPORT

CLASSIFICATION: ~~S/SP/NFT/WN~~

7 PAGES

SENT TO:	DELIVER TO:	EXTENSION	ROOM
B	INR WATCH (PASS COPY TO AS MULHOLLAND)		
C	WHITE HOUSE SITUATION ROOM		
D	CIA REP (AFTER HOURS PASS TO DIA REP--FOR NMIC & NMCC. ALSO PASS TO C&DC/NAVY INTEL)		
F	NSOC SOO (PASS COY TO LOU HOULE, G076, X4688)		
G	CIA REP -- DIA PENTAGON		
K-1	OPERATIONS CENTER--TREASURY		
L	OPERATIONS CENTER--COMMERCE		
7	NOIC COMMUNICATIONS CENTER (SECURE FAX 736-3510) (ATTN: CAT TEAM CHIEF X32244)		

REMARKS:

DIRECTORATE OF INTELLIGENCE

5 February 1991

Persian Gulf Oil Situation Report No. 20

Summary

Oil Spill Developments

- o Oil continues to spill into the Persian Gulf from Iraq's Mina al Bakr oil terminal. [REDACTED]
- o The Mina al Ahmadi oil spill is expected to resume its progress southward and reach Jubayl later this week. [REDACTED]

Damage to Facilities

- o Iraq's 30,000-b/d Kirkuk refinery has suffered extensive damage from coalition airstrikes. [REDACTED]
- o Damage to refineries and oil storage facilities has caused Iraq to cut off heating oil supplies to the public. [REDACTED]

Oil Production and Exports

- o OPEC countries are likely to continue current output levels regardless of the course of the war. [REDACTED]
- o [REDACTED]
- o [REDACTED] lack of loading facilities and inadequate roads would create problems for trucking Syrian crude to Jordan. [REDACTED]

Oil and Financial Markets

- o The spot price for North Sea Brent was up 10 cents to \$20.45 per barrel as of 0630 this morning. [REDACTED]
- o Following New York's gains and lack of bad news in the Gulf, major stock markets are up, while the dollar is mixed. [REDACTED]

This oil situation report was prepared by analysts of the Directorate of Intelligence. Information available as of 0630 on 5 February was used in preparing this report. Comments are welcome and may be addressed to [REDACTED]

Oil Spill Developments

Iraq's Mina al Bakr oil terminal continues to spill oil into the Persian Gulf today. [REDACTED]

No new information is available on the progress of the Mina al Ahmadi oil slick, although press reports indicate that shifting winds are expected to speed its progress southward and that the spill would reach Jubayl late this week. [REDACTED]

Damage to Facilities

[REDACTED]

Iraqi Fuel Oil Supplies Cut Off to the Public

Damage to refineries and oil storage facilities has caused Iraq to halt fuel oil supplies to the public. The measure will be effective "until further notice," according to an oil ministry statement over Baghdad radio. The cutoff follows a ban on the sale of gasoline to the public two weeks ago. [REDACTED]

Comment: The ban on fuel oil could include a range of products used for heating and transportation. At a minimum, the ban will cut off supplies of heating oil during peak winter demand. The ban could also cut off fuels used to power diesel engines and commercial buildings, and it could seriously constrain civilian trucking and light industries. Some agricultural production could also be affected if priority is not accorded to supplies for agricultural machinery. [REDACTED]

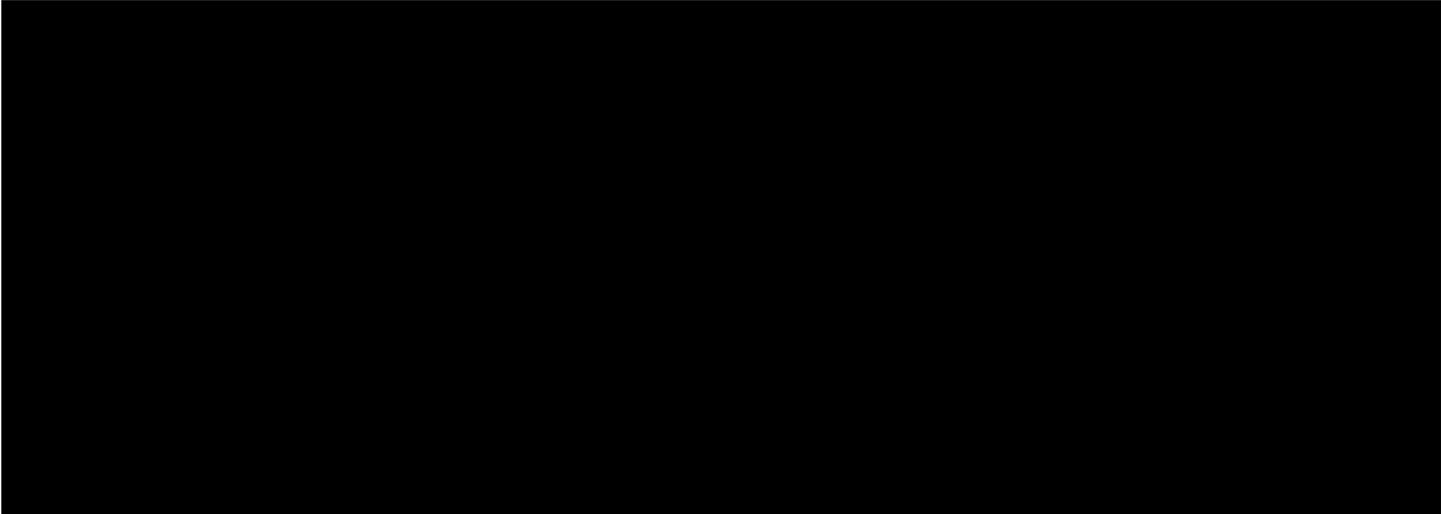
Oil Production and Exports

OPEC Countries Getting Hooked on Higher Output

OPEC members continue to announce plans to keep production at current levels for the foreseeable future, even though OPEC's inhouse market analysis suggests that world oil supplies currently exceed

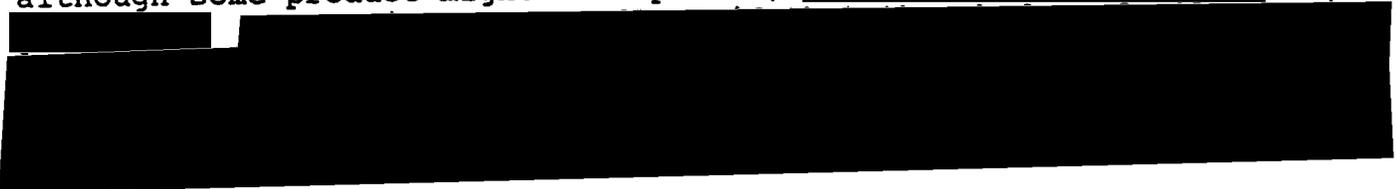
world oil demand, which is placing downward pressure on prices. Nigeria, for example, announced yesterday it will keep output at 1.9 million b/d, and Venezuela announced recently it will hold production to at least 2.5 million b/d. Other OPEC members, including the Persian Gulf countries, are continuing to produce near full capacity. According to press reports, OPEC President Sadek Boussena, from Algeria, hopes that a ceasefire in the Gulf war can be reached soon so that OPEC can begin to face its challenges. Boussena hinted yesterday that the cartel may be facing the worst challenge of its 30-year history when the war ends. [REDACTED]

Comment: Although OPEC probably hopes to cut the group's total output after the war to support prices near \$20 per barrel, OPEC production will likely remain high. New financial burdens associated with the war will preclude significant cuts from Persian Gulf members. Non-Gulf members--including Nigeria and Venezuela--reportedly have been investing windfall oil profits in the oil sector, making it difficult to justify production cuts after the war. After the war, any additional oil that Iraq and Kuwait are able to export will add to downward price pressures. [REDACTED]



Technical Obstacles to Jordanian Imports of Syrian Crude

[REDACTED] technical obstacles could keep Jordan from importing Syrian crude oil--agreed to in principle-- although some product might be imported, [REDACTED]



Oil and Financial Markets

The oil market remains calm. The spot price for West Texas Intermediate fell 10 cents yesterday, closing at \$21.25 per barrel. As of 0630 this morning, the spot price for North Sea Brent was up 10 cents to \$20.45 per barrel. [REDACTED]

Financial Market Developments

<u>Key Market Indicators, 5 February 1991</u>			
	<u>16 Jan</u>	<u>5 Feb</u>	<u>Change From Previous Day (percent)</u>
Japanese Nikkei 225	22,442.7	23,821.6 (close)	+ 2.3
German Frankfurt DAX	1,322.6	1,444.5 (0615 EST)	+ 0.7
UK FTSE 100	2,054.8	2,195.4 (0615 EST)	+ 1.1
New York DJIA	2,508.9	2,772.3 (4 Feb)	+ 1.5
Japanese yen (yen/\$)	136.85	130.2 (0615 EST)	- 0.2
German mark (mark/\$)	1.54	1.46 (0615 EST)	+ 0.1
British pound (\$/pound)	1.91	1.98 (0615 EST)	- 0.1
Gold (\$/troy ounce)	403.25	366.00 (0615 EST)	- 0.5

Financial Market Highlights

Major stock markets are up today following yesterday's gains in New York and a lack of bad news in the Gulf, while the dollar is mixed. Tokyo closed higher in heavy trading, shrugging off concern about the Gulf and following Wall Street's rise. Taking their cue from New York and Tokyo, German and UK stocks are also trading higher today. In the currency market, the dollar is trading slightly lower against the yen and the pound but is edging up against the German mark, following yesterday's record low of 1.456 marks and intervention by central banks. Meanwhile, gold is down nearly \$2 in London. [REDACTED]

Country Developments

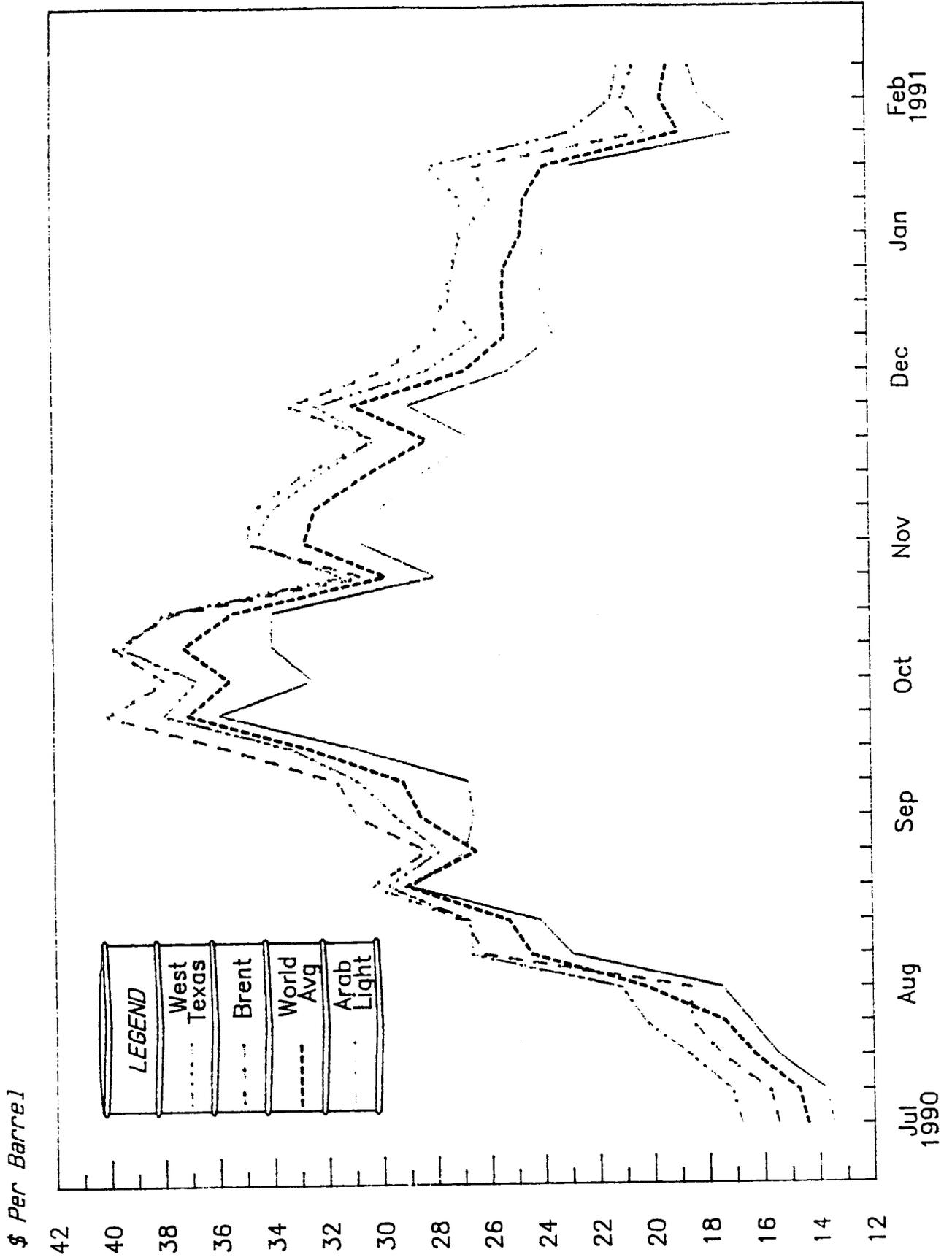
Nothing to report.

CRUDE OIL PRICES
(Dollars Per Barrel)

	<u>Arab Light</u>	<u>Brent</u>	<u>West Texas</u>	<u>World Average</u>	<u>Event</u>
28 November	32.05	34.00	33.30		
29 November	32.65	34.70	32.90		
30 November	31.40	33.85	28.85	30.96	
3 December	29.05	31.30	29.15		
4 December	29.10	31.45	30.65		
5 December	28.00	30.65	27.30		
6 December	24.75	27.70	26.40		
7 December	25.45	28.55	26.60	26.81	
10 December	26.10	28.85	26.90		
11 December	25.00	27.95	26.40		
12 December	24.40	26.45	25.35		
13 December	25.00	27.15	26.40		
14 December	25.85	27.95	26.55	25.30	
17 December	24.90	27.45	27.05		
18 December	24.75	27.10	27.85		
19 December	25.25	27.80	28.30		
20 December	24.90	27.50	27.50		
21 December	24.05	26.90	27.05	25.38	
24 December	24.75	27.75	holiday		
26 December	24.75	27.75	27.20		
27 December	24.45	27.40	26.70		
28 December	24.30	27.20	27.60	25.31	
31 December	25.55	28.45	28.45		
2 January	24.80	26.70	26.50		
3 January	23.45	25.20	25.50		
4 January	21.15	23.85	24.90	24.69	
7 January	23.95	26.35	27.65		
8 January	23.25	25.95	27.15		
9 January	24.00	26.70	27.25		Baker meets with Aziz
10 January	23.80	26.50	27.70		
11 January	23.40	26.00	27.30	24.56	
14 January	27.95	30.55	30.80		
15 January	26.75	29.40	30.05		UN deadline for withdrawal US, allies launch air attack
16 January	27.40	30.00	32.00		
17 January	18.15	20.80	21.45		
18 January	16.40	19.00	19.25	23.82	
21 January	16.50	19.25	21.30		
22 January	18.05	20.75	24.20		
23 January	19.25	22.05	24.15		
24 January	17.90	20.80	25.30		
25 January	18.15	20.85	21.35	18.83	
28 January	17.75	20.45	20.95		
29 January	18.10	20.70	21.85		
30 January	18.20	20.85	20.95		
31 January	18.20	20.95	21.55		
1 February	18.10	20.95	21.35	19.50	
2 February	18.50	20.50	21.10	19.25	
4 February	18.50	20.40	21.20		

Prices for Arab Light, Brent, and West Texas are taken daily from the Wall Street Journal. Prices for the current day come from Reuters. The World Average price comes from Platts on a weekly basis.

Crude Oil Prices



159

6

