

Tape 47

Side A, 0- 1/8

15 May 1979

STAT

MEMORANDUM FOR:

FROM: DCI

I agreed to speak at Bill Read's retirement ceremony Change of Command on the 29th of June in Norfolk at 1400. I suggested that there was a danger I would be required to testify on SALT at that time and if he could change the Change of Command until the morning of the 30th, the probability of my attending would go up considerably. He said he would look into that though there is a conflict with the Second Fleet Change of Command that day.

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cc:

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APR. 1979 N.Y. TIMES NEWS SERVICE

WASHINGTON - A SENIOR AMERICAN OFFICIAL WHO SPENT LAST WEEKEND CONFERRING IN LONDON WITH REPRESENTATIVES OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES SAYS THAT OPEC WILL PROBABLY DECIDE ON NEW PRICE INCREASES AND POSSIBLY SET PRODUCTION CUTBACKS WHEN IT MEETS IN GENEVA ON MONDAY.

THE OFFICIAL, HARRY E. BERGOLD JR., ASSISTANT SECRETARY OF ENERGY, SAYS HE ALSO BELIEVES THAT OPEC WILL URGE IMPORTING NATIONS TO MODIFY THEIR REFINERIES TO HANDLE MORE HEAVY AND LESS LIGHT CRUDE OIL.

BUT, HE SAYS, IT IS "EXTREMELY DIFFICULT" TO MAKE SPECIFIC PREDICTIONS. OTHER OFFICIALS HERE HAVE BEEN NOTICEABLY QUIET ON THE MATTER, POSSIBLY BECAUSE THEY WERE WRONG IN PREDICTING WHAT WOULD HAPPEN AT THE LAST OPEC MEETING, IN DECEMBER.

AT THAT TIME, OPEC SURPRISED UNITED STATES OFFICIALS BY RAISING PRICES 14.5 PERCENT, TO BE SPREAD OVER FOUR STAGES IN 1979, OR A YEARLY AVERAGE OF ABOUT 10 PERCENT. OFFICIALS HERE, AFTER CONVERSATIONS WITH ARAB LEADERS, HAD SAID PUBLICLY THEY EXPECTED THE INCREASE TO BE HELD TO ABOUT 5 PERCENT FOR THE YEAR.

WHEN OPEC MET IN DECEMBER, HOWEVER, THE OUTPUT OF CRUDE OIL IN IRAN WAS DROPPING FAST, TAKING 5 MILLION BARRELS A DAY OUT OF THE WORLD MARKET. THAT ALLOWED THE PRODUCERS TO TAKE ADVANTAGE OF SHORTAGES AND TO RAISE PRICES MORE THAN EXPECTED.

THE COMING OPEC MEETING AND THE DECISIONS EXPECTED TO BE TAKEN THERE HAVE EVIDENTLY AFFECTED THE TIMING OF PRESIDENT CARTER'S PLANNED SPEECH ON ENERGY AND THE ECONOMY. IT HAS TENTATIVELY BEEN SET FOR NEXT THURSDAY, GIVING THE PRESIDENT AND HIS ADVISERS TIME TO MAKE A FINAL DECISION ON AMERICAN POLICY AFTER THEY HAVE SEEN WHAT OPEC DOES.

BERGOLD, WHOSE VIEWS WERE EXPRESSED WEDNESDAY BEFORE THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, SAID THAT REPRESENTATIVES OF OPEC WITH WHOM HE HAD MET "SEEMED TO BE SAYING THAT THEY WILL FOLLOW THE MARKET." THAT WOULD NOT NECESSARILY BE THE SPOT MARKET, HE SAID. NOR WOULD THERE NECESSARILY BE AN ARTICULATED PRICE STATEMENT MADE AT THE OPEC MEETING.

SOME INDUSTRY EXECUTIVES AND OFFICIALS HAVE SPECULATED PRIVATELY THAT OPEC WILL BEGIN CHARGING IN THE SECOND QUARTER OF THIS YEAR THE PRICE IT HAD SET FOR THE FOURTH QUARTER. THAT WOULD RAISE THE OFFICIAL PRICE FROM ITS CURRENT AVERAGE OF \$13.35 A BARREL TO \$14.55 APRIL 1.