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Iran-Iraq War: Oil Facility Vulnerabilities  
and The Oil Market

The war raises serious risks to the oil market, especially if it spills over to Kuwait, Saudi Arabia or the United Arab Emirates.

- o On Sunday Tehran repeated warnings to the Persian Gulf countries against helping Iraq in its war with Iran. These threats have not been specifically directed against oil installations.
- o In early October 1981, however, Iranian fighters attacked and severely damaged the largest gas-oil separation plant in Kuwait in an effort to dissuade the Kuwaitis from their strong support of Iraq.
- o Iran might again attack the oil facilities of other Persian Gulf countries—out of frustration if the conflict with Iraq bogs down, to retaliate for support given to Baghdad, or for a successful Iraqi attack on Kharg Island, Iran's main oil export terminal. [REDACTED] 25X1

The oil facilities in the Persian Gulf countries are extremely vulnerable to disruption by sabotage and naval or air attack.

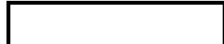
- o Iran and Iraq. Although there has been no new critical damage to oil facilities as a result of the recent fighting, the continued flow of significant quantities of oil remains dependent on the operation of Kharg Island and the Iraq-Turkey pipeline.
- o Kuwait. By far the most critical and vulnerable Kuwaiti petroleum choke points are the terminal loading facilities at Ahmadi; if lost Kuwait would be unable to export any crude.

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- o Saudi Arabia. The Saudi oil production and export system is extremely vulnerable to attack because of the large number of critical choke points. The most important of these installations are the Ras Tanura and Ju 'aymah export terminals in the Persian Gulf which constitute all but 2 million b/d of Saudi export capacity. Other key targets include the processing facilities at Abqaiq as well as coastal and offshore installations for gas-oil separation.
  
- o Abu Dhabi. The Jebel Dhanna oil export terminal is the only outlet for onshore crude oil production. Onshore production currently accounts for about 60 percent of total output. Offshore production and processing take place at several locations, the most important of which is Das Island.  25X1

### The Oil Market

Because world supplies are plentiful at the moment the market could absorb the loss of both Iranian and Iraqi oil exports.

- o A spread in the conflict and damage to key oil facilities in neighboring states, however, would tighten the market and force up prices. Excess oil capacity outside the Persian Gulf amounts to only 3 million b/d, compared with current Gulf production of more than 12 million b/d.
  
- o A stalemated conflict would leave the market soft for the rest of the year.  25X1

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CIA Support Ahead

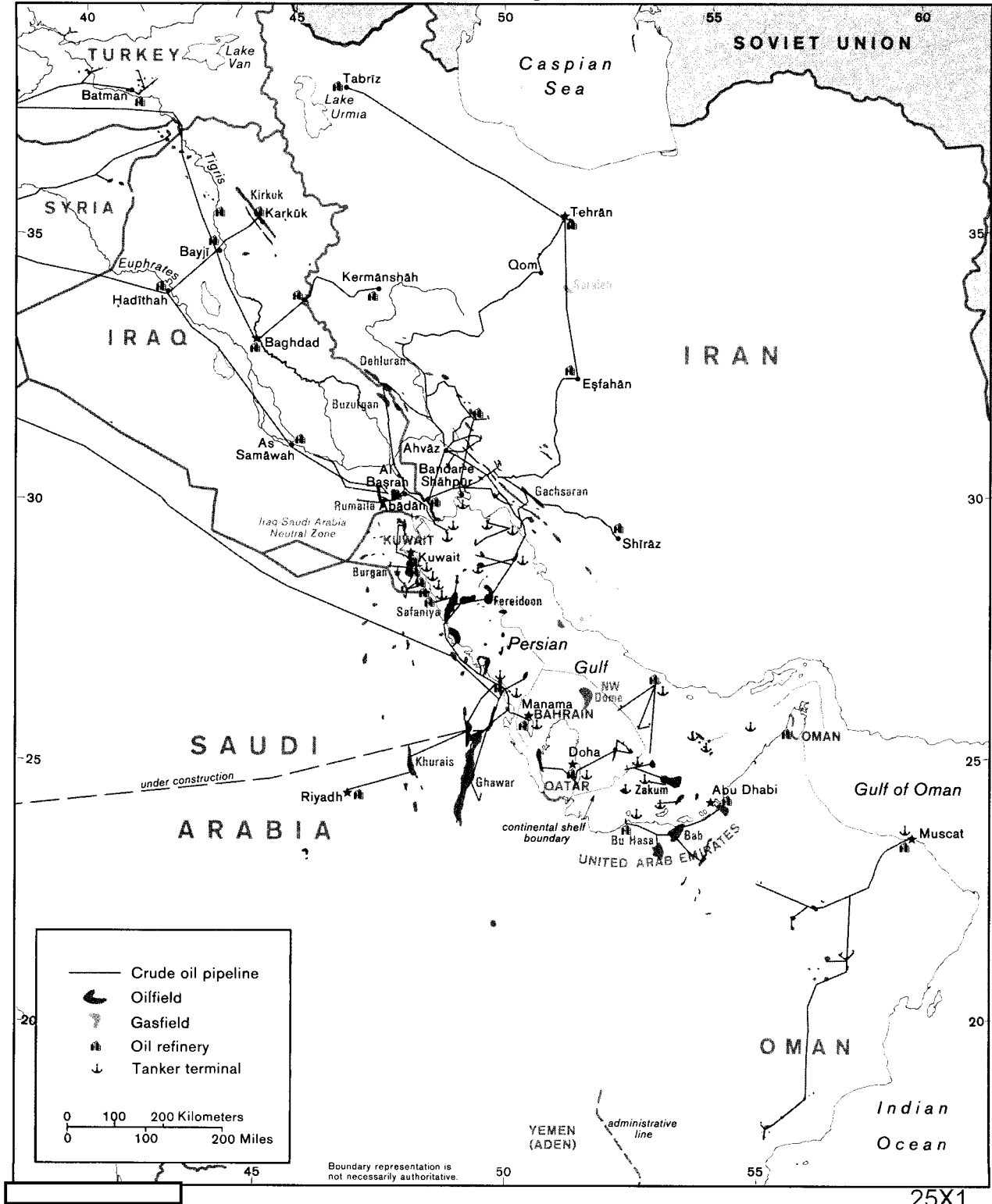
To flesh out these issues we are in the process of completing a paper assessing the vulnerability of key oil facilities in Kuwait, Saudi Arabia and the UAE. The report will pinpoint critical installations, indicate their role in maintaining oil deliverability and discuss potential repair and restoration problems. The report will be available on Friday morning.

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### Persian Gulf Region: Petroleum Industry



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