

Smoking Gun: The CIA's Interest in Peak Oil

by Richard Heinberg

08/15/03: A recently declassified CIA document casts new light on some of the most significant geopolitical events of the past quarter century. This document, an Intelligence Memorandum titled "The Impending Soviet Oil Crisis (ER 77-10147)," was issued in March 1977 by the Office of Economic Research and classified "Secret" until its public release in January 2001 in response to a Freedom of Information Act (FOIA) request. ⁽¹⁾ Until now the document has prompted little discussion.

The Memorandum predicts an impending peak in Soviet oil production "not later than the early 1980s" (the actual peak occurred in 1987 at 12.6 million barrels per day, following a preliminary peak in 1983 of 12.5 Mb/d). "During the next decade," the unnamed authors of the document conclude, "the USSR may well find itself not only unable to supply oil to Eastern Europe and the West on the present scale, but also having to compete for OPEC oil for its own use." The Memorandum predicts that the oil peak will have important economic impacts: "When oil production stops growing, and perhaps even before, profound repercussions will be felt on the domestic economy of the USSR and on its international economic relations."

The significance of the document requires some unpacking. First, we must understand the historical context in which it appeared.

Oil production in the US had peaked in 1970, just a few years earlier. This was arguably the most important economic event of the past half-century: until then America was the world's foremost oil producer; for much of the twentieth century it was also the world's foremost oil exporter. American oil won both World Wars for the Allies and made the US the world's richest and most powerful nation. Meanwhile, throughout most of this same period the USSR remained the world's second foremost oil-producing nation.

The American oil peak signaled the end of an era: from that point on, the US would become increasingly dependent on imports - and this dependence would entail serious costs, as became apparent with the Arab OPEC oil embargo of 1973, which sent the US economy into a tailspin. ⁽²⁾ Clearly, CIA analysts in 1977 understood the importance of the American oil peak and believed that a peak of petroleum production in the USSR would have similar or even graver consequences for that nation.

This much is clear and undisputable. Less clear is what was done with the information. Soon after assuming office in 1981, the Reagan Administration abandoned the established policy of pursuing détente with the Soviet Union and instead instituted a massive arms buildup; it also fomented proxy wars in areas of Soviet influence, while denying the Soviets desperately needed oil equipment and technology. Then, in the mid-1980s, Washington persuaded Saudi Arabia to flood the world market with cheap oil. Throughout the last decade of its existence, the USSR pumped and sold its oil at the maximum possible rate in order to earn foreign exchange income with which to keep up

in the arms race and prosecute its war in Afghanistan. Yet with markets awash with cheap Saudi oil, the Soviets were earning less even as they pumped more. Two years after their oil production peaked, the economy of the USSR crumbled and its government collapsed.

Did the Reagan administration base its Cold War strategy on the CIA study, in the expectation that a Soviet Union economically weakened by oil depletion would collapse if pushed hard on other fronts?

That question is mostly of historical interest. But the Agency's focus on the phenomenon of oil peaks has important implications for the present. For the past decade, oil experts have been debating when global oil production will peak. Pessimists say the global peak may already have occurred in 2000; optimists say it won't come until 2025 or so. A growing consensus of petroleum geologists places this pivotal event in the mid-range period of 2006 to 2015. ⁽³⁾ From a certain perspective, the amount of time in dispute is not of great significance: whether we have a year or two or a decade or two before the supply of oil can no longer meet demand is relatively trivial from a historical, analytical point of view (though of considerable significance for billions of individual humans needing to make plans for the years ahead); the result in either case will be the same - a slow-motion global economic and industrial collapse.

The 1977 CIA document shows clear and detailed awareness of oil issues, including depletion, extraction technologies, pipelines, areas of likely new discovery, the quality of existing reserves, and the dynamics of the global oil market. The CIA has obviously been studying oil very carefully for some time and must therefore understand the issue of global oil peak. This begs the questions: Does the Agency have a strategy for dealing with this impending mega-event? Or is the Agency's job merely to provide information, and allow the current Administration to formulate policy?

Here we must speculate. The developing semi-public row between the neoconservatives of the present Administration and CIA insiders suggests that the Bush team's plan for invading Iraq and subsequently redrawing the map of the Middle East may not exactly coincide with Agency recommendations. We know that the Bush-Cheney team is independently aware of the issue of peak oil because international oil investment banker Matthew Simmons, who has written extensively and forcefully on depletion issues, was an advisor to Vice President Cheney's now-infamous Energy Task Force in 2001. ⁽⁴⁾

If policy makers and their intelligence analysts understand the phenomenon of peak oil, and perhaps even used it strategically during the 1980s to undermine the Soviet Union, and are aware of the upcoming global peak, they must be interested to direct geopolitical events accordingly. What thoughts may be occurring to them in this regard?

The Middle East boasts 70% of global proven reserves of oil. Saudi Arabia has the world's largest reserves (25% of the total), and most of the 9/11 hijackers are alleged to have come from that country. Osama bin Laden is a Saudi native, and his published statements center on the project of ejecting American influence from the nation of Medina and Mecca.

If, as the neoconservatives have repeatedly hinted, Iraq is only the first stage in a larger project of regional regime change, then the real prize must lie just to the south in the giant fields east of Riyadh. One cannot help but wonder if the long-coddled Saudi government is even now being set up for a fall.

As events unfold, it will be of more than passing interest to see whether the CIA and the Bush Administration reconcile their differences, or whether the neoconservatives' hubris and ideological monomania will be their undoing.

Meanwhile the real motives and long-term strategies of policy makers and intelligence gatherers alike will likely remain opaque to citizens who pay in blood and dollars for their government's military adventures. "The Impending Soviet Oil Crisis" gives us a rare, limited glimpse into the machinery of covert information analysis and decision-making that shape history as we live it.

Notes

1. To access the document, go to the web site <http://www.foia.cia.gov/>. In the document search field type *er 77-10147*.
2. For a more thorough discussion of the role of oil in US history, see *The Party's Over: Oil, War and the Fate of Industrial Societies* (New Society, 2003), pp. 37 - 42, 69 - 84.
3. *Ibid.*, pp. 87 - 121.
4. See www.simmonsco-intl.com/research.aspx?Type=researchspeeches.

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