Fahd's policy of keeping oil prices down and Saudi production high.

Now with Iran out of the picture as a key ally of Fahd in enforcing this strategy, Yamani has taken an aggressive position to see his more militant anti-U.S. policy come into being.

The outlook in Iran

Although State Department and oil industry sources now estimate that the new Iranian Premier, Mehdi Bazargan, will make every effort to bring Iran's oil production to capacity as soon as possile, the continued violence makes that prediction uncertain. Conservative estimates are that without any foreign technical assistance, the National Iranian Oil Company (NIOC) could increase crude oil output from the present 700,000 barrels a day to about 3.5 mbd within a month. Department of Energy sources state that even if Iran were to produce sufficient crude to export one mbd, it would have a mollifying effect on the constricted oil markets and in turn bring down spot (open) market prices which have seen the price of high-demand low-sulphur crude go as high as $26.00 a barrel — a full $12.00 over the OPEC benchmark crude price.

However, continued political chaos in Iran does not bode well for this forecast. Within the camp of Iranian opposition leader Ayatollah Khomeini, there are known divisions on future Iranian oil policy which are reflected in the new government of Premier Mehdi Bazargan. Moreover, there are still many unknown elements to the plan worked out last month by Abdullah Entem, the head of the National Iranian Oil Company, to fully take over Iran's oil industry from the British Petroleum-led consortium of multinational oil companies.

Both government and private oil industry sources agree that NIOC alone could market at least 2 mbd independently on a state-to-state basis with Japan being a key purchaser.

—Judith Wyer

Schlesinger pumps U.S. energy crisis

"Schlesinger is a liar, and you can quote me on that," Mexican Foreign Minister Santiago Roel told a reporter, apropos of U.S. Energy Secretary James Schlesinger's role in Mexico's thus-far futile oil and natural gas negotiations with the United States. It appears, in the wake of the secretary's repeated warnings of a U.S. oil crunch as a result of the Iranian crisis, that many Americans are coming to share that view.

Following his publicized statement to the Senate Energy Committee last week that the current Iranian situation is more serious than the 1973-74 oil embargo, Schlesinger told the House Energy Committee this week that the Iran crisis may trigger the emergency oil-sharing agreements of the 19-nation International Energy Agency. This, despite the fact that only three days earlier the IEA's director had stated that the impact of the Iranian shutoff was being exaggerated, and that it was presently inconceivable that the emergency agreements would be invoked.

Said one analyst bluntly: "Schlesinger is exaggerating the Iran situation to push through emergency legislation and price increases he would otherwise not be able to sell politically." In the view of this analyst, and many others, there is little reason why the loss of the 900,000 barrels per day of Iranian crude the U.S. normally imports should cause a crunch. That is only 5 percent of U.S. oil imports, and the difference could easily be made up from other sources, many within the United States itself such as increased flow of Alaskan oil and eased antipollution restrictions on types of oil that power companies and industry can burn.

Schlesinger's plans

The danger of an oil crunch, therefore, arises not from any present shortage, but from the possibility that Schlesinger, compulsively committed to the 1977 Carter "energy program" which he authored and which was, for the most part, rejected by the Congress, industry and the public as incompetent and unnecessary, may take advantage of an uninformed atmosphere of crisis to push through price increases and mandatory conservation measures for both industry and consumers which could be avoided by a stronger emphasis on new production.

By Feb. 26, Schlesinger has promised to send Congress a set of legislative proposals which would be a first step in such a program of cutbacks. They are likely to include plans for forced closing of gasoline stations one or more days per week, forced reduction of commercial heating levels, and cutbacks in parking spaces. In addition, the energy secretary has for the first time publicly raised the specter of $1 per gallon gasoline prices.

Moreover, quiet congressional approval was granted last month to the Standby Allocation Authority, which, under conditions of a shortage, gives Schlesinger sweeping powers to allocate all U.S. consumption of crude oil, both imported and domestic, to utilities, refineries, and industry. According to one industry spokesman, by April the impact of the loss of oil to small refiners who normally purchase their oil on the now scarce and prohibitively expensive spot market, could produce conditions under which these standby rules can be invoked — placing powers amounting to rationing in the hands of Schlesinger and his Economic Regulatory Administrator, David Bardin.

Predictably, other government agencies are not moving to mitigate the threat of a shortage either. The Environmental Protection Agency this week refused to postpone rules requiring the nation's gasoline refiners to lower the lead content of gasoline to meet EPA antipollution standards. The EPA decision portends a major shortage of gasoline next fall (the regulations go into effect in October), because refiners are refusing to add the new refinery capacity required to meet the regulations, as they cannot do so profitably.

— William Engdahl