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BOOK REVIEW

THE UNITED STATES AND INTERNATIONAL OIL. By Robert B. Krueger. Praeger Publishers, 1975. Pp. xvi, 366, 5 appendices. \$45.00.

H. Gary Knight*

The United States and International Oil: A Report for the Federal Energy Administration on U.S. Firms and Government Policy is the result of a two-year study for the F.E.A. focusing on the questions of whether and how the presence of the United States Government should be introduced into international activities of United States petroleum companies in order to ensure that the national interests of this country are appropriately and adequately protected. The study identifies and explores the consequences of several options for achieving national energy policy objectives, in order to provide information and analysis to assist the political process in the evaluation of the options.

Study director Robert B. Krueger, a senior member of a Los Angeles law firm who has spent virtually all his professional career dealing with land and natural resource issues, interviewed over 200 people in the petroleum and public utility industries and in governmental agencies in the United States and six foreign countries, as well as public interest groups. In addition, the legal study group enlisted economic specialists in order to obtain economic analysis when appropriate. The result is a timely and important piece that not only reflects thorough research and great subject matter expertise on the part of the author, but also reads smoothly without excessive length.

The study opens with a chapter outlining the history of United States involvement in the international petroleum system, tracing its development from the 1928 purchase of a one-quarter interest in IPC, a European-controlled Middle East oil company, by American participants, to the current efforts of petroleum consuming nations to combat the Organization of Petroleum Exporting Countries (OPEC). The author explodes some popular myths, demonstrates the lack of

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consistent U.S. policy on the issue, and provides the background upon which current policy decisions must be based in a concise and fascinating narrative.

Chapter 2 identifies and briefly discusses several policy objectives of the federal government concerning energy, as well as the process of development of a national energy policy. The objectives discussed are: maintenance of a reasonable and predictable price for petroleum, maintenance of national security, maintenance of viable foreign relations, efficiency of resource utilization, protection of environmental quality, encouragement of free and effective competition, encouragement of private participation in resource development, and maximization of revenue to the federal government. All objectives are analyzed against the primary objective of establishing an adequate and secure supply of petroleum.

The study then evaluates a range of options available to the United States government, in its relationship with the international petroleum industry, as it pursues these objectives. It analyzes nine options: (1) removal or modification of federally created incentives and disincentives to international petroleum production; (2) regulation of oil companies as public utilities; (3) establishment of a national system to limit petroleum imports; (4) regulation of all significant international supply arrangements; (5) creation of a petroleum corporation, fully or partially owned by the federal government, to engage in international activities; (6) coordination of international supply arrangements through an industry-wide association of consumer country companies; (7) bilateral arrangements between the United States and producer governments; (8) establishment of an international organization to coordinate national petroleum policy with other importing countries; and (9) establishment of multilateral negotiations between producing and consuming countries.

The study does not endorse one or any combination of the options. However, the author does analyze the benefits and disadvantages of the options extensively, commenting on the practicability, political feasibility, and economic desirability of each of them. By way of example, he notes that modification of the incentive and disincentive structure (taxes, depletion allowances, expensing intangible drilling costs, price controls, allocation, etc.) would offer limited opportunities for achieving any policy objectives. The public utility approach is said to be of dubious benefit to consumers, nor would it likely

have any positive impact upon the stability or price of international petroleum supplies. On the creation of a federal petroleum corporation, the study notes that from almost any standpoint "there appears to be no convincing basis under today's conditions upon which to recommend the creation or acquisition of a company of which the U.S. Government would be the whole or partial owner to participate in international petroleum transactions."¹ However, it further notes that the International Energy Agency concept "appears on balance to be a relatively low cost option with potentially high benefits,"² and that the producer-consumer dialogue can reasonably be expected to continue for a number of rounds, spanning many years, spewing out solutions to manageable packages of problems from time to time.

These brief comments do no justice to the exhaustive analysis of the extremely complex and interrelated factors involved in each option. Nor do the detailed analyses offered and conclusions reached offer solace for ideological proponents of the right or left. Instead, perhaps for the first time anywhere, the public is provided with an objective evaluation of some of the nation's international energy problems, free of rhetoric and politics.

The study concludes that any new role for the United States government will probably draw on a variety of options, though even a combination of them offers no predictable solution to the international petroleum problems the nation faces today. Further, the author cautions that no effective progress can be made in dealing with the major producer countries until the on-going Arab-Israeli dispute has been settled.

In addition to the text, the book contains five appendices including essays on the experience of U.S. and foreign public corporations, and on federal programs and policies affecting the petroleum industry. Finally, for those unfamiliar with the terminology of the international petroleum industry a glossary concisely explains such terms and concepts as foreign tax credits, intangible drilling and development costs, offtake price, and posted price.

A national energy policy has yet to be adopted. Any person interested in the issue—energy industry managers, government agency representatives, Congressional staffers—

1. R. KRUEGER, *THE UNITED STATES AND INTERNATIONAL OIL* 20 (1975).

2. *Id.* at 22.

should read this book. Although it offers no panacea for the United States' energy problems, it lucidly presents the issues relating to international petroleum with depth and sophistication.

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