



PRIME MINISTER

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CRUDE OIL PRICING

The Cabinet commenced today its discussions on crude oil pricing arising out of the I.A.C. Report of 30 September, 1976.

Consideration of the Report has been deferred until now because of the absence of the Minister for National Resources, and this is the first opportunity Cabinet has had to discuss the Report with the Minister for National Resources present.

The Report is concerned with the price to be paid to producers to September 1980 of crude oil from known fields.

Some questions were raised in the discussions which were not dealt with in the I.A.C. Report or in the Cabinet Submissions and Ministers have therefore decided that there should be some further clarification by a small committee of permanent heads.

The importance of the discussions was emphasised to Ministers by the I.A.C. Report that over 400 million barrels of oil could be recovered under import parity pricing that would not be recovered at existing prices - representing an addition of about 20 percent to known recoverable reserves. Not to exploit these additional reserves would involve heavy expenditure on imported oil with all the consequences for the economy and the balance of payments that that would involve.

After 1980 local production of crude oil from existing fields will decline and Australia's self sufficiency in oil production will drop steeply. It is estimated that by 1985, if no new fields are found, the value of crude oil imported will total about \$2,500 million at current price levels.

The committee of Permanent Heads has been asked to report urgently. The Cabinet will resume consideration when the report is available.

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