



## Ole Gunnar Austvik (ed.): NORWEGIAN OIL AND FOREIGN POLICY

NUPI & Vett & Viten . 140 pages. Norwegian Foreign Policy Studies no.68 1989.  
ISBN 82-412-0013-7.

This is an English version of a special issue of [Internasjonal Politikk no. 5/6](#) December 1987.

---

### Table of Contents

1. **Preface** (full text below!)
  2. **Ole Gunnar Austvik, NUPI:** [Norway's Economic and Political Dilemma - An Introduction.](#)
  3. **Gro Harlem Brundtland, Norwegian Prime Minister:** Norwegian Oil Policy
  4. **Thorvald Stoltenberg, Norwegian Foreign Minister:** Norwegian Energy Policy in a Foreign Political Perspective
  5. **Alhaji Rilwanu Lukman, President in the Organization of Oil Exporting Countries (OPEC) and Nigerian Oil Minister:** Co-operation between OPEC and non-OPEC Countries is the Key to Oil Market Stability
  6. **George Quincey Lumsden, Director of the oil-market office in the International Energy Agency (IEA):** The International Energy Agency - Looking into the future. Is the IEA serving its Purpose as an instrument for Western Oil Cooperation?
  7. **Hans Henrik Ramm:** Rational Self-Interest - A credible Policy
  8. **Nils Morten Udgaard, journalist Aftenposten:** Norway Between the IEA and OPEC: Oil Prices and Foreign Policy
  9. **Øystein Noreng, Norwegian School of Management:** Norway and OPEC. Rivalry or Joint Action? The Strategy for a Less and Less Marginal Producer.
  10. **Kjell Roland, ECON:** The Driving Forces in the Oil Market in a Short- and Long-Term Perspective
  11. **Ole Gunnar Austvik, NUPI:** Market Considerations in Norwegian Petroleum Policy
  12. **Oddvar Solheim, Norsk Hydro:** The Oil Market, OPEC and Norwegian Foreign Policy from the Point of View of an Oil Company .
  13. **Øystein Dahle, Norske Esso:** .The International Oil Markets and Norway's Role
  14. **Pierre Godec and Alexandre Allard, Elf Aquitaine:** Oil in Norwegian Foreign Policy: A vital and Inevitable Component
- 

## 1. Preface

Norwegian petroleum policy touches on Norwegian foreign policy in three main areas: the oil market and the relationship with the Organization of Petroleum Exporting Countries (OPEC); the western-European gas market and the relationship with importers and other exporters; and the situation in the Barents Sea and the problems of national security which this involves. Here we shall concentrate on Norway's relationship with the oil market and OPEC. Contributions come from public authorities, the main organizations in the oil market (OPEC and the International Energy Agency, IEA), the oil companies and the academic life. The intention is to give as comprehensive a view of the subject as possible.

Problems, which require a balance between qualitatively different factors, such as economics, politics and psychology, can never really be solved once for all. Amongst other things, it is a question here of how energy-policy interests is to be weighed against the other foreign-policy interests; what importance (if any) Norway has in the oil market; how the oil market will develop in the future, etc. This means that the questions focused will continue to be open for further debate. We hope, however, that this book in a more precise way will define, discuss and document the situation as it stands today.

Remark: You are welcome to download, print and use this full-text document and the links attached to it. Proper reference to author, title and publisher must be made when you use the material in your own writings, in private, in your organization, in public or otherwise. However, the document cannot, partially or fully, be used for commercial purposes, without a written permit.

The **Norwegian Prime Minister, Mrs. Gro Harlem Brundtland**, emphasizes the fact that Norway has a complex range of interests in the formulation of its energy policy. She explains the actual formulation of Norwegian policy in this field and, in particular, argues that domestic and foreign-policy considerations have to be drawn into the formulation of the petroleum policy, as well as more general, international aspects. She stresses the importance of a dialogue between producer and consumer countries as well as the environmental aspects of energy use.

The **Norwegian Foreign Minister, Thorvald Stoltenberg**, writes that the foreign-policy elements are never far below the surface when questions of production and supply connected with oil and natural gas are raised. He points out that Norwegian oil policy shows a large degree of continuity, inter alia, as regards the desire for a global interplay in energy policy. This desire was put forward as early as the 1970s, but he thinks that the time seems only now to be ripe for this policy to be realized. However, it is possible that Norway for some time will work quietly and "by means of small steps" in the field of a global energy cooperation.

Stoltenberg also discusses the situation as regards energy policy in the Barents Sea. He adopts a "wait-and-see" attitude to President Gorbachev's lead on energy policy, both on account of the questions concerning the dividing line and Spitsbergen (Svalbard) and because the talks on 1 October 1987 ("the Murmansk talks") contained some concrete proposals. He points out that it is important to assert Norwegian sovereignty in the northern regions, in order to bring about further development in the good-neighbour relationship with the Soviet Union.

The **OPEC President, Alhaju Rilwanu Lukman**, who is also the Nigerian Oil Minister, begins his article by saying that "future historians will regard oil as one of the main foundations of the 20th-century way of life". On the basis of this economic and political statement, he argues in favour of collaboration between all the parties in the oil market, in order to avert fresh crises and to find a reasonable, common foundation for economic growth. All the major participants in the international oil industry, both producers and consumers, members and non-members of OPEC, should take part in such a dialogue.

Mr. Lukman makes no explicit mention of Norway in his article, but he asserts that Great Britain has "compromised the economic welfare of future generations" by refusing to collaborate with OPEC. He makes it clear that the Organization is not interested in going back to the production level of 31 million barrels per day but does not wish to reduce its market share beyond what it has already done.

**George Quincey Lumsden**, director of the oil-market office in the IEA, writes in his article about the history of the IEA and its future prospects. It was, and is, primarily the paramount interest in the security of energy supplies, which keeps the member countries together. But he also mentions various other initiatives, which the IEA has worked to get introduced. He expresses a desire for a dialogue between consumers and producers in the oil market but is skeptical with regard to the setting up of formal, international agreements. Such agreements will encounter resistance from one party or another, and the member countries have firmly agreed to oppose the attempts of organizations to set themselves above the market forces. This led to too low prices in the 1960s and at the beginning of the 1970s and to the retention of too high prices in the mid 1980s. The IEA wishes to hold a dialogue which will bring the parties more information and to exchange technology and experience. The Agency has already started work on this.

**Hans Henrik Ramm**, Deputy Minister in the Department of Petroleum and Energy and petropolitical advisor in the Treasury under the conservative government under Kåre Willoch in the period 1981-85, describes "the many strange ways" which Norwegian oil-marketing policy has followed. He examines the various occurrences from the 1970s to the fall of the Willoch government in May 1986. His personal comment on the approach made by the Norwegian Labour Party government to OPEC is that it was mainly motivated by foreign-policy considerations and not so much towards the market. He is critical of the fact that Norway takes care of her national interests as a petroleum-producing nation by making reductions in output, even though he interprets them as only marginally detrimental to Norwegian economy. In his opinion, the main problem is that Norway has crossed a political boundary by approaching OPEC and thereby left herself open to future pressure. In conclusion, he desiderates a more concrete analysis and a professional, economic re-examination of the effects of the production adjustments and our OPEC policy as such.

**Nils Morten Udgaard**, Undersecretary under Kåre Willoch 1984-86, and a journalist in the conservative newspaper *Aftenposten*, writes that Norwegian oil-price policy since the fall in the oil price has been formulated at a point of intersection between oil policy, economic policy, foreign policy and domestic policy. However, he thinks that the parallelism between Norway's and OPEC's courses of action in 1986-87 was determined by the situation at that time and will not necessarily be reinforced in future years.

Oil and natural gas require such long-term decisions that, as far as Norway is concerned, there is some talk of including energy in establishing where the country's real interests lie. Udgaard warns us against using oil and natural gas in order to achieve foreign-policy aims. However, Norwegian diplomacy and foreign policy should be set in, in order to secure an economic gain from energy that is as large as possible. The oil and natural gas have made it necessary for Norway to pursue her national interests to a greater extent in her foreign policy - and not Norwegian ideals alone.

**Øystein Noreng**, Professor at the Norwegian School of Business and Administration, describes Norway's role in the oil market as having been changed from a peripheral one to a more central one. He gives several reasons for this. The first is that it has turned out that Norway is continuing to produce oil, even at relatively low prices (cost criterion). The second is that the production is increasing (resource criterion). The third is that even marginal production changes are of importance for the price trend as long as the demand is so inelastic (an economic criterion). In addition Norway will possibly become one of the major oil producers in the world in the 1990s, if decisions about this are taken.

Noreng describes OPEC as exceptionally successful among cartels of raw-materials exporters. But in a tight market situation, the Organization may also need help from non-OPEC countries. Under these circumstances, it is conceivable that Norwegian views on the further price trend may carry a certain weight within the Organization. As regards the maintenance of freedom of investment in the oil-importing countries, in order to be able to continue the vertical-integration process already started, Norway also has interests in common with the Organization. It is the same with the much-discussed, American import duty on crude oil. Noreng thinks that, starting from these interests and her membership of the IEA and NATO, Norway can play an interesting part as intermediary between different parties in the oil market and in international politics.

**Kjell Roland**, Economist at the Center for Economic Analysis (ECON), shows how price forecasts for crude oil have been almost systematically misleading for a number of years. He therefore warns against relying too strongly on one particular forecast of the oil price and desiderates a greater understanding of the uncertainty, which characterizes every price forecast.

His scenarios for the oil market extend from a total breakdown of OPEC, as one of the two possible extremes, to the Organization becoming capable, to some extent, of managing the oil price, as the other. Between these solutions, there is a whole scale of possibilities, depending on the economic and political occurrences that are of importance to the market. While his possible range for the oil price in the short term runs from 15 to 20 dollars per barrel, the price in the year 2000 may vary all the way from 15 to 40 dollars per barrel.

**Ole Gunnar Austvik**, Researcher at the Norwegian Institute of International Affairs (NUPI) writes that there is a series of market factors that Norway must take into account in formulating her oil policy. These different factors are parts of the same whole, in which the efforts should be co-ordinated, in order to produce a desired total effect at as reasonable a cost as possible. This applies to both regulations of output, pricing policy, the relationship to the IEA and the formation of a more multinational activity within the interplay between consumer and producer countries. The policy must also be such that it preserves Norwegian freedom of action and flexibility. Desires in one period that the price should be moved upwards may change in other periods to desires that it should be down or kept constant. Austvik discusses especially Norway's relationship to OPEC's pricing and quota system.

Even if Norway's influence on the oil market must certainly be called marginal, the margins constitute such large amounts that even small price changes represent considerable amounts for the Norwegian economy. This is one of the reasons why the oil policy has established itself as a permanent and important part of Norwegian foreign policy in the technical field of intersection between economics and political science.

\* \* \*

Three representatives of major oil companies - a Norwegian, an American and a French - have been asked to present their views of Norway's relationship to OPEC. The individual articles are, however, the authors' responsibility and do not necessarily represent the views, which their respective companies may hold.

**Oddvar Solheim (Norsk Hydro)** stresses that collaboration in stabilizing efforts is not an attempt to counteract the market forces but rather an attempt to enlarge the time perspective in the market development. He supports the proposal that Norway should establish effective channels of communication with OPEC, in expressing the opinion that the Organization is a constructive and stabilizing factor in the present market situation.

**Øystein Dahle (Exxon Norway)** maintains that Norway is scarcely well served by the view that we are unimportant in the market and that the oil-policy strategies are local matters, which have no international effects. On the other hand, he warns against giving Norway a more central role than is necessary. Thus, he expresses respect for the initiatives that the Norwegian Government has chosen so far but at the same time takes a skeptical attitude to political intervention in market questions, which should mainly be governed by commercial decisions. He warns against the consequences and obligations which interaction with OPEC may have in the future.

**Pierre Godec and Alexandre Allard (Elf Aquitaine)** point out that Norway's relationship to OPEC is somewhat reminiscent of Norway's relationship to the European Community at the beginning of the 1970s. In their opinion, Norway must, however, adjust herself to the economic and political realities, and they see an important role for Norway in the field of international energy policy:

"Since the country has staked out its own road within international oil policy, Norwegian foreign policy has reached a new degree of maturity. Norway's interests, both short-term and long-term, will bring the country into paradoxical and conflicting situations, which will arise as a result of its exceptional position. Through its energy policy, Norway's role internationally may be more important than at any time since 1905. Norway will supply Europe with natural gas for several decades, while playing the role of mediator in oil contexts, in order to stabilize the world's energy markets: what a role, and what a challenge!"

Ole Gunnar Austvik, August 1989

Read: [Norway's Economic and Political Dilemma - An Introduction](#).

---

**Kontakt / Contact**