IRELAND'S RESOURCES

THE CASE FOR STATE CONTROL

RPC

RESOURCES PROTECTION CAMPAIGN

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The necessity to retain State control of Irish natural resources in order that the real benefits accrue to the Irish people has never been more evident.

The Resources Protection Campaign is a non-political public-education campaign which has as its main objective the development of State companies to explore for, produce and develop industries from our immense natural wealth.

As authors of this booklet we ask you to form your local branch and assist in the campaign's objectives which are of crucial importance to the future development of this country.

National Committee
Resources Protection Campaign

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Introduction

The idea of Ireland as a poor country lacking in any significant amount of natural resources, such as mines, oil or gas, has now disappeared. While that notion was dominant in the public mind, it was possible for mining and oil companies to obtain extraordinarily generous concessions from the State such as the 20 year tax free holiday or the derisory £500 fee charged for Marathon's offshore licence.

The incessant call is still for speedy licences with no restrictions on the rate of development or the use of tne resources discovered. The aim of this booklet is to outline the essential elements of a policy that will bring the greatest benefit to the Irish people with due regard to the country's size, it's regional problems and it's desire to ensure full employment within the coming decade.

The basic trend of State policy now, as in the past, is contained in Sean Lemass's famous 1947 remark 'the working of minerals is best left to private enterprise'. This, however, has not been interpreted to provide a framework of a State role in developing the wealth below the ground or the sea. Rather, successive governments have used the powers to facilitate the operations of different private companies, mostly foreign based. Hence, for the mining companies, a legal structure such as that contained in the various Land Acts and the Minerals Act 1940 was very favourable as it provided that in most cases the ownership of Minerals would rest with the State.

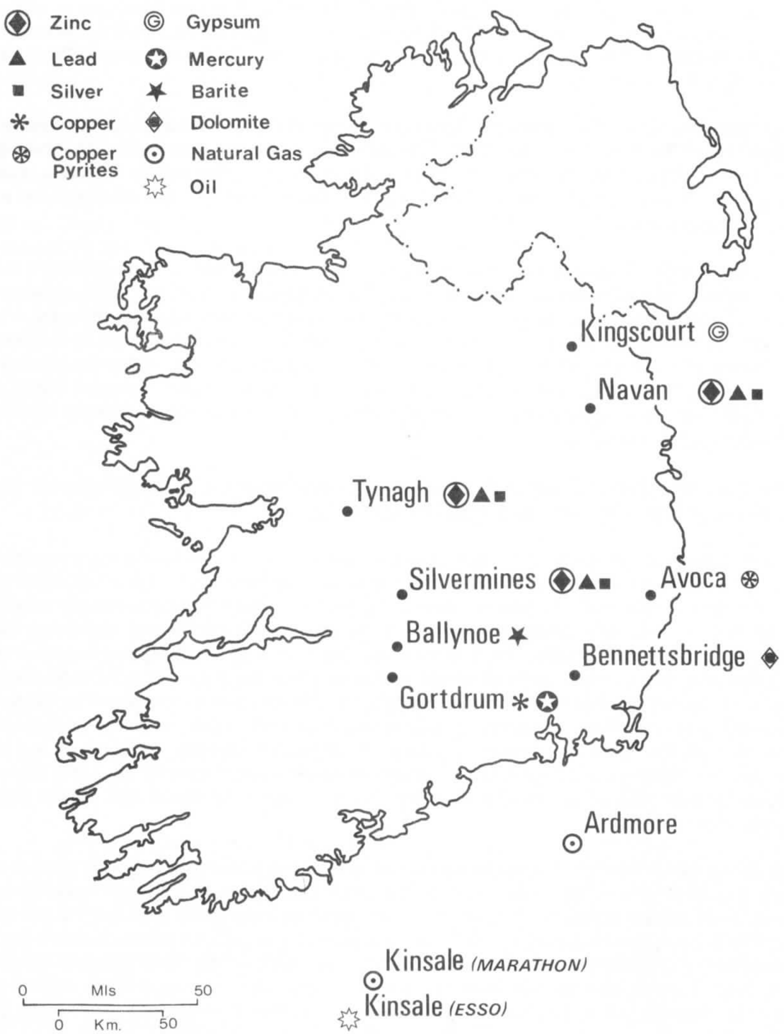
They then only have to deal with a sympathetic government to obtain the leases they required rather than with individual troublesome landowners.

So the wide State powers were, conceived as being of assistance to the commercial interests rather than a barrier erected to protect the national interest. A similar philosophy has constantly governed the role of Mianrai Teoranta, a State Mining company established by an Act of 1945 with powers of exploring for and producing Mineral resources. Current proposals for the revitalisation of this company indicate that it's principal function will be a supervisory one as the trustee of whatever equity stake the State will hold in Mining operations at Navan or elsewhere. Again the State's official role is conceived as being complementary to the Mining interest groups as most of these now positively encourage participation of the State to provide insulation from hostile national criticism. It is a dream solution for them as it allows their directors to retain overall control with the State only sharing in that part of the profits kept for dividend payments as decided by the majority private shareholders.

The Resources Protection Campaign has grown out of the belief that the wide powers of the State should have a different function than to facilitate the exploitation of Ireland's resources by such private concerns. The effect of the policies were quite apparent by the time of the RPC's formation in October, 1973. A huge area of the nation's offshore rights had been conceded for a pittance to Marathon - Esso, while, onshore, rich and valuable deposits of zinc, lead, barytes and copper were being rapidly exploited but with little return to the State. In revenue terms, the grand total in royalty payments by October, 1973 was a mere £1.7 million.

The RPC developed out of the basic conviction that the country's greatest find at Navan must be treated differently. The key to the policy presented here is the notion of Retention i.e., the recognition of State ownership of the Minerals both onshore and offshore and hence the necessity of an active State agency to find, to produce and to process them.

Ireland's Mineral Resources



Chapter 1

The discovery of the world's richest zinc/lead deposit in Navan has led to a sharp awakening of public consciousness to the extent of Ireland's mineral resources. However, at Tynagh, Silvermines and Ballynoe, the principal mines currently in production, exploitation of major resources continues with little benefit accruing to the country. Tynagh, near Loughrea, has been in operation since 1965 as one of Europe's key producers of lead and silver as well as a large amount of zinc. To date some 350,000 tons of lead, 250,000 tons of zinc and 10 million ounces of silver have been extracted for export to smelters in France, Belgium and Spain.

Tynagh was brought into production in 1965 with the prospect of a 4 year tax holiday and was so successful in its first 2 years that the president of the operating company P.J. Hughes was able to boast to his shareholders' AGM that all the initial capital debt would be cleared in 2 years. This did not prevent the then Finance Minister, Mr. Charles Haughey from granting the extraordinary 20 year freedom from tax in his 1967 budget, a measure which would have guaranteed tax free profits until 1985, years after the end of the mine's production lifetime.

Silvermines, in operation since 1968 is primarily a zinc mine with a significant lead output. Rated as Europe's largest underground zinc mine, it has yielded each year some 60,000 tons of this metal as well as about 15,000 tons of lead. Again, the smelters in Europe gained the main advantages from the processing of these.

Near Silvermines, at Ballynoe, there is a unique deposit of barytes, a material used extensively by oil companies in their offshore drilling work. This particular deposit is managed by Magcobar of Ireland, the local subsidiary of Magnet Cove Barium of Texas. Its value is emphasised by international authorities such as the U.S. Geological Service which consider it as one of the world's richest supply sources. 230,000 tons a year are exported from Foynes port in Co. Limerick and a royalty of 1.5 dollars a ton is paid in Ireland for it. The barytes are then sold at the world market rate of nearly **40 dollars a ton** to the oil companies in areas like the North Sea or offshore Nigeria, a classical example of the pattern of multi-national control of natural resources and its effect of preventing producing countries from any substantial take in them.

In the following table we can outline the combined scale of our producing mines in European terms.

	Ireland	Western Europe
Zinc	90	550
Lead	56	405

Zinc 1973 *000 tons*

	Mine	Smelter	Industrial Use
Ireland	83	Nil	4
Germany	143	394	440
Belgium	Nil	278	150
U.K.	Nil	85	302
Italy	81	174	215
France	14	258	285
Spain	93	111	116

In mid-1968 An Foras Taluntais, the state-owned agricultural research institute produced a geochemical survey of Eastern Ireland. This document while not released to the public until mid-1969 was immediately available to private prospecting companies in Ireland. It showed only three areas in the region with any significant soil mineralisation, two in Co. Meath and one near Dublin Airport. Two companies, both subsidiaries of Canadian mining companies, Syngenore and Tara Exploration, took out exploration licences for the land around Navan town which was the area pinpointed by the Foras Taluntais survey as having the highest mineralisation content.

Both Tara and Syngenore had spent very little money on a small exploration programme in the area by mid-1970 and had produced no results and had brought Tara well to the East of Navan town and far away from the area now known to contain the world's richest zinc - lead deposit.

In October 1970 a local farmer while excavating rock saw what looked like a metal seam running through it. This was on land where nobody had bothered to take out an exploration licence. Tara got to hear of the farmer's discovery and on October 26, 1970 the Irish government gave Tara prospecting licence No. 1489 to cover this land.

Seven days after the issue of their licence they struck 43.26% mineralisation causing the London Stock Exchange to telex them asking if the decimal point had been misplaced. Their shares quickly rose from 30p. to over £10 in London and Toronto.

It is now recognised that Navan contains in the region of 77 million tons of ore containing an average of 10.9% zinc and 2.6% lead which is a very high grade ore. These figures, enable a gross metal value to be put on the mine.

Based on the projected prices for these valuable commodities the total metal value from Navan is well in excess of £2,000 million.

Tara fought a big publicity campaign to hide the value of the Navan find from the public until they got a State mining lease but were eventually proven to be hiding the facts by the work of the Resources Study Group who produced a brilliant document exposing the real extent of the Navan find. Worried about their chances of getting a lease Tara, on 31st March 1971, gave the Fianna Fail Government an ultimatum that unless they received a written promise of the Navan lease within **24 hours** they would close down their existing mines. They received this promise the following day, on appropriately enough, 1st April!

With Europe's largest zinc mine twenty-five miles from a capital city, with excellent rail and road access and a port nearby it was inevitable that the large multi-national mining companies would be interested, particularly in that Tara Mines was only a small unattached Company in world terms. In 1973 the South African Anglo-American, the largest mining company in the world, headed by the infamous Harry Oppenheimer, started buying Tara shares through its London finance corporation, Charter Consolidated. They were joined by Cominco, a subsidiary of Canadian Pacific Railways and one of the largest companies in Canada. The Tara board brought in Noranda, another Canadian mining multi-national in an effort to defend itself from the others. The takeover bid was precipitated by Tony O'Reilly, a director of Tara and chief executive of Heinz of America, selling his 350,000 shares in Tara at $25 a share or double the market value netting him £2 million profit tax free. The multi-national takeover of Tara valued the company at £73 million, making it the largest industrial company in Ireland. A new age had dawned in the exploitation of Ireland's mineral resources.

Bula

About 15% of the land of Ireland has not passed through the Land Commission and on this land the State has not acquired the mineral rights but can do so by signing of a Mineral Acquisition Order by the Minister for Industry and Commerce.

The State did not own the mineral rights on the farm where the Navan mine was initially discovered and has as yet not acquired these rights as it constitutionally can do.

Tara offered the farmer a ludicrous figure for his land (which covers about 12% of the Navan ore-body) and he preferred instead to sell to a company called Bula who, speculating on the enormous profits to be made by offering the farmer some more money, and a share holding, bought up his land. Bula, without doing any exploration suddenly then found itself in possession of about £350 million pounds worth of metal in the ground. It is controlled by Tom Roche, chief of Cement-Roadstone. The State in the person of the Fianna Fail Minister Mr. Lalor, made a belated attempt at that stage to acquire the minerals by order but made a mistake on the actual order - paper which allowed the Irish Supreme Court to disqualify the order. This must qualify as the Irish Civil Service's single most expensive mistake ever.

The Fianna Fail government then fell in 1973 and instead of issuing a further Minerals Acquisition Order, the new Minister Mr. Justin Keating chose instead to negotiate with Bula, whereby he would pay for 24% of the company and take 25%, and leave in the hands of these private enterprise speculators (who had done nothing except outbid another group of speculators) 51% of the company controlling the richest segment of the ore-body. Mr. Keating's projected payment of £4 million from State funds to Bula for 24% of the equity will immediately make Mr. Tom Roche and his co-directors millionaires from the Navan mine alone.

Tara

On 15th February 1975, Mr. Keating agreed to give the mining lease at Navan to Tara. The State will retain only 25% and hand over 75%. Royalties will be a meagre 4½%. Another chapter in the sell-out of Irish natural resources has commenced.

The company will be allowed a minimum extraction rate of 2.4 million tons a year which is a major victory for them. There are no firm plans for a smelter and it is not a condition of the lease. If it is even established now, it will certainly not accommodate such a vast output from Navan, which will now go, like Tynagh before it, to the smelters and factories of Europe. Ireland, as before, will share only in the least profitable, the mining stage.

Such an enormous extraction rate will reduce the lifetime of the mine to around 15-20 years and the prospects of setting up a vaible Irish metal industry is seriously jeopardised, if not made impossible from this, the world's richest zinc mine.

It is the opinion of the Resources Protection Campaign that Mr. Keating should have issued a new Minerals Acquisition Order for the metals it did not already own in Navan - now conceded to the Bula Company. The State should then set up its own mining production company in Navan through Mianrai Teoranta, and establish one producing mine, where now there is a danger of having two mines alongside each other with the consequent gross waste of resources. The multi-national companies will want to extract the ore as fast as possible to provide rapid maximum profit. This is not in the interest of the Irish State as is witnessed by the rapid exploitation of Tynagh in Galway, which will leave the mine empty by the early 1980's without a single factory or industrial job created from the enormous wealth that was there.

Mr. Keating proposed in October 1974 to re-establish Mianrai Teoranta but it seems that it again will only have a nominal role as a paper company to hold the State **minority** equity share-holding in foreign-owned mining and oil companies.

The Resources Protection Campaign demands that a fully operational State mining company be instituted under the title Mianrai Teoranta. This does not require any fresh legislation. Navan was found for approximately £¾ million or less than 1/3,000 of the value of the metal there.

If the State retains the ownership of the mine in Navan it could develop the mine and use a

very small percentage of the profits to allow a full exploration programme for Irish minerals to be carried out by Mianrai Teoranta.

The Smelters and Multi-nationals

The published aim of the Tara directors is to extract 300,000 tons of zinc and 60,000 tons of lead every year, thus giving Navan a life span of about 20 years. The Resources Protection Campaign believes that with Mianrai Teoranta in control of the entire operation in Navan that this output should be halved and the life-span of the mine extended to 60 years. An annual output of 300,000 tons of zinc metal is greater than the capacity of any single smelter in Europe at the moment and the Tara company had set out to sell the ore to no less than seven different foreign smelters, some of whom were planning to expand primarily to accomodate the huge Navan output. The rate of extraction should depend on the ability of the State to initiate the vital fabrication and processing industries for the metal. We envisage a 100,000 ton smelter as a reasonable aim and, with production of ore at the time geared to this metal content, a lifetime of 60 years for the mine could be assured. We object to any proposal that will allow export of metal from Ireland in any form other than as **finished consumer or industrial products.** The export of smelted metal is no less disastrous a policy than exporting raw ore. Each is a basic resource for the stage where most benefit to the country comes i.e. in the manufacture of diecasts, car-parts, domestic appliances, and a host of other products based on zinc.

Metal Industries

The smelter is capable of doubling the value of the ore mined. On the other hand, when further processed a factor of between 7 and 10, is added to the metal value. More vital than this is that the employment content is greatest at the third stage because both mining and smelting have minimal job creation potential. The aim of the multi-national controllers of Irish mining is to use the metal from an Irish smelter as a feedstock for the fabricating plants in the EEC rather than creating these in Ireland. In this they are directly encouraged by Irish taxation policy which gives a tax holiday to profits made in exporting the products of manufacturing industry including a smelter.

Foreign Control of Tara

There are three multi-national mining companies Cominco and Noranda (Canada) and Anglo American (South African) now holding over 57% of Tara Mines Ltd. They bid £73 million for a company that had no assets other than some Co. Meath farmland as the State owns the mineral rights underneath the land. They spent this enormous sum of money to gain control of the company, confident in their ability to acquire a state mining lease, and also displaying their confidence in the future price of zinc.

These multi-nationals and the South-African, Anglo-American, in particular wish to expand outside their current markets. There is a considerable EEC tariff barrier against importing smelted metal. Cominco already have plans to build a 100,000 ton/year zinc smelter near Hartlepools in England and supply it with raw ore from their large zinc deposit in Greenland (there is no EEC tariff barrier agains raw ore).

So it was an obvious course for them to bid for control of the largest zinc mine in Europe, supply a smelter which they need inside the EEC anyway and export metal to the factories of Europe for the large consumer markets there.

The advantages such companies see in Ireland are directly in conflict with the results the Irish people seek. Their profits will come from the export of the ore or, if a smelter is built here, from the tax-free export of the smelted metal, so it is not in their interest to establish metal industries here. Their aim also as was the case with Northgate in Tynagh will be to re-patriate the profits to their shareholders in the U.S., Canada and South-Africa.

Chapter 2

At the time of writing the Mining industry in Ireland is in an impasse. A decisive State initiative is needed if any significant benefit to Ireland is to be generated from the development of the Navan Orebody in this decade. The way out is clear. As the ownership of the minerals is vested in the Minister he can justifiably claim that Tara's directors have rejected the terms offered to them for the rights to mine at Navan. Consequently the terms of reference envisaged for the new look Mianrai Teoranta should be expanded. These terms should be to develop the mining operation at Navan and to decide on a suitable location for a smelter to accomodate the output. The assets of the Tara Company, it's lands and equipment, could be purchased as compensation for expenditure incurred over the years.

An entire new programme of development, based on the smelter-linked rate of extraction, would be an essential first priority. Mianrai Teoranta's task would be two-fold i.e., the Mining operation and the smelter and with this pattern of integration both of these would go ahead concurrently with a probable capital expenditure of some £70 million, £40 million for the mine development and £30 million for the 100,000 ton smelter. This scale of investment, undoubtedly large, compares quite favourably with other schemes that could not be regarded as having anything like the same potential yield. For example the 3 developments in Cork arising from the decisions on the use of the Kinsale gas field, the NET plant and the ESB's generators will cost a total of £88 million. This money will not, of course, need to be borrowed all in one year and the confidence in the long term security of the zinc metal market exhibited by the multi-nationals, who were prepared to speculate £73 million on purchasing Tara shares, should be sufficient proof of the worthiness of the investment.

It would take 2 to 3 years to have the combined mine-smelter development fully on stream and during this period it would be crucial for the IDA, and the other state industrial development concerns, to plan for the maximum absorbtion of the smelted metal in native industry. This could not be achieved overnight but a policy aim to discriminate in favour of such industries would be essential. A typical example of misapplied investment on the part of the IDA is the case of the Alcan smelter in the Shannon Estuary.

This involved a committment of £7 million as a grant as well as money for roads, ports and housing in aid of an industry that involves a raw material not available in Ireland and that, after refining, is to be exported.

It has, then, little real manufacturing content and its links with other industrial sectors in Ireland is minimal. In this it mirrors many similar projects in grant-aided industry that have been established with a host of incentives such as the tax concessions for export profits. A number of detailed studies on the impact of these in generating a viable industrial base for this country have all come up with rather pessimistic answers. This is largely because the net added value created by many of the new industries is quite marginal due to the large amount of capital imports and raw materials involved. So, the type of industry attracted here, by and large, are single stage assembly projects that cash in on the tax holiday for exports and the guarantee of freedom to repatriate profits. The end result of this pattern is that some of the new manufacturing sector has created little opportunity for secondary investment, either in the supply of raw materials or in the further processing of output.

Cooper and Whelan in their study for the National Science Council, present a table to show the high content of imports in the final value of export oriented industry.

Textiles	48%
Clothes	33%
Chemicals	48%
Metals	38%
Food	5%
Transportable Goods in General	32%

Much of this pattern arises from a deliberate strategy to import under-priced intermediate materials so as to enhance the value of the final tax concession on the output of the single stage Irish based plant. Another by-product is the low level of Research and Development with consequent effects in the education and training of both graduates and apprentices.

These weaknesses become specially apparent at a time of recession and high import costs for raw materials. The emphasis on grants to export-based industries masks their high dependence on such expensive imports and the consequences of an economy so open to external influence. No such emphasis seems to be given to creating industry to supply where possible materials that can compete with imports.

Metal Imports

Ireland is the biggest per capita supplier of zinc ore in Europe, but yet has to re-import this in metal form for any industries that use it due to the lack of a smelter to process the ore. The State should now use some of the funds available for industry to initiate some of the processing industries based on the zinc and lead to be mined at Navan. The import-content of such industries would be limited to the relevant capital equipment but they would derive their raw materials from native sources and so could be a basis for the replacement of some of the industries, excessively based on imports.

New Job Creation

Outside of this economic argument there is the ever pressing demand for new job creation to relieve, not just the present disastrous level of 100,000 jobless, but also the endemic situation of unemployment that our country continuously accepts. The old target date for full employment was 1981. Dr. Kieran Kennedy of the ESRI (Management May 1974) showed how far we yet have to go to come near that achievement, "full employment taken to be consistent with 3% of the labour force unemployed and net emigration of 5,000 per annum. Assuming that agricultural employment declines at the same percentage rate as in the recent past, the overall employment growth rate implies a rate of 2½% per annum in non-farm employment. This represents an average of 24,000 new jobs per annum **over and above redundancies**, and compares with a figure of 10,000 achieved during the decade 1961-1971. Moreover, given that employment has risen slowly since 1971, the required growth between now and 1981 approaches 30,000 new jobs every year".

Job creation on such a scale obviously requires a degree of planning unheard of in Irish economic history, least of all during the current recession. A framework of grants and tax incentives administered by the IDA could have only a limited impact. There is, in the coming 5 years, an unanswerable case for the establishment of a State Industrial Board, linked to Mianrai Teoranta and an active State Oil Company, with powers to direct the investment patterns of both public and private capital so as to ensure the full development of natural resources in the creation of employment. It is an extraordinary fact that in the past decade so few attempts have been made by either the public or private sector to bring about a spin-off effect from the boom in the Mining industry. In that time, the State has pumped tens of millions into industrial grants. In the private sector, the scale of investment in speculative enterprises such as property development, has been quite phenomenal but has nothing like the social or economic justification of an Irish smelter or metallurgical industries. So, the RPC believes, that the capital for the plans we call for, exists, but requires tough political action to get it invested in the areas of greatest national return.

Ireland to-day has a unique problem - a quite enormous population of young people, not yet on the labour market making up a percentage of the whole population quite unprecedented elsewhere in Western Europe. Equally, Ireland has at the disposal of its Industry Minister, nationally owned assets which are unrivalled elsewhere in a continent that has long since exhausted the greatest sources of its own supply of minerals.

The solution to most people should be abundantly clear.

Chapter 3

Oil and Gas

The geology of the sea-bed adjacent to the Irish coast contains, in several areas, the prospects of discovering important reserves of oil and natural gas. Geological knowledge is rapidly being expanded and it is now considerably easier to find the areas containing hydrocarbons than it was when North Sea exploration commenced. With a total of only 15 wells drilled in Irish waters we now have a commercial methane gas field off Kinsale with enough gas to last for 25 years; another gas find off Waterford in 1974 should prove to be commercial also and, fifty miles from Kinsale, a highly significant flow of oil has come from a well also sunk in 1974.

The entire land and sea areas of Ireland were originally given under licence to an American oil company. These areas now held under licence by the Marathon oil company comprise mainly a large section of our Continental Shelf area off the South coast and two western areas off Donegal Bay and Galway Bay. The Marathon licence now covers a land area of 16,832 square miles and over 14,000 square miles of sea. It is due to expire on 28th March, 1975 when some of the land area where no significant oil or gas has been found and the unpromising areas of sea will be surrendered. Marathon can retain their oil-bearing areas and must, under the terms of the licence originally issued for £500, get a State mining lease for 21 years for any oil or gas found. For the areas not held by Marathon 70 companies have applied for licences to drill for and produce oil and gas.

North Sea Comparisons

The geological structures in Irish waters are in some places identical with those which have yielded very lucrative oil and gas fields in the North Sea. North Sea development was triggered off by the discovery of the giant Groningen gas field in the Netherlands in 1959. This onshore discovery led to the belief that the sea-bed in western Europe might yield large oil and gas reserves. World averages for finding oil or gas in commercial quantities are one successful well for eighteen drilled. In the North Sea the ratio was 1 in 10 and is now rapidly descending to the stage where nearly half the wells currently being drilled show signs of hydrocarbons. In Irish waters to date the success ratio has been 4 out of 15, which is the best in the world in a newly explored area.

In the late 1960's intense exploration of the Continental Shelf adjacent to Denmark, Norway and Britain commenced.

The first of the giant North Sea oil finds, Ekofisk, was discovered on the Norwegian shelf in 1969. The North Sea has now been proven to be one of the world's great petroleum areas. Irelands current requirements of oil are 100,000 barrels per day and our current gas usage is 12 million cubic feet per day. If our waters were to contain even one hundreth of the North Seas proven reserves we could be self-sufficient in oil and gas many times over. With what we have found already it seems that we can be self-sufficient shortly. Doubt as to exact figures remains because of the incredible secretiveness of the two American oil companies who have the only exclusive licence for Irish waters, Marathon and Esso.

The Marathon Mistake

In 1959 Ambassador Oil, an American company which subsequently was bought up by the Marathon Oil Company received from the Government Ireland's first and, so far, only, exclusive oil licence giving them the right to explore for and produce oil or gas in "an area comprising the whole of Ireland, including the sea-bed and sub-soil which lie beneath the territorial waters and the high seas".

Thus for an original payment of £500 an Irish government signed away 92½% of any oil or gas found under Irish soil or under Irish waters, with the State getting 7½%.

The agreement was slightly amended in 1969 and the principal changes were:

1. It extended to include the continental shelf.

2. Specifically deisgnated the area licensed as 63,857 square miles.

3. Increased the royalty from 7½ to 12½%.

The consideration for renewal in 1970 was again £500.

Marathon do very little Work

Marathon started an exploration programme in 1962 and found small natural gas deposits along the border in Cavan.

Despite the enormous finds being made in the North Sea, Marathon, who were involved in exploration programmes in other countries spent very little money or time in Ireland.

It was not until late 1970, that having completed a seismic survey in the area Ireland's first off-shore well was drilled by the drill-ship Global Marine, under contract to Marathon. This first well was 30 miles off the Old Head of Kinsale. In this the very first well in Irish waters several non-commercial shows of hydrocarbons were found. In the richest part of the North Sea, the Norwegian sector, 37 holes were drilled unsuccessfully.

A second well was drilled off Waterford but was not announced by the company as successful. However a large gas field is now believed present there after further drillings with a gas flow from one well in 1974. This was stated by Mr. Barry, Minister for Transport and Power on 24th January, 1975, to be roughly twice the size of the Marathon field.

Ireland's New Wealth - Kinsale

But it was third-time lucky for Marathon; in September 1971, the Glomar drill-ship returned to a spot a few miles from Ireland's first well and drilled a hole into Ireland's first gas-find in block 48/25-2 27 miles south-east of the Old Head of Kinsale in 310 feet of water. Drilling continued during 1972, when traces of gas and oil were found; but in July 1973 on its eighth well the drill-ship bored a hole into Ireland's first gas or oil field with a million million cubic feet of exceptionally high quality Methane gas in a reservoir extending for about 5 miles by three miles at a depth of 2,800 feet under the sea-bed, the Kinsale gas-field.

Acting in a similar fashion to Tara Mines and their publicity machine, the Marathon company initially played down the size of the find. They stated in 1973 that the flow rate would be 56 million cubic feet of gas per day and not much attention was paid to the Kinsale gas field then as they insisted it was "non-commercial". However on 30th April 1974 Marathon announced from their headquarters in Houston Texas that they had upgraded their figures and that they now believed it would be double the original estimate or 125 million cubic feet per day and that the total size of the field was 1 million million cubic feet of 98 per cent Methane gas. Given that flow it will last 20 years and it will supply over 10 times our current daily usage of town-gas; while not large in multi-national oil company terms it as a highly significant amount of new-found natural wealth in a country of 3 million population.

The Esso "Farm-Out"

In April 1972, Marathon had agreed with another American Oil Company, Esso, that in return for Esso paying all their exploration costs they would get a 50% interest in 60% of

the area. This was in order to expedite exploration work before they had to give up some of the areas under the terms of the licence.

The total expenditure of Marathon's exploration programme to date is only £14 million which is an indication (1) of how little exploration they have done despite holding the licence since 1960 and (2) of the enormous cheapness of exploration in our waters, relative to the size of the finds - £14 million is less than half what the Industrial Development Authority pays in grants to foreign industrialists annually to set up in Ireland.

International Law & Rockall

In June 1964 the Continental Shelf Convention came into force and this effectively gave jurisdiction over the larger areas to those countries with the longest coastlines. Thus, Ireland along with Britain and Norway, by an accident of geography, became heir to some of the world's richest petroleum areas. Already Britain and Norway have proven reserves which will, in the late 1970's ensure that both these countries will be self-sufficient in oil and gas and Norway in particular, with its small population, is already per capita the richest country in Europe.

Ireland, by virtue of the incredible mistake of handing over for £500 jurisdiction over all its waters to one American Oil Company, which has done very little exploration, still has no developed programme for its seas.

In 1974 the British Government issued an "order-in-Council" stating that, as Rockall was a "natural prolongation of the land-mass of Scotland", that Britain was therefore laying claim to the area around it. The Irish Government after some pressure have merely objected to this without doing anything specific to lay claim to the area which is equidistant to Donegal and Scotland and may in the future be found to be very rich in resources.

International Law of the Sea Conference

The International Law of the Sea Conference in Caracas in 1974, attended by Irish Government delegates, came to no decision regarding international jurisdiction over disputed areas. However it seems likely that, at the reconvening of the Conference at Geneva in 1975, a decision to allow each country to own mineral rights in an area 200 miles from its coast or islands will be arrived at after pressure from the major powers. The significance of the British claim to Rockall is obvious in that context.

Within the area of its jurisdiction the Irish government may issue two basic licences: a **non-exclusive licence** giving the licensee the right to explore only; and an **exclusive licence** or the right to explore for oil and gas and having found them to produce and sell them.

Only one exclusive licence has so far ever been issued (to Marathon).

There are currently over 70 non-exclusive licences issued to foreign companies. Each one of these is seeking an exclusive licence from the Minister for Industry and Commerce, which is an indication of the international interest in Irish waters.

Sub-contractors do the Work

Despite the fact that these companies hold 70 licences not one of them is doing its own exploration work. Seismic surveying in that part of Irish waters covered by these licences had been done by four ships working for four companies only. These are Western Geogphysical (U.S.), Delta Exploration (U.S.), Continental Oil (U.S.) and C.C.G. (France). These are all sub-contractors who sell the information received from their seismic survey ships exploring in Irish waters. Their information is sold to licence holders who then seek an exclusive licence on the basis of this information. It is therefore essentially a charade to say that 70 companies are exploring in Irish waters. Marathon, in its exclusive licence area, is itself using sub-contractor companies to drill. It is in precisely such a fashion that most oil companies operate internationally, paying specialist companies, by contract, to explore and produce while they organise and market the oil. There seems no reason why the Irish government as a minimum should not be buying the information that these 70 companies are buying in Irish waters. As the cost of exploration is outstandingly cheap in view of the likely returns there also seems no reason why the Irish government should not have its own surveying ship to carry out the work on behalf of an Irish State Oil Company. The myth that exploration is a high-risk investment area has been well and truly exploded in the North Sea where exploration costs have been $0.03 per barrel or less than 1/10th of an Irish penny per gallon of oil. Yet Senator Patrick McGrath was able to state on 23rd July 1973 when presenting the annual report of Celtic Oil, one of the major front companies, controlled by the largest private American Oil Company, Hunt International, that the Irish government must grant "exclusive licences that will attract the significant amounts of high-risk investment that are required" without "scaring-off" the American oil companies. At that stage Celtic Oil had spent only £98,000 on exploration information. Yet they expected this to be the path to be given exclusive ownership of part of our natural resources.

Chapter 4

Irish State Oil Company

"Judging from the situation in the North Sea, Ireland ought to take an active part in an investigation of its own Continental Shelf" - "Review of National Science Policy - Ireland" (Paris 1974 - OECD).

There are five main reasons why the Irish government should now get actively involved in oil and gas exploration in our waters:-

1. World demand for petroleum and the large discoveries in the North Sea and other similar areas to our own make exploration a worthwhile activity.

2. The possibilities of our finding commercial quantities of oil and gas are extremely favourable.
3. Economic returns from oil and gas far outweigh those from other resources.
4. Because of our low consumption of energy it is important that any oil or gas found in our territory over and above our energy needs be used to establish industries to process the oil and gas.
5. International Oil Companies are only interested in the rapid extraction and sale of oil or gas for maximum profit so it is essential that the Irish government itself should be actively involved.

The Geological Survey is the only government-sponsored body involved in petroleum activity. Up to 1974 they had only one geophysicist to deal with the seismic data from the 70 companies supplying information. He resigned in frustration in mid-1974 and has not as yet been replaced.

To acquire its own seismic survey vessel for the geological survey would cost £1.½ million. This would give the government complete freedom to commence its own oil and gas exploration activity and allow for training of Irish personnel

Exploration costs historically have been extremely low, both in the North Sea, world-wide, and in Irish territorial waters. For example - for a total of £14 million, Marathon have found enough oil and gas off Kinsale to indicate that we can be self-sufficient very quickly. Production costs, that is the cost of putting platforms in the sea and extracting the oil or gas from under the sea-bed and laying a pipe line to shore are the most expensive factors. In the largest British find, the BP Forties field, the biggest private bank loan of £400 million was needed to fund development. International banks were more than anxious to provide these funds, as the flow from the Forties Field will ensure that all production costs are paid after only one year's production and as the field has a lifetime of about 30 years this gives 29 years of huge profits from one oil field.

In the largest Norweigan field, Ekofisk, development costs are expected to be paid off after **only eight months production.** The notion that it is a high risk investment is essentially a propaganda exercise on behalf of the international companies.

The return on oil investment, indeed, has been in the order of 30% internationally (at old oil prices) whereas the average international return on industrial investment is in the region of 15%. So not alone is the oil business not a "risk venture" it is instead a gilt-edged investment and this is one reason why more and more governments are excluding the oil companies from their territories or offering them service contracts only - that is, paid for the work they do only, without giving them ownership of the oil.

By 1980 the profits from British North Sea Oil will be greater than the total combined profits of British manufacturing industry or approximately £4,000 million annually. Oil, contrary to popular companies - inspired belief, is the cheapest of all minerals to extract - much less than £1 per ton on land and less than £2 per ton on average under the sea. The price of oil internationally used to be related to the fact that production costs in the Middle East were very small with very little payment to the Arab States. They were left in abject poverty for 50 years while their major natural resource was extracted to enrich the economies of the Western world. However, after their cartel arrangement in forming the Organisation of Petroleum Exporting Countries (OPEC) this has all now changed giving us our so-called oil crisis. The market value of oil or gas found now is about 20 times its cost to land on shore.

So the economics of starting an integrated Irish State Oil Company become easier as the price of oil goes up. Such an oil company as proposed by the Resources Protection Campaign would explore for, produce, refine and market any oil or gas found in water and enable spin-off industries to be set up to provide the many products available from oil or gas, providing employment in permanent healthy industries.

The main advantages of an integrated Irish State Oil Company would be:-

1. It would retain ownership of any oil or gas the State already owns.
2. It would maximise the return to the State.
3. It would prevent massive profits from Irish oil or gas going abroad.
4. It would itself be able to provide finance for further development of an Irish State oil industry.
5. It could control and co-ordinate production in order to get the maximum return from any oil or gas reservoir, ensuring that they are exploited at a rate governed only by the national interest and ensuring that over-production does not occur merely to serve foreign markets.
6. It could provide the finance and foster the growth of ancillary industries, such as petrochemical and fertiliser industries.
7. It could allow the proper development of an Irish onshore supply industry, which if current developments are allowed will be completely lost to foreign control.
8. It would be enabled to prevent long-term social and environmental damage to the oil industry areas of the country.
9. A State Oil Company would have more interest in preventing pollution by spend- more money to avoid this than do the international oil companies whose only motive is maximum profit.
10. It would be the vehicle for training of Irish personnel in the oil industry - a major factor that will tend to be totally ignored if foreign oil companies are allowed operate here.

An Active Irish State Oil Company could control the entire operation from exploration to development of industries and at a pace of development dictated by the needs of the country and not by the desire for quick profit from rapid extraction and sale abroad.

Chapter 5

Mr. Keating's State Oil Company

The Minister for Industry and Commerce in October 1974 indicated that an Irish State Oil Company would be established. This seemingly will merely be a paper holding company for minority State equity in oil companies who will receive exclusive licences to explore for and produce oil and gas in Irish waters. It will not have control .

The Resources Protection Campaign is totally opposed to the granting of further exclusive licences to private companies and considers the proposed State Oil Company to be a disastrous course. Such a company will play no active role in the development of an Irish Oil industry but will merely take a percentage of the profits from the activities of foreign - based oil companies.

It seems likely that Mr. Keating has no intention of setting up an active State Oil Company despite the overwhelming world evidence of the necessity for a State to do so if it wishes to obtain optimum value from its own oil or gas. Even extremely under-developed countries are now setting up their own active State Oil companies and the era of the multi-national as exploiter of a nation's wealth is beginning to come to an end. How ironic it is that Ireland, long a hero of many colonised countries because it was virtually the first country this century to break the imperial grip of a foreign power, should now be giving away our valuable natural resources to those foreign companies and particularly to the American multi-nationals, who are being thrown out of the under-developed countries they exploited for so long or are remaining to work there under service contracts.

British Comparison Foolish

Comparison must not be made with Britain which has allowed the oil companies to develop the industry for them. British policy has been to get rapid exploration and development of North Sea Oil in order to become self-sufficient as quickly as possible due to its enormous balance of payments problems because of its foreign oil bill of over £3,000 million annually.

Ireland is a very small consumer of oil by international standards and already with a very minimal exploration programme carried out under the Marathon exclusive licence we are in sight of being self-sufficient in energy requirements.

Chapter 6

Stat Oil - The Norwegian State Oil Company

Norway is now slowing down its rate of development as they have now enough reserves to make them self-sufficient for a generation.

Having involved the major oil companies originally, Norway, in common with many oil countries have formed an active State Oil Company, Statoil, which will have an interest in all future licences, and will eventually become a fully integrated oil company. Norway had learnt from its mistakes. Comparisons with Norway are again difficult as even the major private enterprise consortium involved in the Norwegian oil business, Norsk Hydro, is itself owned 51% by the State.

Stat oil was established in 1971 by unanimous vote of the Norwegian Parliament. In 1974 the Norwegian Government introduced a bill which severely limited private exploitation for oil and gas and gave the State control over all private profits. It is now introducing fresh taxation which will make the tax rate for oil companies 90.8%. Even in these areas already given out under unfavourable (to the State) licences re-negotiations took place.

In spite of the relatively tougher licensing and tax arrangements the 1974 licences for 32 blocks of Norwegian territories yielded applications from no less than 175 companies.

Sonatrach - The Algerian State Oil Company

Having been ruthlessly exploited by French and American oil companies the Algerian Government in 1971 nationalised all the oil industry and took over all foreign installations. Having fought an 8 year war with the French leaving 1½ million dead and the remainder destitute and with no trained personnel, Algeria has now developed its national oil company, Sonatrach, to the stage of producing 1 million barrels of oil per day or 20 times Ireland's requirements. Yet there are more trained people in the ESB than there are in Sonatrach.

Sonatrach is now playing a major role in the general industrialisation of the country and development of other sectors of the economy and is a good example of how a state oil company can realise an industrial revolution and move the oil industry from the stage of exporter of raw materials to that of processing locally its gas and oil production. Their policy is not designed along purely commercial lines, as they realise they would not achieve their national objectives if it was limited to setting up a certain number of plants exclusively export-oriented and isolated from other branches of the national economy. Sonatrach has as its policy, as should an Irish State Oil Company, the chemical transformation of hydrocarbons into the extremely wide range of products obtainable from oil and gas and is directing production towards meeting local consumption needs. Thus at Argen they have established a major Nitrogen Fertiliser complex, at Annaba a huge Phosphate Fertiliser complex and in other parts of the country they produce a wide range of products including plastic bags and sheeting, floor coverings, drinking cups, packaging, plastic furniture, coatings, containers, roofing, industrial moulds, tubing, bottles, synthetic leathers and numerous small consumer products such as lamp-shades and beach equipment. They also produce many chemicals and medicines and P.V.C. Their plastics industry is continually expanding and plans to provide 14,000 new jobs in 1975 alone.

None of this development occurred when foreign interests held control of their oil and gas and it undoubtedly never would have, leaving the people of Algeria as poor as they had been for the 130 years of their foreign exploitation.

Chapter 7

An International Comparison of Licences for Oil Explorations and Analysis of Countries withAcitve State Oil Companies

Between 1973 and 1974 the price of crude oil rose on average by over 450%. This remarkable increase, brought about by the realisation by oil-producing countries that they were selling a wasting asset cheaply to bolster rich nations' economies, has led to considerable changes in national governments' approach to oil exploration and licensing. The major change has been the nationalisation by an increasingly larger number of countries of their gas and oil deposits and either the expulsion of foreign oil companies or the offer to them of service contracts or similar methods of payment without allowing them to own the oil or gas produced.

Ireland, coming late into the oil industry, can learn a lot from the examination of current and proposed programmes of many foreign countries. 1974 has seen a revolution in approach by the oil countries and the sets of rules are continually being changed in favour of national interests. Yet there is no evidence that an international oil company has ever been "scared off" by tough government measures; on the contrary many oil companies are now prepared to do work on a contract basis, with payment in the form of the privilege of being allowed to buy some of the surplus oil from the government.

World Trends - America North and South

United States: The U.S. use the "bonus bid" system of licensing or public auction. This has allowed enormous initial revenue to the government for selling the right to explore and produce in a certain area. In Alaska the American Government raised thousands of millions of dollars by competitive bidding. In 1974, the March 28, off-shore Louisiana auction yielded $5,022,841,939 to the American Government for 1,761,403 acres of sea. Compare this to our leasing 20 million acres for £500! Incidentally the 7th highest bidder was the Marathon Oil Company who paid $72,110,000 for block Eugene 57 and $45,500,000 for Vermilian 331 which are about 1/50th the size of their Irish territory.

Britain has also used this system and in 1971 was paid at auction £27 million by Shell-Esso for a licence for one block. The U.S. Government has re-negotiated many of its contracts with oil companies and has aimed at strict control of productions to ensure maximum return and the auction system gives it high initial revenue.

Canada: In Quebec the State Government is now actively involved in exploration with its State Oil Company, Soquip. The Canadian Government in 1974 greatly increased royalties and export taxes and froze home prices. Provincial governments maintain strict control of of oil company activity and Alberta has the most comprehensive set of rules of any area in the world ensuring that the State knows exactly what is happening and plans production to achieve maximum return from an oil field.

Mexico: One of the world's largest producer; expelled foreign oil companies in 1938 and the State Oil Company, Pemex, has made Mexico self-sufficient and has kept the price of oil at the same level for 15 years.

Trinidad and Tobajo: in 1974 nationalised their oil and gas industries paying compensation related to the very low valuations put on reserves by oil companies such as Shell and thereby neatly reversing the "creative accounting" which allowed these companies to pay little tax formerly.

Venezuela: in 1974 Venezuela produced plans to nationalise its very large oil industry. State Oil Company CVP is now rapidly expanding and hopes to take over completely by 1977

Argentina: in 1973 the government ceased granting oil licenses to private companies. Companies are only allowed participate with State Oil Company YPF.

Ecuador: State Oil Company, CEPE, since 1971 has sole rights to oil and gas exploration and exploitation; service contracts only for foreign companies.

Colombia: State Oil Company, Ecopetrol, is increasing its percentage of new areas and insisting that oil companies sign service contracts only.

Brazil: State Oil Company, Petrobas, is the only operator in Brazil and is also exploring in the Middle East.

Peru: State Oil Company, Petropem, is aiming at self-sufficiency. All rights now changed to service or association contracts.

Bolivia: State Oil Company, YPFB; private companies must work in association with it, must pay all the costs and when commercial finds are made are paid in oil only at a predetermined rate.

Chile: State Oil Company, ENAP has carried out all activity since 1928. Some changes due because of political change but proposals will only be service contracts again.

Europe

Britain: In 1974, the Labour Party proposed a majority State participation in all discoveries, increased taxes and royalties and closed tax loopholes. They have failed to revoke existing licences so far. Britain had originally made many mistakes and despite profits of £4,000 million forecast by 1980 the British Government under the original licences would not have shared in any of that profit. The British experience is a classic example of how not to set up an oil industry and, historically, their greatest mistake may have been not to have started an active State Oil Company originally. The British Government has allowed itself to be bullied by oil compnay propaganda continuously.

Austria: Europe's largest oil producer for many years has operated with its State Oil Company Oemv, since 1949.

Russia: The world's second leading oil producer having overtaken the U.S. in 1974 (Saudia Arabia is the largest). State Oil Company and supplier of over half Ireland's imported oil.

Rumania: The Rumania State Oil Company, Geomin, is now among the world's top producers. A major chemical industry is being developed using their high quality Methane gas (similar to the Kinsale find).

Other Eastern European Countries: Yugoslavia, Czechoslovakia, Hungary, Bulgaria, Poland East Germany and Albania have all state companies actively pursuing exploration programmes and production.

Africa: 1974 saw a further extension of the nationalisation of the oil industries in many African countries.

Libya: Beginning in 1973 the Libyan Government under Col. Ghadaffi is now completing nationalisation of foreign-owned oil companies, including 100% takeover of Hunts giant Sarir field (Bunker Hunt is the major American backer of the Senator Patrick McGrath-headed Celtic Oil).

Libya paid small amounts of compensation to some companies and in most cases they agreed to settle in return for the right to **buy oil** in the future.

It is interesting to note that the Libyan 81% to the State and 19% to the company is almost the reverse of the 87½% Marathon and 12½% Irish Government arrangement. Liyba is now in control of its oil and gas resources and it is developing its own State Oil Company, Linoco, from a poor technology situation.

With the 81%/19% agreement between the state-owned Linoco and the private companies, the entire exploration costs must be paid by the company. If commercial production is found the companies must pay 19% of production costs; but while the State will pay 81% of these costs the oil companies must re-pay it all to the State over 10 years **out of their share of the profits.** Private companies will pay all exploration costs and the State will pay nothing until oil or gas is found. **This type of agreement is now becoming the norm internationally despite the fierce resistances of the oil companies.**

Egypt: State Company EGPC has production sharing contracts with foreign compnaies.

Nigeria: New licences are production-sharing only allowing the companies to buy oil from the Nigerian Government at $13.25 per barrel which is about one dollar below market price. This right to buy oil is the method of payment being developed in areas where a State has not got the technical resources to develop its own oil company as yet. Nigeria is aiming at a complete State Oil Company by insisting that for every foreigner employed there is also one Nigerian doing the same job. The State has now taken over 55% of companies and is aiming at 100%.

Zaire(Congo): Nationalised in 1974 and formed a State Oil Company, Petrogaire.

Tanzania: State-owned Oil Company. Private companies will only have the right to retain a portion of production in the event of a discovery as reimbursement for drilling expenses. The State pays nothing.

Middle East

Saudia Arabia

Saudia Arabia formed OPEC and in six months alone in 1974 increased the price of their oil from $2.50 to $12 a barrel. It has now become the world's largest oil-producer and leader of the oil exporting nations. The price of world oil is now determined by the price Saudi Arabia fixes making it a power in world politics. In 1974 Saudi Arabia nationalised the largest oil producing company in the world - the Arabian-America Oil Co., (Aramco). This was despite threats from multi-national oil companies and the American Secretary of State Dr. Kissinger. The Saudi Arabians after 50 years of exploitation by multi-national oil companies have now, like many African, Middle East and South-American countries taken over complete control of their natural resources and are developing their own state oil company. As well as the massive increase in revenue from their oil they plan an industrial revolution for their country by processing the oil and developing petrochemical industries from it.

Iran

The world's second largest exporter of oil and gas, in 1973 nationalised its oil industry.

Kuwait

Is moving towards complete nationalisation. Gulf and BP both refused to co-operate initially. The government threatened to leave the oil in the ground and kick them out and they have now agreed to a buy-back price from the government giving the Kuwait government a massive share of their own wealth at last. When arguments developed with Gulf and BP over the price, 40 other companies applied to the government to take their place.

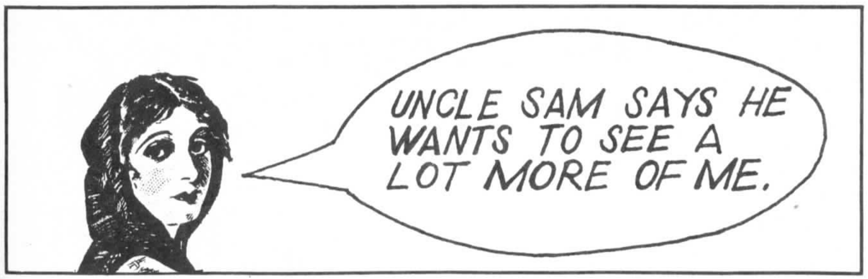
Iraq

Nationalised in 1973 and foreign companies are working under service contracts only with the right to buy oil.

The entire Middle East oil situation is a rapidly changing one, but basically, each state has taken or will take control of its oil industry and is working towards industrialisation from processing of the oil and gas as well as acquiring large revenue from exports. Their reserves of oil and gas are so big as to be beyond estimation. Yet it is believed that they will only last 100 years. Hence the abrupt change by many Middle East countries which, despite 50 years of oil production, are only now beginning to abolish poverty in their countries, since taking control themselves.

List of countries with active state oil companies, exploring for and producing oil and gas.

Middle East:	Saudi Arabia, Iran, Kuwait, Iraq, Qatar, Syria, South Yemen, Jordan, Lebanon.
North America:	Canada, (Quebec), Mexico.
Central America:	Trinidad, Tobago, Cuba.
South America:	Venezuela, Argentina, Ecuador, Colombia, Brazil, Peru, Bolivia, Chile.
Europe:	Austria, France, Italy, Norway, Russia, Rumania, Yugoslavia, East Germany, Czechoslovakia, Hungary, Poland, Bulgaria, and Albania.
Africa:	Libya, Egypt, Algeria, Tunisia, Zaire, Tanzania, South Africa, South West Africa (Nambia).
Far East:	India, Pakistan, China, Thailand, Philipines, Burma, Afghanistan, Indonesia.



The World's Leading Oil Producers

1. Saudi Arabia	6. Kuwait	11. Indonesia
2. Russia	7. Libya	12. Abu Dhabi
3. USA	8. Nigeria	13. Algeria
4. Iran	9. Iraq	14. China
5. Venezuela	10. Canada	15. Rumania

Of these only the US and Abu Dhabi have not got active State Oil Companies. Even Canada now has an active State Oil Company, Soquip, working in Quebec.

Oil and Gas Demands and Supply

Country	Domestic demand (% of world)	Domestic supply (% of world)
U.S.	31.2	18.9
Western Europe	26.2	0.7
Middle East	2.0	36.9
Africa	1.9	10.2
Russia and China	14.1	15.2

The importance of Ireland as a potential supplier to Western Europe is evidenced above where Europe is shown to need 26.2% of the world's oil and gas and yet only has 0.7% of the world's supply currently.

Chapter 8

Bord na Mona

State Company for development of Irish turf.

Bord na Mona was established in 1946 and now has taken over 130,000 acres of bog from private landowners and is producing over 5 million tons of turf annually.

70% of the turf produced annually is used by the ESB in turf-burning generation stations to supply 23% of our current electricity demand. With the five-fold increase in oil prices this native fuel is now considerably cheaper to use for production of electricity and the household cost of turf has only risen 7% in the last year while, for example, gas for central heating in Dublin has risen by 195% because of the rise in price of imported fuel.

The ESB have now built seven peat-fired stations on the bogs and a major expansion is now planned. As well as a considerable success in contribution to electricity supplies from a native fuel and thus saving on balance-of-payments, Bord na Mona has developed into a large industry and is the major industrial employer in the Irish midlands. Over the next five years it is planned to bring a further 40,000 acres of bog into production, creating 1,500 new jobs, all of them in the economically deprived area west of the Shannon. The Government is contributing £20 million to this further development.

Bord na Mona is a perfect example of what can be achieved with State enterprise and a natural fuel in Ireland. It is a considerable success story which has contributed quietly to Ireland's economy for 30 years, creating employment, using a native fuel, and developing its own technology which has now been copied by other countries.

Chapter 9

The Kinsale Gas Field

It has now been confirmed by the Marathon Company that 29 miles off Kinsale there is a gas field containing one million cubic feet of high-quality *98%* Methane gas. This is probably an under-estimate as historically it has been proved that there exists up to eight times more than companies originally announced. However, given the projected flow from the field of 125 million cubic feet per day, this will supply over ten times our current daily consumption of gas for 25 years. The Government proposes to use this gas to fuel an ESB electricity generating station at Long Point, Cork with 60% of the gas and to use 40% of it in a Nitrigin Eireann Fertiliser complex in Cork also.

If the ESB is permitted to use 70 million cubic feet of gas per day for electricity generation the energy loss will be in the region of 80 million therms, or, in cash equivalent at the present purchase price for therm for Dublin gas, an annual loss of £11 million. This is because electricity generation from Methane gas will lose over 70% of the gas. This is a scandalous waste of a valuable natural resource. That it is proposed by a Government department is even more scandalous.

National Gas Grid

If the Government is intent on burning the gas instead of using it to develop an Irish petrochemical industry, which would supply valuable jobs and exports, the minimum usage of of the gas should be to pipe it in a national grid around the country, thus ensuring that over half of it is not wasted by burning in an ESB station.

If it persists in burning the gas, the Government should nationalise the Cork and Dublin gas companies and feed the gas from Kinsale into the established pipeline system. The price of gas could be reduced to one-fifth its present level if the State did so.

The Government, however, is currently believed to have reached agreement to pay the Marathon Oil Company to buy back our own gas from them at a price believed to give that American Oil Company revenue of over £700 million over 20 years. Thus for total expenditure of £14 million spent over 10 years this American Company is now going to take from Irish farmers and housewives, through their ESB and fertiliser bills, enormous profits which will then leave the country. This is done with the collusion of a former government who gave them a licence to own the gas for £500, and the present government, which pays them the price they demand.

Thus, the existence of our own natural wealth will again, because of its exploitation by foreign companies and their private Irish "local lubricants", be of no value to the Irish people.

The Economics of Developing an Active Irish State Oil Company

Ireland needs only one moderate oil field producing 100,000 barrels of oil per day to become self-sufficient. Already the Kinsale gas field could supply over 10 times our daily con-

sumption of gas or one-tenth of our **entire** energy requirements. The Esso oil find off Kinsale is almost certainly a commercial oil field and will probably produce in excess of 10,000 barrles of oil per day at least.

So already we are in sight of self-sufficiency without any further granting of licences.

The R.P.C. believes that the State should now fund an active State Oil Company to develop an hydrocarbons industry here and take over the Kinsale area.

The annual cost of imported oil is now in excess of £200 million. The R.P.C. believes that for half this sum - £100 million - we could develop our oil industry to the stage of self-sufficiency by:

1. **Exploration:** The drilling of 20 wells to find one successful one *which would be a very fair average in the current situation* would cost around £20 million.

2. The supply of a **production platform** and pipeline would cost £80 million.

So for around £100 million, or less than half what the Government planned to spend on a nuclear reactor in Wexford, we could establish a State Oil Company which would make us entirely independent of the world of oil. As well as giving us energy supplies it would also enable manufacturing industries to be set up from our surplus oil. This would obviate the need for grants, now totalling £30 million annually, to foreign industrialists to set up factories here.

Many of these factories are minor industries which can go out of business very easily. Ironically, in 1974, the American multi-national Kire company closed down their Kinsale textiles factory putting 350 people out of work while off-shore Kinsale an American company for a licence of £500 and costs over ten years of only £14 million, had got possession of a major Irish natural resource and is now selling it back to us for £700 million while continuing to explore for oil.

Present Kinsale Plans

The Government plans to use the gas for a NET ammonia manufacturing plant and an ESB generating station.

NET Plant cost - £30 million

ESB Station cost - £70 million

The estimated cost of the gas over 20 years, buying it back from the Marathon Company will be £700 million @ *5p. per therm - believed average price demanded.*

So the investment from the State for the Kinsale gas find will be £100 million, in plant to utilise the gas, and at least £700 million in buying back the gas. Marathon by an item of the licence granted in 1959 cannot be charged more than 40% total in royalties and taxes on their profits.

The extent of the sell-out to Marathon is clear from simple arithmetic. It is well to remember, also, that this is only the first "commercial" find. There will certainly be many more in the area leased to them and already further gas and oil has been found.

If the State took over the Kinsale gas field now the total cost to bring it into production and to establish a NET fertiliser complex in Cork would be £30 million for NET plus £50 million for a production platform and pipeline to Cork. This does not take into account the building of an ESB station to burn the gas as the R.P.C. believes this to be such a gross waste of the gas *due to inefficiency in conversion of the fuel to electricity* that it must be abandoned. The building of a gas grid to distribute the gas to Dublin, Limerick, Waterford and Cork would cost £18 million and, given that the Government seems intent on burning some of the gas to save on imported oil costs, would be an essential investment, particularly as there is now an established gas find off Waterford also.

The Role of an acitve State Oil Company in developing petrochemical industries from Irish Oil and Gas

While oil and gas are important as a source of energy, their value when converted to use as a feedstock of an Irish petrochemical industry is inestimable. With such a use of our own natural resource, just as with the establishment of a State smelter to process Irish metal ore, the Irish economy could be transformed and a true industrial revolution could take place here.

The major growth Industry in the World is now the petrochemical industry

If production of our oil and gas is allowed remain in the hands of the multi-national oil companies none of the essential industrial development will take place. The analogy is Tynagh in Galway, where Europe's largest zinc, lead and silver mine is rapidly becoming an empty hole in the ground scheduled to close in 1980 without a single Irish spin-off industry developed from it, leaving unemployment and economic depression in its wake.

Only an active State Oil Company, retaining ownership of its own oil and gas, can ensure that production is planned at a rate favourable to the national need alone and the downstream industrial spin-off is developed. Again it is worth repeating: **Multi-national Oil Companies are only interested in the massive profits to be obtained from rapid development, rapid extraction and sale to the oil-hungry nations of Western Europe who have no indigenous supply of oil and gas themselves.**

The interests of the multi-nationals and the interests of the Irish people could not be more divergent.

Appendix

Oil Exploration Licences

Terms for new exclusive oil licences were announced on 29th April 1975 by Mr. Keating . The State will buy a 50% interest in any oil-field and take the usual company taxes and royalties. Again, control has been given to multinational private companies who will exploit our oil and gas as fast as possible to provide maximum short-term profits. The State's minority share will be paid for with the revenue from the oil and gas we now own 100%. Taxes will again be paid only on profits which the companies have become adept at manipulating. No arrangement has been made to establish industry with the oil or gas surplus to our small energy requirements which have already been met by oil and gas found under the Marathon licence. Mr. Keating, contrary to current world practice, has turned decisively away from establishing an active State Oil Company.