

Message Text

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ACTION ARA-20

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TAGS: ENRG, BL, BEXP

SUBJ: BOLIVIAN AVIATION GASOLINE SHORTAGE

PASS USDOC WASHDC

SUMMARY. BOLIVIA'S AVIATION GASOLINE REQUIREMENTS NOW EXCEED QUANTITY ESSO, BOLIVIA'S TRADITIONAL SUPPLIER, WILLING SUPPLY. MINFON HAS APPROACHED AMBASSADOR TO SEEK HELP IN CONVINCING ESSO IT SHOULD MEET BOLIVIA'S REQUIREMENTS. YPFB APPEARS TO BELIEVE CONTRACT IT HAS WITH ESSO ENTITLES IT TO MORE THAN IT NOW RECEIVING. ADEQUATE GAS SUPPLY EXTREMELY IMPORTANT FOR BOLIVIA'S ECONOMIC AND POLITICAL STABILITY. ACTION REQUESTED: DEPARTMENT COMMUNICATE WITH ESSO HEAD OFFICE IN CORAL GABLES TO SUGGEST IT REVIEW DECISION AGAINST INCREASING SUPPLY TO BOLIVIA OR, AT LEAST, COOPERATE BY HELPING ARRANGE PURCHASE AND DELIVERY ADDITIONAL SUPPLY FROM NON ESSO SOURCE. END SUMMARY.

1. MINISTER OF EXTERNAL RELATIONS GUZMAN RECENTLY TOLD AMBASSADOR BOLIVIA RUNNING SHORT OF AVIATION GASOLINE BECAUSE ESSO REFUSED TO DELIVER CONTRACT AMOUNTS. SAID SHORTFALL FROM REQUIREMENTS WOULD

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BE DISASTROUS FOR MAINTENANCE OF INTERNAL SECURITY AND ECONOMY WHICH

DEPENDENT ON PISTON AIRCRAFT FOR PROVISION OF MEAT TO LA PAZ AND WIDE VARIETY OF SUPPLIES TO MOST TOWNS IN BOLIVIA'S NORTH WHICH NOT CONNECTED BY ROAD OR RAIL TRANSPORTATION TO "OUTSIDE". WE ALSO KNOW GOB ALREADY HAS PLACED RESTRICTIONS ON AVGAS USERS, INCLUDING MILITARY.

2. YPFB HAS SUPPLIED US WITH CONTRACT, DECREE, LETTERS, TELEXES AND OTHER DOCUMENTS WHICH ESTABLISH SITUATION AS DESCRIBED BELOW.

3. CONTRACT BETWEEN ESSO AND YPFB SIGNED JAN 1, 1973, VALID FOR THREE YEARS BEGINNING NOV 1, 1972, STATES YPFB WILL BUY 3,300,000 U.S. GALLONS OF 100/130 OCTANE AVIATION GASOLINE PER YEAR PLUS OR MINUS 10 PERCENT ACCORDING TO YPFB'S NEEDS. CONTRACT ALSO STATES THAT IF YPFB NEEDS TO BUY AVGAS FROM CAMPANA, ARGENTINA(AN ESSO SUBSIDIARY).."ALL THE TERMS OF THE SELLERS OFFER EXPRESSED IN THE LETTER OF AUGUST 24, 1972 (ANNEX 3) WOULD APPLY TO THIS PURCHASE.." LETTER OF AUGUST 24, 1972 CONTAINS DELIVERY SCHEDULES THAT WORK OUT TO 2,060,520 GALLONS PER YEAR THROUGH ARICA, SAME AMOUNT THROUGH ANTOFAGASTA AND 951,012 THROUGH CAMPANA, ARGENTINA FOR 5,072,052 TOTAL. AS YPFB PURCHASED ALMOST ONE MILLION BARRELS FROM CAMPANA IN JULY TO DECEMBER PERIOD OF 1973, IT APPEARS TO BELIEVE ALL PROVISIONS OF AUGUST 24, 1972 LETTER IN FORCE INCLUDING TOTAL QUANTITY INDICATED IN LETTER OF MORE THAN FIVE MILLION BARRELS PER YEAR.

4. YPFB HAS ASKED EMBASSY, AS FIRST PREFERENCE, TO SEEK REDRESS AND BETTER UNDERSTANDING SITUATION BY APPEALING TO ESSO HEAD OFFICE. RECOMMEND DEPARTMENT RAISE MATTER WITH ESSO 1) ON BASIS YPFB REDING OF CONTRACT TERMS AND IMPORTANCE AVGAS HAS FOR ECONOMIC AND POLITICAL STABILITY OF BOLIVIA AND/OR 2) BASIS PRESENTED BY RENE URQUIDI, ESSO REP IN LA PAZ, THAT ESSO HAS ENJOYED 22 YEARS OF VERY GOOD BUSINESS AS SINGLE SELLER OF AVGAS TO BOLIVIA AND SHOULD DO EVERYTHING IN ITS POWER TO MEET BOLIVIA'S REQUIREMENTS TO MAINTAIN THIS GOOD RELATIONSHIP.

5. ESSO CURRENTLY DELIVERY AT 4.7 MILLION GALLON RATE, ACCORDING TO YPFB DATA, BUT ACCORDING URQUIDI THIS HIGH LEVEL WAS DUE TO CONTROL ERROR ESSO ARGENTINA AND ESSO NOW INSISTING IT WILL NOT DELIVER MORE THAN 3.3 MILLION GALLONS SPECIFIED IN CONTRACT PLUS TEN PERCENT.

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6. YPFB OFFICIAL SAID URGENT EXCHANGE OF PAST TWO DAYS HAD RESULTED IN ESSO AGREEMENT TO DELIVER IMMEDIATELY EXTRA 10PERCENT (OR 330,000 GALLONS) ALLOWED UNDER TERMS OF CONTRACT WHICH WILL STAVE OFF SERIOUS SHORTAGE UNTIL SEPTEMBER, 1974.

7. YPFB TELEXED JOSE VARELA, ESSO ARGENTINA IN BUENOS AIRES ON JANUARY 21, 1974. REQUESTING 430,000 GALLONS PER MONTH (5,160,000 ANNUAL RATE) BEGINNING IN FEBRUARY FOR DELIVERY IN ANTOFAGASTA AND

ARICA. TELEX CITES SUSPENSION F DELIVERIES FROM ARGENTINA DUE TO RAIL TRANSPORT DIFFICULTIES. VARELA REPLIED BY LETTER DATED MARCH 25 THAT FOLLOWING A CHECK WITH CORAL PETROLEUM CO.(ESSO REFINING SUBSIDIARY IN ARUBA) THAT NOT POSSIBLE ACCEDE TO YPFB REQUEST AS WORLD SUPPLY SITUATION PREVENTS IT. YPFB REPLIED IN APRIL 8 LETTER TO VARELA, REFERRING TO CLAUSE THAT BRINGS INTO FORCE LETTER OF AUGUST 24, 1972, AGAIN CITING TRANSPORT DIFFICULTIES FROM ARGENTINA AND STATING THAT YPFB HAD BEEN RECEIVING 395,000 GALLONS PER MONTH (4,740,000 GAL. ANNUAL RATE) AND ONLY ASKING FOR 35,000 GALLONS PER MONTH(420,000 GAL. ANNUAL RATE) MORE.

8. ON OTHER HAND, CONTRACT AND LETTER OF AUGUST 24, 1972 CONTAIN FORCE MAJEURE CLAUSES THAT WE THINK WOULD ALLOW ESSO TO ESCAPE FROM ITS CONTRACT OBLIGATIONS IN VIEW OF WORLD SUPPLY SITUATION AND ACTIONS TAKEN BY GOVERNMENTS OF OIL EXPORTING COUNTRIES.

9. URQUIDI NOTES THAT WHEN BOLIVIA RAISED PRICE ON ITS CRUDE TO US\$ 16 PER BARREL IN JANUARY, ARGENTINA RAISED PRICE ON AVGAS SUPPLIED BY CAMPANA IN ROUGHLY PROPORTIONAL AMOUNT. URQUIDI BELIEVES, ON OTHER HAND, THAT ESSO ARGENTINA SO OCCUPIED WITH PROBLEMS RELATING TO ARGENTINA, URUGUAY AND PARAGUAY IT UNABLE TO GIVE ADEQUATE CONSIDERATION TO BOLIVIAN PROBLEM.

10 DURING CONVERSATION WITH YPFB OFFICIAL, HE OPENED DOOR TO POSSIBILITY OF SUPPLYING ESSO WITH BOLIVIAN CRUDE IN EXCHANGE FOR ADDITIONAL AVGAS AND ALL AVGAS DELIVERIES TO ARICA AND ANTOFAGASTA.

11. YPFB SECOND PREFERENCE IS THAT SOME OTHER U.S FIRM SUPPLY ADDITIONAL QUANTITY REQUIRED. AT DEPARTMENT'S DISCRETION, USDOC SHOULD BE ASKED TO INFORM U.S. AVGAS SUPPLIERS TO CONTACT ING. BELMONTE, YPFB, TELEX BX-5267. NOTE, HOWEVER, THAT ESSO'S FULL COOPERATION WILL BE REQUIRED IN EFFICIENT SUPPLY OF AVGAS TO BOLIVIA FROM ANY SOURCE OTHER THAN ESSO BECAUSE ESSO CONTROLS ESSENTIAL LIMITED OFFICIAL USE

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SHIPPING AND TANK FARMS AT ARICA AND ANTOFAGASTA. ESSO PROBABLY WILL HAVE TO MERGE OTHER SUPPLIES INTO ITS SHIPPING AND TANK STORAGE CAPACITY. URQUIDI BELIEVES ESSO WILLING GIVE ITS FULL COOPERATION.

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