

Geopolitical and Commercial Aspects of Troll Gas (1981–1983)
Norway's Increased Significance in European Energy Security

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Abstract

The thesis investigates how the development of the Norwegian Troll gas field became an integral part of the Cold War, and how Norway coped with the domestic and foreign political issues brought about by Troll's significance for Western energy security. In 1981, two years after Troll's discovery, West Europe and the Soviet Union signed "the deal of the century," that is, the construction of a Euro-Siberian gas pipeline—an agreement the U.S. strongly opposed. The U.S. from then had two main objectives; to squeeze out Soviet gas from the European market by imposing sanctions on the pipeline and suggesting Norwegian gas as an alternative. Troll became in this way the most important Norwegian energy resource which increased Norway's significance in European energy security. In this way, Norwegian policies, such as the depletion rate, became an international concern and thus a foreign policy issue for the Norwegian government.

The current study analyses the increased international focus on Norway's natural gas at the height of the Cold War between 1981 and 1983. To this end, the main research question is as follows: *Why did Reagan's administration attempt to pressure Norway to accelerate the Troll field development, and why did they not succeed?* The thesis is thus located at the crossroads of Cold War history, international relations, and the Norwegian petroleum history.

By investigating declassified Norwegian and American documents, the current study describes how the tension due to the Cold War made Norwegian gas a matter of international concern. In contrast to previous assumptions, the current thesis reveals that the Americans viewed Troll primarily from a long-term perspective to secure European energy supplies. It was the Sleipner field whose production the Americans initially wanted to accelerate to offset the prospected second Euro-Siberian pipeline. That meant that the first Euro-Siberian pipeline deal signed in 1981 was soon regarded as a *fait accompli*. While declassified documents shed light upon detailed American insights into Norwegian petroleum development, the current thesis also exposes the American lack of understanding of broader issues of Norwegian policies, such as the wish to retain national control over its resources.

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Abbreviations

- AEG - Alternative Energy Group
- BCM - Billion cubic meters
- BGC - British Gas Corporation
- BP - British Petroleum
- BTU - British thermal unit
- D.C. - District of Columbia
- EC - European Community
- FF - File Folder (in sources)
- IEA - International Energy Agency
- NSC - National Security Council
- NSDD - National Security Decisions Directives
- OECD - Organization for Economic Co-operation and Development
- OED - Olje- og energidepartementet (Norwegian Ministry of Oil and Energy)
- OPEC - Organization for Petroleum Exporting Countries
- RF - The Reagan Files (in footnotes)
- RRPL - Ronald Reagan Presidential Library
- SPR - Strategic Petroleum Reserves
- U.K. - United Kingdom
- U.S. - United States of America
- USSR - Union of Soviet Socialist Republics

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Chapter 1: Introduction

This thesis investigates the way in which the Reagan administration attempted to use the Troll gas field as a pawn in the Cold War. In addition, it discusses the way Norway coped with the domestic and foreign political issues brought about by Troll's significance with respect to Western energy security. The thesis is thus built around two primary issues: international considerations and Norwegian domestic policies. Furthermore, it highlights the political tug of war between Norway and the U.S. In addition, it pays attention to analyze the different ways in which the geopolitical tensions of the time were related to energy security issues. Its domestic perspective investigates the factors that curtailed Norway's freedom of maneuver regarding the potential acceleration of development that the U.S. desired. Moreover, although Troll became an international concern during the peak of the Cold War, Norwegian petroleum policy has primarily been a domestic concern.

Troll represented challenges and opportunities for Norway's petroleum industry. First, as several oil-producing fields on the Norwegian continental shelf were starting to deplete, the Troll gas field and, to a certain extent, Sleipner had the potential to replace the depleting fields and uphold the Norwegian gas export. Second, the vast potentials of the Troll gas field also sparked a scramble for the most significant blocks present on the field, which led to a tug of war between Statoil, the state oil company, and the conservative government. In addition, the Troll field required huge investments and technological advancement. Moreover, it was also uncertain how Troll would affect the Norwegian economy. A deep-rooted fear in Norwegian domestic policy was that the petroleum industry would overheat the economy and that the rate of extraction therefore had to be kept low. However, these opportunities and challenges called for stern national control and management.

From an international perspective, however, the Troll field became an important instrument during the Cold War. Few years after its discovery, several West European countries and Russians were negotiating, and soon finalized, "The Deal of the Century." The deal implied the creation of a Euro-Siberian pipeline that would provide West Europe with Siberian gas for decades. From an American perspective, the deal would provide the Soviet Union with much-needed revenue during poor economic times. Thus, the Reagan administration sought to replace Soviet gas in the European market with Norwegian gas, hoping to reduce the Soviet Union's hard currency revenue. The Americans, therefore, put pressure on Norwegian authorities to

speed up their gas production and field development, in order to offer West Europe alternative gas promptly. However, the Americans were unsuccessful in their attempt to push Norway into speeding up gas production and accelerating the said development. The manner in which the Troll field was expected to pre-empt the Euro-Siberian pipeline highlighted the field as a crucial means to secure Western energy supplies.

In response to the pipeline agreement, moreover, the American administration imposed sanctions to delay the construction of the pipeline. As a remedy for the lost import of natural gas, the Americans offered the Europeans alternative energy solutions.¹ The policies were not without a tinge of irony in that the substitution of cheap Siberian gas by its more expensive North Sea counterpart ran directly counter to the American free market ideals, which was one of the Cold War's professed *raison d'être*.

Moreover, the American pipeline sanctions exacerbated American relations with the European allies and escalated the Cold War tensions. Reagan's presidency thus marked a shift in the American political approach towards the Soviet Union compared with the previous Carter administration's *detente*. Moreover, Reagan's approach also conflicted with West-Europe's *détente*. The American administration abandoned an approach of appeasement and reconciliation in favor of a determination to break down the Soviet Union at all costs. In this context, Norwegian foreign policy pertaining to the acceleration of Troll became a challenging matter for the Norwegian government. To meet the American request of accelerating the development in the North Sea could potentially harm Norway's relationship with the West European countries.

The term "acceleration," moreover, probably created different understandings of the way to develop the Norwegian resources. A Norwegian delegation was sent to the U.S. to discuss a potential acceleration of development of Norwegian resources. According to Hans Henrik Ramm, who led the Norwegian delegation in D.C. in 1982 and 1983, some in the American administration had a distorted impression of the Troll field and how long it would take to finalize the project for production. For instance, Richard Perle, Undersecretary of Defense, thought Troll was almost ready for production, Ramm said.² Norwegian officials, therefore, interpreted the

¹ Jentleson, 1986, *Pipeline Politics*, p. 185

² Ramm, e-mail correspondence, April 12, 2018

term as a speedy development of the Troll field, that is, to promptly start production from the fields and offset the Euro-Siberian pipeline.³

Contrary to previous assumptions, that the Americans expected that offshore development could be initiated immediately, American documents suggest that the Americans knew that offshore development would be time-consuming. In a National Security Council (NSC)⁴ meeting in May of 1982, for instance, the Undersecretary of State for International Affairs, James Buckley, stated that they had to “bear in mind that [developing Norwegian resources] will take ten years.”⁵ In response, the Americans provided several comprehensive reports with extensive analysis of the development of Troll, Sleipner, and Tromsø (what is now the Snøhvit field in the Barents Sea). The reports included technical budgets, energy price, and estimated time of delivery, among many other variables that are important for development. In other words, there were Americans that understood that Norwegian natural gas resources would take a long time to develop. Conversely, the Americans lacked an understanding of Norwegian petroleum policies.

However, a settlement among West Europe, Norway and the U.S. was reached through policy and commercial decisions. Reagan lifted the pipeline sanctions in November 1982 and explicitly called for the accelerated development of Norwegian resources. As almost an extension of Reagan’s lifting, the International Energy Agency (IEA) presented a report related to Western energy vulnerability, highlighting Troll as the most promising Western energy source.⁶ Moreover, the Euro-Siberian pipeline was completed in 1984, while Statoil initiated negotiations concerning Troll and Sleipner in 1985.

Background: End of Détente

A period of détente, which involved arms control and disarmament agreements between the U.S. and the Soviet Union, ended abruptly in 1979 with the Soviet invasion of Afghanistan.⁷ Soon

³ Lerøen, 1996, *Gass for generasjoner*, p. 81; Austvik, 2003, *Norwegian Natural Gas*, p. 178; Gjerde, October 17, 2017

⁴ The NSC, established in 1947, is an advisory body to the US president on matters of national security and foreign relations. Being at the highest political level in US foreign policy, the council has substantial influence on the President’s foreign political decisions.

⁵ Buckley to the NSC, May 24, 1982, NSC Meeting Minutes, Reagan Files (From now on referred to as RF)

⁶ The actual report has not been obtainable.

⁷ Patel & Weisbrode, 2013, *Old Barriers, New Openings*, p. 1

after, the Polish crisis broke out, leading to the Communist Party's declaration of martial law in Poland. Although Soviet involvement was never confirmed, the Russians were accused of intervening in the Poland crisis. During Jimmy Carter's presidency, the Americans viewed these events as Soviet aggression and responded by banning all grain export to the Soviet Union. These events brought the East-West relations to an all-time low.⁸

Simultaneously, a revolution broke out in the Middle East. After a year of revolution, the Islamic Republic of Iran replaced the Iranian monarchy in January 1979. Strikes during the revolution had decreased the oil production in Iran, and as the Iraqi-Iranian war broke out in 1980, Iranian oil production was further reduced. This reduction caused panic in the energy market, and the oil price doubled from 1979 to 1980, creating "the second oil crisis."⁹ The second oil crisis occurred just as Western countries started recovering from "the first oil crisis" created by OPEC's oil embargo in 1973. Over a relatively short period, the Middle East had proved to be an unstable area regarding oil supply.

After the second oil crisis, West European countries therefore sought to diversify their energy import. Because there were few indigenous sources within the OECD, West European countries looked to the Soviet Union for increased import. The Americans feared a geopolitical conflict over resources because they saw the increased energy trade between West Europe and the Soviet Union in conjunction with the recent Soviet aggression. Not only would increased dependency on Soviet energy increase Russian political leverage, but it would also provide the Russians with revenue. The Americans, therefore, tried to dissuade the Europeans from committing to incremental import from the Soviets.

Research Questions

Investigating how issues related to Norwegian gas resources made its way to the topmost level of American politics is interesting in itself. However, the story also reveals how superpowers are inherently dependent upon alliances and upon small states within their alliance. The American necessity to find alternative Western resources is an expression of this type of dependency. By involving Norwegian gas in the Cold War, the Americans pointed to Norway as an important European energy supplier. Coincidentally, some prominent natural gas fields had recently been

⁸ Pedersen, November 2, 2017

⁹ Yergin, 2011, *The Quest*, p. 23

discovered. These fields, Troll and Sleipner, became the focal point in American foreign policy pertaining to energy security. Nonetheless, it was the Troll field that came to be the embodiment of Norwegian natural gas export. The purpose of the thesis is to investigate 1) why Reagan's administration attempted to pressure Norway into accelerating the natural gas production from its continental shelf, and the Troll field in particular, and 2) why the Americans failed in their attempt to speed up the production in Norway. The main research question is therefore listed as follows:

Why did Reagan's administration attempt to pressure Norway to accelerate the Troll field development, and why did they not succeed?

The research question of this study highlights two aspects. First, it raises the geopolitical question about American interest in West European energy security and Norway's role as a petroleum exporter. Second, it denotes the way domestic political and commercial factors influenced the development of the Norwegian shelf.

Furthermore, the geopolitical aspect of this thesis rests in the Transatlantic dispute over the increased West European energy trade with the Soviet Union. As the Americans aimed at reducing West European gas import from the Soviet Union, Norwegian gas, in particular Troll gas, was introduced as a replacement for Soviet gas. As the Americans became aware of the Euro-Siberian pipeline's pace of development, the American administration explored ways to speed up Norwegian production in hopes to pre-empt the Euro-Siberian pipeline. In that sense, this thesis investigates and discusses Norway's relationship with the U.S. and the way Norway coped with the diplomatic maneuvering, amidst the geopolitical tensions between its allies. By investigating the geopolitical aspect of this issue, the thesis will thus answer how international politics and geopolitics affected the talks about developing Norwegian resources.

However, as the research question implies, the Americans failed to accelerate the gas production of Norway. Hence, the latter clause of the question is a more complex matter, because the unsuccessful attempt in this regard occurred due to several contingent factors, which are as follows:

An explanation as to why the Troll field did not accelerate is the alleged lack of political will on the part of the Norwegian government. This explanation highlights Norway's reluctance to increase production from its shelf owing to the fear of overheating the economy.

Another reason in this regard has been the technical challenges tied to the development of Troll. Underneath the large gas layer, considerable oil reserves were present, which the Norwegian Oil Directorate requested to extract. However, at the time, there was a lack of technical competence to extract the oil underneath the Troll gas field. Moreover, its depth and the unfavorable soft seabed added to the technological constraints of this matter.

A third explanation corresponds with the first and second, which highlights Norway's desire to have national control over its resources and execute sound resource management. As this thesis argues, this desire, or call it a need, was deeply rooted in Norway's petroleum policy. Moreover, it ultimately counterbalanced international considerations and thus inhibited a speedy development of Troll.

A fourth reason in this regard places emphasis upon the commercial and economic constraints. Although the oil and gas prices were relatively high in the early 80s, the demand for the aforementioned goods kept decreasing. Furthermore, a decrease in oil and gas prices could stall the development of the North Sea, as its development project was expensive and time-consuming, which could make the investments unprofitable.

To adequately address these factors, this thesis will analyze the period between 1981 and 1983. Delimitation refers to the inauguration of Ronald Regan's administration, which launched Norwegian gas as a substitute for Soviet gas in 1981 and the IEA settlement in 1983. Moreover, 1981 to 1983 is an important period, because during this time, Norwegian resources, Troll in particular, emerged as a significant contributive factor to Western energy security and were established as a concrete solution for Western energy independence. However, the Sleipner agreement, which is also an important factor, took place between 1982 and 1985, which exceeds the delimitation period.

Sources

The interpretation of sources is the core activity of historians. It is important to ask the question, "How can we know this?"¹⁰ How can we know anything about the Americans' motivations and

¹⁰ Myhre, 2014, *Historie*, p. 113

wishes? In order to answer the questions posted above, and the research questions, this thesis has utilized sources that best represent the actors' intentions and actions.

As the driving force promoting Norwegian resources during the early 1980s, one must investigate internal American documents in order to discover the reason Americans regarded Norwegian resources as important. The thesis is, therefore, based principally on primary sources from the Ronald Reagan Presidential Library (RRPL) in Simi Valley, California, and on declassified CIA documents obtainable online. These documents present an insight into the American process. Many of these documents have been recently declassified and have not been investigated in the context of Norwegian gas as a European security measure. Memorandums, minutes of meetings, classified reports, telegrams, and personal letters constitute much of the empirical evidence. Additionally, Statoil's archive in *Olje- og gassarkivet* has been used to address the scramble for concessions on the continental shelf, which mainly refers to the scramble for the operator role on the Troll field. By utilizing Official Norwegian Reports (NOU)¹¹ and internal governmental documents, the thesis attempts to account for the Norwegian perspective.

The advantage is that these documents are closest in time and space. It is, therefore, reasonable to assume that they reflect the individuals' and institutions' truest intentions. Many of the primary sources were not produced for publication, which provides a less distorted view of intentions. However, some of the documents are redacted or are declassified only in part. This indicates that some of the messages in these documents are unclear. Additionally, in some documents, the author is redacted. In such cases, the thesis does not place too much emphasis on these documents. They instead operate as support for other sources.

Memoirs and biographies are personal accounts and are not necessarily the most reliable sources to present an objective account of the actual events. However, the value of memoirs and biographies lies in the provision of a personal perspective regarding pressure and priorities. Pressure from the market and political pressure are not necessarily expressed in official documents. Arve Johnsen's biography and Richard Pipes's memoirs have proved to be valuable in mapping out two distinct perspectives regarding the European energy market and supply.

¹¹ NOU 1983: 27; Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*

The scientific literature pertaining to the European gas market and to security policy matters offers an understanding of the context in which this thesis operates. This thesis does not investigate the governance of the Norwegian petroleum sector, nor does it assess international relations during the 1980s. However, these elements are fundamental to forming an understanding of the events. The scientific literature provides the necessary historical context.

The thesis has incorporated interviews with notable and relevant actors. Gunnar Gjerde, from the Norwegian Ministry of Oil and Energy, and Per Kristian Pedersen, from the Ministry of Foreign Affairs and also Norwegian ambassador to the IEA, both joined Ramm in Washington D.C. in 1983. However, Ramm also took several trips to D.C. in 1982. Moreover, the thesis utilizes accounts from an unnamed civil servant. The unnamed informant seems highly reliable and well-informed with respect to the events accounted for in this thesis. Although this source is not verifiable for other researchers, which is the ideal in academic research, the accounts are valuable for the thesis. From interviews with Gjerde, Ramm, Pedersen, and the unnamed civil servant, the thesis has gained valuable personal insights into the events. Arguably, it would have been advantageous for the thesis to have access to American officials' oral accounts.

Nonetheless, the thesis has not based any of its conclusions solely on their remembrances, which cannot be regarded to be accurate enough to be given much importance; however, they can add to the individuals' personal perceptions. For example, Secretary of State, Alexander Haig argued that the Europeans viewed Soviet gas as more reliable than OPEC's, and Gjerde's confirmation adds value to the statement. The personal accounts reflect, to a great extent, the Norwegian understanding of the events.

Literature Review

Scholars have analyzed Reagan's pipeline sanctions numerous times since the 1980s. The effects of the sanctions had a broad impact that covered international relations, security issues, and domestic policy. In isolation, all these issues have been accounted for. However, both Norwegian and international scholars have tended to focus on isolated factors that led to the change in Norwegian significance as a gas exporter. It is a lack of comprehensive analyses that has compounded Norwegian and American sources to account for the events that unfolded with respect to Troll and Norwegian natural gas export. Understanding the reason Norwegian resources did not accelerate provides valuable insights into the Norwegian necessity for national control and management over its resources.

However, there are some dominating views concerning the reasons Norwegian resources, and Troll in particular, did not accelerate. One view stresses the Norwegian reluctance to increase production due to the fear of inducing adverse macroeconomic consequences for the Norwegian economy. This view implies that Norwegian authorities were unwilling to make the political changes necessary to lift the Norwegian depletion rate. The other view emphasizes the technical challenges and the long lead times. A third view emphasizes the commercial constraints caused by the oil and gas glut in the early 80s.

One who meant that Norway was reluctant to increase production was Bruce Jentleson. He authored *Pipeline Politics* in 1986, in which he shed light upon the coercive power exerted by the U.S. through the imposition of economic sanctions. This book can be regarded as the standard work in relation to the pipeline sanctions, and it has been cited in numerous articles and papers. The book presents a thorough description and analysis of U.S. policy. Jentleson's primary objective was to investigate the American perspective and reasoning behind the economic sanctions. His conclusion regarding the Norwegian policy was that Norway lacked the political will to increase production from the continental shelf. His conclusion possibly derived from the impression provided by the Norwegian reluctance to join the IEA in 1974. Norway rejected the invitation to the IEA due to the fear of losing control over its resources and depletion rate.

Ksenia Demidova continued on the same track with her article "The deal of the century: The Reagan administration and the Soviet Pipeline" in 2013. The main methodological difference between these two accounts of the same event is that Demidova had access to previously undisclosed documents. Among other sources, Demidova's article is principally based on NSC minutes and CIA reports. Demidova's focus is on the interaction between West European countries and the U.S. She thus provided a West European view of the sanctions and emphasizes the West-West dispute as well as the East-West tensions. This West-West dispute was of great relevance to the Norwegian government, as we will see later. Like Jentleson, Demidova also concluded that Norway lacked the political will to increase production.

Ole Gunnar Austvik analyzed the role of Norwegian natural gas in the European energy market in *Norwegian Natural Gas* (2003). Austvik devoted a chapter in his book to the events. He described Norway as a passive actor that was drawn into a geopolitical dispute. Austvik rejected Jentleson's assertions, and thus also Demidova's, that Norway would not accelerate the

development of Troll because of the fear of overheating the Norwegian economy. Instead, he argues that there were “problems the Americans obviously had not been aware of,”¹² referring to the technical challenges attached to the development of Troll. His assumption was also pointed out by Bjørn Vidar Lerøen. However, the assumption was based on the Norwegian delegation’s narrative and does not correspond with information obtained from the American sources, which were not publicly available at that time.

Bjørn Vidar Lerøen, moreover, presented a story about how the Troll field made its way to the White House. Lerøen’s description of the events is largely based on Hans Henrik Ramm’s oral accounts. Lerøen also stresses the way the change of government influenced the scramble for concessions and block distribution on the Troll field. However, Lerøen’s *Troll: Gass for generasjoner* from 1996 does not adequately account for international and foreign political aspects.

Helge Ole Bergesen and Raino Malnes, conversely, analyzed foreign political and international aspects of Norwegian natural gas production.¹³ Although their accounts are comprehensive and thorough, Bergesen and Malnes have omitted the internal dispute in the Western alliance as one of the central constraints for Norwegian foreign policy in relation to Norwegian natural gas production.

Gunnar Nerheim authored the latest volume of *Norsk Olje-historie, En gassnasjon blir til* [Norwegian Oil History: A Gass Nation Emerges] in 1996. In terms of Norwegian gas history, Nerheim’s book can be considered the standard work. The book describes in detail both the development of Norway’s gas production industry and the manner in which political and commercial interests have influenced the industry. In this sense, the book has provided the context for the events accounted for in this thesis. Among the many elements that influenced the development of Troll, Nerheim describes the implications of the market situation for Norwegian gas after the Statfjord agreement, which set a new standard for gas prices, in 1981. He also explained the implications caused by the rejection of the Sleipner agreement, which was regarded as the reasonable stepping stone towards a development of Troll. Conversely, the book

¹² Austvik, *Norwegian Gas*, 2003, pp. 181–182

¹³ Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*; Bergesen & Malnes, 1984, *Norge som oljeland*

neither accounts for the geopolitical and foreign political implications of gas trade nor mentions the American interest in Norwegian gas.

Contrary to literature about the Troll gas, there are fewer accounts about the Troll oil. However, the Oil Directorate's own account, *Trollet som ble temmet*, discusses the way the Directorate requested a technological development on the Troll field, which allowed for the safe extraction of the Troll oil. On the other hand, the Directorate's request also delayed the construction and development of the field. *Trollet som ble temmet* illustrates the tug of war between Shell, the operator on the block, and the Directorate. Nonetheless, this account is biased in every sense of the term. The Directorate describes the entire story about the Troll oil as an heroic deed, which ultimately provided vast revenue for Norway, with little critical reflection about the Directorates actions.

The current study, however, attempts to synthesize a better understanding of the events that unfolded in the 1980s. It combines American perspectives with Norwegian perspectives, American and Norwegian foreign interests, and Norwegian domestic considerations and commercial interests. By combining all these factors, this thesis provides a more comprehensive account of the events that changed the Norwegian significance in European energy security.

Method

The thesis's main purpose is to assess the narrative of individuals and institutions and endeavor to understand their actions and rationale. This thesis combines different disciplines of historical study, namely geopolitics and power politics, specifically foreign and domestic politics mainly in Norway and the U.S. As the thesis deals with broad concepts such as the Cold War and international relations, some of the content only serves to explain the context. Moreover, as the thesis uses a qualitative method, it can only investigate and explain this particular event in history. The case is therefore examined within its context. The thesis presents various explanations for the Norwegian response to the American request for the acceleration of the production from the Norwegian shelf. It is, therefore, necessary to distinguish between the political and commercial constraints to which the Norwegian gas export was subjected. Both types of limitations are described in the following.

Political constraints, in this context, relate to the foreign and domestic policies and the manner in which they interact. Domestic policy, which is only discussed in relation to Norway, signifies the policies and decisions that are meant to primarily address issues of interests within

the Norwegian borders and the relations between authorities and individuals. Foreign policy, however, emphasizes international considerations. It involves interstate relations and the way states communicate to further the interests of their own state internationally. This thesis primarily addresses Norwegian and American international interests. However, it is important to note that West European and East European interests are integrally attached to the way the U.S. and Norway operate internationally. While introducing American foreign policy, it is inevitable to regard it as geopolitics.

Commercial constraints encompass market conditions, required investments, and required returns while developing petroleum fields. The market can further be subdivided in terms of demand, supply, and market price. The market is essential for consideration, as it was a factor that was difficult to manipulate within the framework of free-market principles.

Who decides whether Troll is significant or not? It is necessary to investigate the narrative of those who put Troll and Norwegian resources on the agenda and attached significance to Troll. To understand the reason certain individuals and institutions regarded these resources as imperative in the European market, we must look at their basis for this interpretation.

The economic analysis of American perspectives, for instance, largely depends upon the contemporaneous CIA economic reports and statistics, for two reasons. First, the lack of transparency in the Soviet administration has rendered it difficult to find reliable Soviet accounts of their economic development during the 1980s.¹⁴ Scholars have also disagreed regarding reliability and accuracy in Soviet statistics.¹⁵ Second, the American administration relied heavily on the CIA reports while conducting their planning and policy-making. At present, we know the outcome of the American policy during Reagan's first period, and we can analyze the events in retrospect. However, as Alan Dobson argues, if what we know today were introduced as an integral part of the narrative, "it would give a distorted picture of the world."¹⁶ Therefore, it is important to describe the geopolitical and economic circumstances with the knowledge available at the time. In other words, the thesis considers the contemporaneous CIA reports as reliable and accurate enough to provide an account of the American rationale.

¹⁴ Ofer, 1987, *Soviet Economic Growth*, p. 1770; Wolf, 2006, *Russian Military Spending*, p. 40

¹⁵ Wolf, 2006, *Russian Military Spending*, p. 39

¹⁶ Dobson, 2013, *East-West Trade and the Cold War*, p. 21

To account for the European and especially the Norwegian rationale regarding energy policy and economic policy, the thesis uses Bergesen and Malnes's study *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*. The study was conducted in association with the governmental commission called *Tempoutvalget*.¹⁷ The commission provided an assessment of the Norwegian depletion rate. However, the study is based on a contemporaneous prognosis and on an annual study conducted by the IEA called *World Energy Outlook*, which was first published in 1980. The most relevant issue and the one used in this thesis is the *World Energy Outlook* from 1982. The reason for the use of these sources is that they would be central in the European and Norwegian debate regarding energy security. As Bergesen and Malnes put it, “*World Energy Outlook*, as far as we know, is the broadest and most comprehensive study in recent times that has been conducted regarding forecasting the development in the World's energy demand and production until the turn of the century.”¹⁸

Disposition

As Norwegian petroleum activity does not operate in isolation, the second chapter, called “U.S. Economic Warfare Against the Soviet Union,” sheds light on the most important foreign political aspect of the thesis. The chapter answers the question, “How did Norwegian resources end up as a talking point in the White House?” It also elaborates on the strenuous international relations that the Norwegian authorities had to consider.

The third chapter, “The Norwegian Gas: An American Weapon?,” argues that the Norwegian government and the Reagan administration had conflicting interests regarding the acceleration of North Sea resources. The chapter elaborates on the Norwegian response to the pressure from the U.S. It also sheds light on the growing dispute in the Western alliance, which affected Norwegian decision making. It also becomes clear that, in contrast to the U.S. and European interests in Norway's gas reserves, the new Norwegian government had visions of its own with respect to the structure of responsibilities on the continental shelf.

¹⁷ Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*

¹⁸ Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*, pp. 5–6: «*World Energy Outlook* er, så vidt vi vet, det bredeste anlagte og mest systematiske forsøket som i senere tid er blitt gjort, når det gjelder å forutsi utviklingen i verdens energietterspørsel og -produksjon frem mot århundreskiftet.»

The fourth chapter, “Norwegian Noncompliance?” accounts for the one condition that few can manipulate, namely that of the market. The title of the chapter denotes to what extent Norway’s ambitions on the shelf matched those of the Americans. The chapter also elaborates about how the dispute within the Western alliance came to a settlement and that the scramble for concessions on the Troll field was settled. Moreover, the chapter stresses the Norwegian need for control over petroleum resources by accounting for the scramble for the Troll oil.

The last chapter, “Conclusion,” answers the main research question. It also attempts to bind political and commercial constraints and analyze the way these factors influenced the progress of the talks of accelerating Norwegian resources.

Chapter 2: U.S. Economic Warfare Against the Soviet Union

Per Kristian Pedersen, Norway's former ambassador to the IEA, has said that one could not understand the American quest for alternative energy resources without understanding the international circumstances. Because of the Soviet invasion of Afghanistan and the presumed Soviet involvement in the Poland crisis, the American administration's approach towards the Soviet Union changed compared to the previous period of détente. Reagan assembled an administration untainted by the conventional wisdom on détente as the centerpiece of American foreign policy.¹⁹ In Europe, however, the West European countries looked to reduce tensions by increasing East-West trade. It was clear that there were different strategies among the allies. A growing displeasure in Europe over American exertion of power was also apparent.

Why were the pipeline sanctions significant for the American administration? Moreover, why did the dispute between West European countries and the U.S. occur? How did the pipeline sanctions influence the talks about accelerating Norwegian Resources? To answer the questions, we must assess Reagan's view on the Cold War. We would also have to understand the Transatlantic dynamics during the 1980s.

Ronald Reagan: A New Approach to International Relations

Ronald Reagan assumed office in January 1981 after defeating Jimmy Carter in the 1980 Presidential election. Reagan's presidency proved to be particularly Cold War-oriented and marked a change in U.S.-Soviet relations.²⁰ Reagan viewed the world in dualistic terms: It was good and evil; there were "either democracies or dictatorships and therefore allies or enemies."²¹ Reagan's determination to break down the Soviet Union was indicative of his worldview, and it caused an internal dispute in the Western alliance. His tunnel vision, caused by his determination, made him perceive East-West trade in the framework of a democratic West aiding an authoritarian East.

Indeed, political tension between the U.S. and the West European countries was not new, in fact, the level of tension in the Euro-American axis had fluctuated since the Second World War. Reagan's presidency, however, scaled up the tensions to a level never reached since 1945.²²

¹⁹ Pipes, 2003, *VIXI: Memoirs of a non-Belonger*, p. 144

²⁰ Basosi, 2013, *The European Community and International Reaganomics, 1981-1985*, p. 133

²¹ Christison, *Perceptions of Palestine*, 2001, p. 196

²² Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline* p. 60

Growing tension in Euro-American relations became apparent already during Reagan's first year, increasing during the second due to West European countries' energy import from the Soviet Union. These imports were of concern for Reagan's administration because they provided the Russians revenue.²³ "We want to hurt the Soviets," Reagan said.²⁴ Reagan wanted to reduce Soviet hard currency revenue to force the Soviet Union into a reorientation away from the military buildup to domestic reform. Regarding the energy trade, Reagan was unable to see that there was mutual dependence between West Europe and the Soviet Union. The mutual dependence would mean that U.S. sanctions against the prospected Euro-Siberian pipeline would also hurt West European countries.

Subsequently, the increased tension between the U.S. and Europe propagated the political relationship. Although Margaret Thatcher and Reagan had a special relationship anchored in philosophy and ideology, their friendship was put to the test by Reagan's policies. In connection with the American pipeline sanctions, Thatcher expressed her frustration: "We feel [...] particularly [...] deeply wounded by a friend," she said.²⁵ Other European leaders were less impressed with the President. Political leaders in Europe regarded Reagan as a rather unfit political leader who knew little about international affairs.²⁶ West European leaders viewed the détente as central in the future of East-West relations. Furthermore, as a critic of the détente, Reagan dismissed it as a "one-way street that the Soviet Union [had] used to pursue its own aims."²⁷ The American administration's opinion was that the responsibility for countering communism fell exclusively on the U.S.²⁸ A fundamental mismatch in Cold War strategies was at the center of the geopolitical dispute between the West European countries and the U.S.

Reagan's primary objective was to hurt the Soviet Union at all costs and "leave Marxism-Leninism on the ash-heap of history."²⁹ His worldview was the foundation of his administration's primary objective. The Soviet invasion of Afghanistan fortified Reagan's

²³ Pipes, 2003, *VIXI: Memoirs of a non-Belonger*, p. 157

²⁴ Reagan, NSC meeting minutes, September 22, 1982, RF

²⁵ Thatcher, BBC TV Interview, September 1, 1982, Downloaded <https://www.margaretthatcher.org/document/104815>

²⁶ Ludlow, 2013, *The Unnoticed Apogee of Atlanticism? U.S.-Western European Relations during the Early Reagan Era*, pp. 22 and 23

²⁷ *Ibid.*, p. 20

²⁸ Pipes, 2003, *VIXI: Memoirs of a non-Belonger*, p. 155

²⁹ Bergesen & Malnes, *Norge som oljeland*, 1984, p. 45

impression that the Russians were willing to exert military power. Additionally, the political crisis in Poland was further evidence of Soviet aggression. For Reagan, appeasement and diplomatic efforts to end the Cold War were in vain and counterproductive, as Pedersen asserted.³⁰ The circumstances called for “desperate measures,” Pedersen remarked.³¹ As a means to end the Cold War, it was therefore suggested to target the weakest link in the Soviet Union, which was the economy. Reagan’s approach towards the Soviet Union was imperative as a pacesetter for the heightening of East-West and Euro-American tensions.

The Euro-Siberian Pipeline: Mutual Economic Benefits

West European trade with East Europe and the Soviet Union increased steadily as of 1945. Although not the only issue over which the U.S. and West Europe collided head on, European East-West trade caused much of the disagreement between the U.S. and West Europe. The Americans sought to avoid an economic transfer that aided the stressed Soviet economy. However, West European countries had incentives to increase trade with the East. Western incentives for the East-West trade could be divided in three: First, as N. Piers Ludlow states, West Europe saw trade as a sign of a healthy East-West relationship.³² Second, West European countries were experiencing a period of failing economy and growing unemployment, and trade could boost the economy. Third, West European resources were depleting, and the West needed additional supply, preferably from new geographical regions. For their part, Soviet incentives depended on trade with the West to acquire the necessary technology to expand their energy production.

Moreover, increasing the East-West trade could aid the Soviet economy. According to the CIA, the Soviet economy had slowed down significantly during the late 1970s compared to the 1950s and 60s.³³ In the late 1970s, the Soviet economy recorded the slowest growth rate since the Second World War, a rate which continued into the 1980s.³⁴ The slow economic growth was

³⁰ Pedersen, Interview, November 2, 2017

³¹ Ibid. “Det matte kraftigere lut til”

³² Ludlow, 2013, *The Unnoticed Apogee of Atlanticism? U.S.-Western European Relations during the Early Reagan Era* p. 23

³³ Ofer, 1987, *Soviet Economic Growth*, p. 1777

³⁴ CIA, *Soviet Economy in 1978-1979, and Prospects for 1980*, 1980, pp. 3 and 4; Ofer, 1987, *Soviet Economic Growth*, p. 1777

partly³⁵ due to large investments in defense programs and the war in Afghanistan;³⁶ however, the failing Soviet economy was also due to lack of production growth within the Soviet Union. The contribution from agriculture and industry, which amounted to the majority of the Soviet GDP, decreased significantly during the last two years in the 1970s. The growth in oil production decreased from 6.8% annually between 1971 and 1975, to 2.4% in 1979. Moreover, crude steel, construction materials and other significant sectors of the Soviet industry had negative growth in 1979.³⁷

Contrary to oil and coal, natural gas production grew and expanded significantly. According to IEA's *World Energy Outlook* from 1982, natural gas production grew during the same period as most of the Soviet economy was under high pressure.³⁸ Because investments in other energy sectors were lagging, natural gas arose as the prominent export commodity for the Soviet Union. The CIA reported that Soviet natural gas production had an average annual growth of 8.7% through the 1970s. The growth peaked with a growth of 9.4% in 1979. In 1970, the Soviet Union earned \$444 million on energy export, which amounted to 18.3% of total hard currency revenue.³⁹ In 1980, the revenues from energy export grew to \$14.7 billion, or 62.3% of Soviet hard currency revenue.⁴⁰ Natural gas production from Western Siberia accounted for most of the growth.⁴¹ Soviet leaders responded by boosting investments in oil and gas production at the expense of other sectors.⁴²

According to the CIA, the Soviet President, Leonid Brezhnev, stated that the energy sector, especially natural gas production, had priority for investment because of the rapid economic results. The Americans saw Brezhnev's economic initiative through a Cold War prism: Without much evidence, the CIA claimed that it was a direct link between the revenue from energy export and the funding of the Soviet defense. CIA's claims implied that increased investments in the Soviet energy sector would indirectly increase Soviet military spending. The

³⁵ My emphasis. It is important to stress the fact that the slow economic growth was more complex than the CIA reports suggest.

³⁶ Haas, 2007, *The United States and the End of the Cold War*, p. 151

³⁷ CIA, *Soviet Economy in 1978-1979, and Prospects for 1980*, 1980, p. 4

³⁸ IEA, 1982, *World Energy Outlook*, pp. 189-193

³⁹ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 61

⁴⁰ Austvik, 2003, *Norwegian Natural Gas*, p. 176; Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 61

⁴¹ IEA, 1982, *World Energy Outlook*, p. 189

⁴² CIA, *Soviet Economy in 1978-1979, and Prospects for 1980*, 1980, p. 4

CIA claimed that the Russians funneled the revenue from energy export into the defense program, which left the defense sector unaffected by slow economic growth.⁴³ CIA reports and Daniel Yergin have pointed out the surge in energy prices as the basis for the claim that Soviet energy revenue was funneled into defense programs.⁴⁴ As an energy exporter, the Soviet Union received a massive windfall from the significant surge in the energy prices throughout the 1970s. The high energy price made it possible for the Soviet Union to uphold their military and economic capabilities.⁴⁵ Yegor Gaidar, a former Russian official, adds that the increased hard currency revenue from energy export in the late 1970s stopped the food crisis, increased the import of consumer goods, and ensured a financial basis for the military capabilities in the Soviet Union.⁴⁶ Gaidar's statement suggests that the revenue from energy export was allocated to several sectors in the Soviet economy, not only to the defense programs.

However, given the lack of accurate data from the Soviet Union, it is just not possible to conclude that there was a direct link between increased energy investments and Soviet military buildup. The CIA's reliability in terms of their assessment of the Soviet economy is rather insignificant; what is important is how the American administration interpreted the data provided by the CIA. In conclusion, due to the Soviets' failing economy and their dependence on natural gas export, it seemed timely to target their gas export.

The West European countries, however, saw the investments in the Soviet energy sector differently. Increased investment in the Soviet gas sector meant an increased turnover of West European gas- and oil-related equipment.⁴⁷ Additionally, the two oil crises during the 1970s called for a diversification of the energy supply to the Western countries. Diversification referred to both geographical and substance diversification. West Europe was moving away from coal and oil in favor of natural gas.⁴⁸ Moreover, Middle Eastern energy was regarded as unstable after political conflicts which created price shocks in 1973 and 1979. Conversely, the Soviet Union was regarded as a reliable supplier. Although the Americans urged for increased Western production, the existing European resources were depleting.

⁴³ Ibid., p. 16

⁴⁴ Ibid.; Yergin, 2011, *The Quest*, p. 23

⁴⁵ Gaidar, 2007, *Collapse of an Empire: Lessons for Modern Russia*, p. 102 in Yergin, 2011, *The Quest*, p. 23

⁴⁶ Ibid.

⁴⁷ Copulos, 1982, *The Norwegian Natural Gas Option*, p. 1

⁴⁸ Boggs & Khedouri to AEG, August 17, 1982, RRPL: Series II, Box 5, Loc 3, File Folder (from now on: FF) Alternative Energy Group [Buckley Group] October 1982.; Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 61

In addition to diversifying European energy import, gas trade with the Soviet Union had a political influence as well. Willy Brandt, the West German chancellor between 1969 and 1974, saw the gas trade with the Soviet Union as an essential element in his *Ostpolitik*, which aimed to reduce political tension between the East and West. Moreover, it was perceived as a reasonable means within most West European countries to reduce the tensions between East and West by increasing trade. In this sense, because pipelines are physical objects that tie countries together gas trade has been well suited to increase communication and trade among countries.⁴⁹ Helmut Schmidt, Brandt's successor as chancellor, reinforced the trade relationship with the Soviet Union by approving a new strand of the Siberian gas pipeline in 1980. The plan for the completion of the gas pipeline was within 1985.⁵⁰

Consequently, West European companies agreed with the Russians, in 1981, to start developing the Euro-Siberian pipelines. The pipelines would connect West-Germany with the Yamal and Urengoy fields located in West Siberia. Development of the Urengoy field was already underway and would be the first of the two fields to connect with West Europe.⁵¹ Although a new strand of the pipeline would merge into an already existing web of pipelines connecting East and West, the new pipeline would have substantial significance in East-West trade. The project, called "the deal of the century," would be the most significant East-West trade agreement ever undertaken, and it would result in massive investments.⁵² IEA reported that Soviet gas export to West Europe "could grow threefold or even more over the next two decades," as a result of the deal.⁵³ Most of the credits to finance the project came from Western banks. The scale of investments would trigger a boost in employment for both the Western and the Eastern Bloc. According to U.S.'s Secretary of Defense Caspar Weinberger, after the completion of the project, Soviet income would increase by \$20 billion annually.⁵⁴ The West

⁴⁹ Bergesen & Malnes, 1984, *Norge som oljeland*, pp. 43, 44

⁵⁰ CIA, *Growing West European Dependence on Natural Gas From the USSR*, p.iii

⁵¹ IEA, 1982, *World Energy Outlook*, p. 189

⁵² Bösch, 2014, *Energy Diplomacy: West Germany, the Soviet Union and the Oil Crises of the 1970s*, p. 165

⁵³ IEA, 1982, *World Energy Outlook*, p. 193

⁵⁴ Weinberger, NSC, July 6, 1981 RF; the actual revenue ranges from \$8 billion to \$12 billion

provided credit, equipment, and technology; in return, the East provided labor and much-needed stable, long-term energy supplies.

The American view on the project, however, was that it would give the Soviet economy a chance to bounce back after years of slow economic growth. The magnitude of the project would result in “a financial bonanza for the USSR,”⁵⁵ according to the CIA, and would help to fund Soviet defense programs. The Americans felt that their Western allies were helping the Soviet Union restore their economy and obtain a more significant portion of the European energy market. The fear was that this would become a stepping stone for total domination over West Europe. Nonetheless, the Cold War conflict was less important for the West German chancellor than the gas trade agreement.⁵⁶ Contrasting understandings of the Cold War amplified the discrepancy in the interpretation of European energy security. West European leaders proclaimed that increased economic interdependence would stabilize political and diplomatic relations with the East.⁵⁷ It was along these dividing lines the Transatlantic dispute emerged.

Geopolitical Threats Posed by the Pipeline

The Transatlantic dispute emerged because the Reagan administration saw potential threats in the projected Euro-Siberian pipeline. For the Americans, there were two types of threats regarding the Euro-Siberian pipeline: political and military. The political threat comprised the influence the Soviet Union could gain over the West European countries by the Europeans’ overdependence on Soviet gas. The fear was a situation much like the OPEC embargo of 1973, to which the United States responded by storing great quantities of oil in case of supply disruptions.⁵⁸ The Strategic Petroleum Reserves (SPR) became the United States’ safety net in case foreign countries attempted to put political pressure on the U.S. Although the creation of the SPR indicated U.S. awareness of energy dependency, the military threat was as important as the dependency issue. The military threat denotes the hard currency revenue the Russians could acquire due to energy export, which could fuel the Soviet military. The military threat stressed

⁵⁵ CIA, *Growing West European Dependence on Natural Gas From the USSR*, p. iii

⁵⁶ Bösch, 2014, *Energy Diplomacy: West Germany, the Soviet Union and the Oil Crises of the 1970s*, p. 166

⁵⁷ Hardt & Gold, 1982, *Soviet Gas Pipeline: U.S. Options*, IB82020

⁵⁸ See <https://www.energy.gov/fe/services/petroleum-reserves/strategic-petroleum-reserve>

the danger imposed by a militarily stronger Soviet Union. Increased hard currency revenue and the “technological swap”⁵⁹ could potentially improve Soviet military capabilities.

Consequentially, the pipeline raised a storm of protests in American politics, especially in the Reagan administration.⁶⁰ The more dependent Europe became on Soviet gas, the more exposed the European countries would be to a potential Soviet gas cut-off, hence the cut-off threat. In this regard, the pipeline represented a threat to the West European energy security, and because West Europe constituted the majority of the Western alliance, the pipeline represented a threat to the entire alliance. It was therefore important for the Americans to convince their European allies that they should not engage in the Euro-Siberian pipeline agreement.

Moreover, the U.S. meant that West European countries would be disposed to incremental Soviet political pressure parallel to an increased dependence on Soviet gas.⁶¹ This would eventually influence Western political decision-making. A bigger share of Soviet energy import would mean a bigger threat of being blackmailed. An intersection of political and military threats was the threat against NATO. Reagan feared that Soviet influence would result in NATO members voting against U.S. proposals to sanction the Soviet Union in the future. The CIA reported that the Russians could influence even sensitive decisions in NATO.⁶² Political influence on the NATO alliance by a foreign power such as the Soviet Union was regarded as a severe threat by the Reagan administration.

Speaking of threats, Demidova argues that the American aim of stopping the pipeline derived from the concern that West Europe could be too dependent on Soviet supply.⁶³ In contrast, Vice Deputy of Defense in the U.S., Richard Perle, emphasized the military threat. CIA reports, such as *The Soviet Pipeline in Perspectives* from 1982, explain in detail the military threat posed by increased hard currency revenue.⁶⁴ In November 1981, Perle argued that the Soviet Union’s revenue from gas export was a direct threat to the West; it provided capital for the Soviet Union

⁵⁹ Technological swap denotes the military potential in machines and equipment that could be converted to military use.

⁶⁰ Copulos, 1982, *The Norwegian Natural Gas Option*, p. 1

⁶¹ CIA, 1982, *The Soviet Gas Pipeline in Perspective*, p. 13, RF-22-7

⁶² CIA Memorandum to NIO/Econ, *Support to NSC on Siberia-to-Europe Natural Gas Pipeline*, 1982

⁶³ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline* p. 64

⁶⁴ See <https://www.cia.gov/library/readingroom/docs/19820921.pdf>

to rebuild their military capabilities.⁶⁵ Perle claimed that it was in the West's interest to reduce the import of Soviet gas and not help the Soviet Union obtain hard currency.

West European countries did not share Perle's concern about Soviet military buildup. A year earlier, Chancellor Schmidt said to President Carter that "those engaging in trade with each other do not shoot at one another."⁶⁶ Schmidt's statements reflected the West European approach to the East-West conflict, a plan that had been the basis for West European integration. Arguably, economic interdependence has proven to reduce the interest in waging war against each other. For example, Austvik argues that a war between France and Germany is regarded unlikely because both countries have more to lose than to gain by destructing each other.⁶⁷ West Germany's concerns regarding the pipeline reflected their approach to the Cold War. That is to say, the West German tactic to solve the East-West conflict disassociated from the American approach to the Cold War conflict.

The American concern about Soviet arms buildup, however, was also tied to the Cold War arms race. Soviet military buildup would potentially shift the global power balance. To take this reasoning one step further would have meant that the U.S. also had to devote more resources to their military to retain a strong position vis-à-vis the Soviet Union.⁶⁸ It became a significant part of Reagan's foreign policy to stop the completion of the pipeline.

However, neither Reagan nor his staff could dictate the progress of the construction. Regardless of the means, Reagan tried to stop the pipeline before breaking the first ground. This strategy, however, would be moderated several times in the coming period of the National Security Council.

Sanctions Against the Euro-Siberian Pipeline

According to John Hardt and Donna Gold, who authored the Congressional Issue Brief on the Euro-Siberian pipeline in 1982, two schools emerged in American political circles regarding the pipeline.⁶⁹ One, the "stop the pipeline-school," would make every effort to stop or delay the

⁶⁵ Austvik, *Norwegian Natural Gas*, 2003, p. 176

⁶⁶ Bösch, 2014, *Energy Diplomacy: West Germany, the Soviet Union and the Oil Crises of the 1970s*, p. 166: "Wer Handel miteinander treibe, schieße nicht aufeinander"; minutes of meeting between Schmidt and Carter 5.3.1980, in ADAP 1980, vol

⁶⁷ Austvik, 2003, *Norwegian Natural Gas*, pp. 179

⁶⁸ Hardt & Gold, 1982, *Soviet Gas Pipeline: U.S. Options*, IB82020

⁶⁹ Ibid.

pipeline, that is, with the use of direct or indirect methods. The other group regarded the pipeline as a *fait accompli*, hence the *fait accompli*-school, and focused instead on avoiding the Soviet use of the “gas-lever.”⁷⁰ For the stop the pipeline-school, counteracting the Euro-Siberian pipeline called for an embargo on oil and gas related equipment.

The idea of embargos against the Soviet Union was not unknown. Sanctions were in line with earlier U.S. foreign policy reactions to the Soviet Union. East-West Trade in Europe had been targeted several times since the Second World War. In the early days of the Coordinating Committee (CoCom), pipelines and oil- and gas-related equipment were banned from export. Nevertheless, such equipment was taken off the CoCom list after a disagreement between the West German Chancellor and the U.S. in the 1960s.⁷¹ The Soviet invasion of Afghanistan nevertheless provoked new American sanctions. For example, Jimmy Carter imposed sanctions by denying the Soviet Union U.S. grain in January 1980. Contrary to the grain embargo, however, pipeline sanctions involved more countries than the country subjected to the sanctions and the country imposing the sanctions.

Reagan ended the grain embargo upon his inauguration in 1981, but his administration started working on new sanctions on the Soviet Union. During the winter of 1981, an NSC memo suggested banning all U.S. export to the Soviet Union, because of the Poland crisis.⁷² The memo especially highlighted the export of high technological equipment. Moreover, as the negotiations between West European companies and Soviet leaders was underway, Reagan tried to dissuade Schmidt and the French president from approving the pipeline agreement.⁷³ During the following summer, NSC suggested that the U.S. and West European countries should deny the Russians necessary credits, equipment, and technology.⁷⁴ The proposed embargo was targeted at oil and gas development in the Soviet Union by denying them technology and equipment essential for the pipeline project and Soviet energy development. The embargo would, potentially, result in reduced gas export and thus reduced military capabilities through hard currency shortage. From an American perspective, sanctions would mean killing two birds with one stone: weaken the Soviet military ability and reduce its potential political influence on allied countries. However,

⁷⁰ Ibid.

⁷¹ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 59

⁷² Memo to NSC, undisclosed sender, *NSC Meeting on Poland 6 February 1981*, February 6, 1981

⁷³ Hardt & Gold, 1982, *Soviet Gas Pipeline: U.S. Options*, IB82020

⁷⁴ NSC, July 6, 1981, RF

the proposed sanctions preceded concrete suggestions of viable energy alternatives to fill the European energy demand. Proposals to solve the Western energy demand with alternative energy were submitted later.

However, the American arguments seemed not to convince European leaders. After talking with Helmut Schmidt, Secretary Alexander Haig informed the NSC in July 1981 that “[West Germany] could go for six months in the event of a Soviet cut-off.”⁷⁵ A cut-off from the Soviets was not a plausible scenario from European perspectives, however.⁷⁶ European leaders discarded the cut-off threat as a feeble argument to convince West Europe to join the embargo. Haig’s conclusion after talking with Schmidt was that West Germany refused to give up on the pipeline because Europe needed the energy from the Soviet Union. In fact, Schmidt risked starting a conflict with the United States over the pipeline.⁷⁷ West Germany considered the import of Soviet energy as secure compared with OPEC. Gunnar Gjerde, a senior official in the Norwegian Ministry of Oil and Energy, confirmed that the Russians were perceived as both professional and reliable suppliers of natural gas.⁷⁸

Furthermore, there were few economic incentives for other West European countries to join the embargo. Tendencies toward a recession appeared in Europe at the beginning of the 1980s.⁷⁹ In many West European countries, such as the Netherlands, Britain, West Germany, and Italy, the economic growth was negative in the early 1980s.⁸⁰ Denying Europeans trade, therefore, met strong opposition. Compressors, for instance, which were essential to keep the gas flow in the pipelines, had to come either from the U.K.-based company Rolls Royce or the U.S.-based General Electric. Rolls Royce, “a sick company in a sick British economy,” Richard Allen said, could potentially earn \$300–\$600 million on the pipeline project.⁸¹ Additionally, the U.K. suffered from an unemployment rate of approximately 10%.⁸² The symbiosis in the trade was

⁷⁵ Ibid.

⁷⁶ Pedersen, Interview, November 2, 2017

⁷⁷ Bösch, 2014, *Energy Diplomacy: West Germany, the Soviet Union and the Oil Crises of the 1970s*, p. 166

⁷⁸ Gjerde, Interview, October 17, 2017

⁷⁹ IEA, 1982, *World Energy Outlook*, p. 63

⁸⁰ Ibid.; Basosi, 2013, *The European Community and International Reaganomics, 1981-1985*, pp. 139, 140

⁸¹ Allen, NSC, July 9, 1981, RF

⁸² Ibid.; Jentleson, 1986, *Pipeline Politics*, p. 188; Basosi, 2013, *The European Community and International Reaganomics, 1981-1985*, pp. 140

apparent. Continental countries in Europe needed the additional supply of Soviet gas, whereas the Euro-Siberian pipeline could help the European economy.

Contrary to the majority in the NSC, Secretary Haig opposed any sanctions on Soviet energy development. Haig, belonging to the “*fait accompli*–school,” argued that sanctions would make the U.S. appear rigid and damage the Euro-American relationship. Moreover, the Russians would seem to be forthcoming. Haig asked the NSC, “Is it in our interest to hinder Soviet energy development?”⁸³ Developing Soviet energy would help the Russians overcome their economic problems and prevent the Soviet Union from interfering in the Middle East, Haig argued.⁸⁴ Haig’s reasoning resembled the European policy towards the Soviet Union. Voices in the American Congress were also skeptical to sanctions. According to Hardt and Gold, a group of Congressional members, associated with the *fait accompli*–school, focused on measures to reduce tensions within the alliance. They also sought to minimize Western vulnerability by decreasing dependence on Soviet gas.⁸⁵ They feared that too much pressure on Western allies would damage the relationship between West European countries and the U.S. Some even claimed that further pressure could obliterate the alliance.⁸⁶ The *fait accompli*-school argued that the pipeline would be built regardless of the sanctions. The pipeline represented both political and economic benefits for Europe. The best alternative for the President, they remarked, was to offer alternatives to the Soviet pipeline instead of trying to stop it. Offering an option could halt or delay the second strand from the Yamal natural gas field, which was projected after the Urengoy pipeline.

Despite European opposition, the suggestion to impose sanctions gained support among the majority of the NSC members. Moreover, especially President Reagan, seemingly in line with the stop the pipeline–school, became an ardent supporter of the sanctions. The support for the pipeline sanctions grew within the NSC despite apparent challenges to keeping a good relationship with their allies. During the late summer of 1981, it became apparent that sanctions were imminent. Haig’s appeal, and the Congressional opposition, thus fell mostly on deaf ears in the White House. Although sanctions seemed likely, the NSC awaited the decision whether to impede the construction of the pipeline or to find other solutions.

⁸³ NSC, July 6, 1981 RF

⁸⁴ Ibid.

⁸⁵ Hardt & Gold, 1982, *Soviet Gas Pipeline: U.S. Options*, IB82020

⁸⁶ Ibid.

Exploring Energy Alternatives

To counteract the pipeline project was seen as countering West European economic interests and reducing energy supply to West Europe. The project required huge investments. The Soviet Union needed \$16 billion to construct the pipeline, said CIA director William Casey.⁸⁷ The credit would come from West European countries, according to Casey.⁸⁸ He pointed out that the loan to the Soviet Union should be invested to develop Western resources instead. In the extension of Casey's suggestion, Secretary Haig, therefore, recommended finding alternative solutions. "We must suggest that they don't need [the pipeline]," said Haig to the NSC. Haig suggested giving West Europe "an alternative package that would involve, perhaps, Alaskan oil."⁸⁹ Furthermore, if the Americans could talk the French and the German state leaders into postponing the initiation of the pipeline project, the Americans could explore other alternatives. Their proposal to the Europeans was presented at the G7 summit in Ottawa in July in 1981.

At the summit, Reagan raised the issue with Francois Mitterrand, the French president, and Helmut Schmidt. Reagan suggested supplying the Europeans with Alaskan coal or oil, in the case of a political crisis, as the substitute for Soviet gas. Reagan proposed a six-month freeze on allied decisions concerning the pipeline. Admittedly, U.S. documents express confidence that the President would manage to convince West Europe and West Germany during the Ottawa Summits. Mitterrand retorted, however, that France would buy American *natural gas* if the price could compete with the Siberian gas.⁹⁰ Mitterrand's reply to Reagan can hardly be regarded as a viable counterproposal because it was widely known that the West was deprived of natural gas resources.

Objections against the American proposal came both from the European leaders as well as from within the American government. First of all, European energy policy, as mentioned, diverted from oil and coal in favor of natural gas. Secondly, oil from Alaska meant that Europe would have to convert their industrial energy facilities and home heating from natural gas to

⁸⁷ Casey, NSC, July 9, 1981 RF

⁸⁸ Ibid.

⁸⁹ Haig, NSC, July 9, 1981 RF

⁹⁰ Bösch, 2014, *Energy Diplomacy: West Germany, the Soviet Union and the Oil Crises of the 1970s*, p. 180. My emphasis

oil.⁹¹ The Alaskan oil alternative was later discarded, but the proposal left an opening for exploring other resources, such as North Sea natural gas.

It became clear that the U.S. had miscalculated European reactions to the sanctions in both as a subject and in terms of commitment. The NSC realized that it was highly unrealistic, moreover, to find viable alternatives within their borders that could supply West Europe before the initiation of the Siberian pipeline. Alternatives in natural gas had to compete with the Siberian pipeline in terms of volume, price, and development time. However, the Americans' proposal expressed somehow their willingness to meet the Europeans halfway. If the Europeans needed the energy, the U.S. would try to get it elsewhere, as long as the Russians did not get the revenue. Suggesting alternative energy resources omitted the underlying reason for the pipeline, however. Alternative energy could not replace the West European need to reduce tension between East and West, which was the reason West Europe rejected the sanction.

Soon after the Ottawa Summit, the Reagan administration started planning a strategy as an addition to the prospected pipeline sanctions. On August 14, 1981, the President received a memorandum from the National Security Advisor, Richard Allen. The memo suggested implementing a strategy to impede the Soviet oil and gas export. Allen said the plan required establishing a senior interagency group that would explore alternative energy resources.⁹² The group had to work efficiently and quickly to have a proposal for the allies before September 10, 1981. "To demonstrate the seriousness," Allen remarked, "the Interagency Group will hold its first meeting no later than August 24, 1981."⁹³ The group was later led by James Buckley, Undersecretary of U.S. Science and Technology Department, and was named the Alternative Energy Group (AEG).⁹⁴ The group members were selected from a broad range of disciplines and departments, such as the CIA, State Department, and NSC, among many high level political and administrative institutions. The AEG mission was to develop plans of action on energy alternatives with specific recommendations for the U.S. The interagency study group obtained valuable information about several energy resources.⁹⁵ The group would also lobby for the

⁹¹ Boggs & Khedouri to AEG, August 17, 1982, RRPL: Series II, Box, 5, Loc 3, FF: Alternative Energy Group [Buckley Group] October 1982,

⁹² Allen to President, August 14, 1981, Memo, TWH, RRPL: Executive Secretariat, Box 2, FF: NSC 00020 8/17/81 [EAST-WEST TRADE, CENTRAL AMERICA, STRATEGIC FORCES],

⁹³ Ibid.

⁹⁴ The AEG was also referred to as the Buckley Group and the Buckley Mission.

⁹⁵ Allen to President, August 14, 1981, Memo, TWH, RRPL: Executive Secretariat, Box 2, FF: NSC 00020 8/17/81 [EAST-WEST TRADE, CENTRAL AMERICA, STRATEGIC FORCES],

American energy policy in Europe and try to repair the growing rift between the U.S. and Europe after talks about sanctioning against the Euro-Siberian pipeline.

Soon after the establishment of the AEG, the group gathered information about the resources in the North Sea and the Barents Sea. In 1981, Statoil, the Norwegian state's commercial extension in the petroleum industry, announced that they had "made a considerable gas discovery on block 7120/8" (Tromsøflaket), now the Snøhvit field in the far north Barents Sea.⁹⁶ At the same time, Shell was conducting feasibility assessments on the large 31/2 field, which had not yet been named Troll or declared commercially viable. In addition to Snøhvit and Troll, the Sleipner field, which contained a considerable amount of natural gas and condensate, was also a promising field in the North Sea. These fields were significant for the AEG because they were indicative of the ample and unexploited resources in the Norwegian sector. That Norway happened to be a loyal U.S. ally seemed particularly convenient.

For the first time, the Americans could present real natural gas alternatives in West Europe. The North Sea discoveries could probably meet the European demand and replace the Groningen field in the Netherlands, which was being depleted. Norwegian energy, however, already amounted to a considerable percentage of the imported energy to the EC in 1981, meaning that Norway was already established as a prominent supplier of oil and gas.⁹⁷ Norwegian oil export to the EC came from Ekofisk, Frigg, Statfjord, and other fields that were projected to be depleted during the mid-1990s.⁹⁸ The AEG's encounter with the North Sea resources fit the American goal of increasing Western Energy production.

New Conservative Norwegian Government: New American Expectations

In light of the recent American awareness of Norwegian resources, Reagan's administration was encouraged by the Norwegian election in September 1981, in which *Høyre*, the Conservative Party, won. The Conservative Party was closer to the American administration regarding ideology, policy, and philosophy than the previous Labor Party government.⁹⁹ It has been said that the Reagan campaign inspired the Conservative Party's campaign manager in 1980,¹⁰⁰ but it

⁹⁶ Statoil annual report, 1981

⁹⁷ IEA, 1982, *World Energy Outlook*, p. 390

⁹⁸ Franssen, 1982, Pa 1339 – Statoil ASA Yae – L0004, FF: Korrespondanse. A-Å diverse 1984-1988

⁹⁹ Memo, State Department, 1982, Document number: 24986, RRPL: Executive Secretariat Box 33, FF: Norway (07/01/1982-10/16/82),

¹⁰⁰ Notaker, 2014, *Høyres Historie*, p. 174

is important to underline that the Norwegian Conservative Party was not the Nordic representation of Reagan's administration.¹⁰¹

Nonetheless, on October 14, Kåre Willoch, the Conservative Party leader assumed office as the Prime Minister of Norway. The following day, Reagan made a congratulatory call to Willoch. It was said that "the President did not make perfunctory calls to every newly elected leader,"¹⁰² which was indicative of the significance of the new Norwegian government. U.S. documents suggest that Norwegian petroleum policy became necessary for the White House in relation to the American urge to reduce Soviet energy export to Europe. Nurturing the relationship with the Norwegians became essential to formulating an energy alternative for the West European countries.¹⁰³ The inauguration of the Conservative Party in Norway was timely and was received as a political victory in terms of furthering Norwegian resources.

The American relationship with the new conservative government stood in sharp contrast to the previous Labor Party government. "The situation is much different now," said the State Department, "there are no significant bilateral problems in our relationship."¹⁰⁴ Reagan's administration saw the new conservative government as an opportunity to convince the Norwegians to accelerate production from the Norwegian sector in the North Sea. A week after Willoch's inauguration, the CIA suggested, "the U.S. and others could appeal to the new government in Norway to expand it's [sic] natural gas production and capacity and transport systems."¹⁰⁵ According to Ramm, it is reasonable to assume that the Americans had the Statfjord and Heimdal fields in mind,¹⁰⁶ although these field were already sold on depleting contracts.¹⁰⁷

For the Americans, energy security and defense policy went hand in hand. It was, therefore, important for the Americans to emphasize the Norwegian significance in European

¹⁰¹ Notaker, 2014, *Høyres Historie*, pp. 177, 252

¹⁰² Rentschler to Allen, November 10, 1981, Memo, RRPL: Executive Secretariat Box 33 FF: Norway (11/01/1981-06/30/1982)

¹⁰³ Ibid.

¹⁰⁴ Memo, State Department, 1982, Document number: 24986, RRPL: Executive Secretariat Box 33, FF: Norway (07/01/1982-10/16/82)

¹⁰⁵ CIA, *Analysis of Ability of U.S./CoCom Oil/Gas Controls to Impede Soviet Oil/Gas Production*, October 22, 1981,

¹⁰⁶ Ramm, e-mail correspondence, April 13, 2018

¹⁰⁷ Depleting contracts means that the petroleum in the fields are sold in its entirety and that the contract lasts until the field is entirely depleted.

energy security.¹⁰⁸ White House advisors were further encouraged by Willoch's inauguration speech, in which he emphasized the importance of Norwegian NATO membership and the "double-track" decision, which was a NATO decision from 1979.¹⁰⁹ Indeed, Willoch was the driving force in the new government for the reinforcement of Norwegian NATO loyalty.¹¹⁰ Hallvard Notaker, author of *Høyres historie*, asserted that the Conservative Party deemed a reconciliation with the Soviet Union as in vain. Willoch's view on the international circumstances was that there was a desperate need for a strong alliance to stand against the Soviet Union. This did not mean that Willoch wished for an intensified East-West conflict but rather a firm response to the Soviet military build-up. Moreover, he argued that "the means must be Western strength through NATO."¹¹¹ The aim of reducing East-West tensions have characterized Norwegian foreign policy. Although Willoch's approach to the East-West conflict resembled that of Reagan's, Reagan risked conflict with the European allies over the pipeline, whereas Willoch called for unity in NATO.

Nonetheless, for the Americans, Willoch's statements were clear indications of Norway's loyalty to the alliance, although the statement was interpreted too optimistic. Willoch, like Reagan, viewed the Soviet Union as a serious threat to the West.¹¹² However, the growing rift in the NATO alliance over the Euro-Siberian pipeline did not correspond with Willoch's call for unity. The Transatlantic dispute caused foreign political constraint for Norway relating to the acceleration of the Troll field and has been overlooked previously.

A particular concern was the relationship with other European countries as well as the relationship with the U.S.¹¹³ The period was characterized by challenging international relations. With growing East-West tensions and West-West conflict, the Norwegian government's decisions regarding energy export would therefore be exposed to pressure from multiple angles. The pressure would be due not only to increased expectations of gas export but also to the

¹⁰⁸ Rentschler to Allen, November 10, 1981, Memo, RRPL: Executive Secretariat Box 33 FF: Norway (11/01/1981-06/30/1982),

¹⁰⁹ Rentschler to Allen, November 10, 1981, Memo, RRPL: Executive Secretariat Box 33 FF: Norway (11/01/1981-06/30/1982); Clark to the President, February 17, 1983, RRPL: Executive Secretariat: Box 33, FF: Norway (10/17/1982-03/31/1983)

¹¹⁰ Notaker, 2014, *Høyres Historie*, p. 148

¹¹¹ Ibid., p. 149: «virkemiddelet måtte være vestlig styrke gjennom enhet i NATO»

¹¹² Ibid., p. 148

¹¹³ Claes, 1997, *Norsk Olje- og Gasspolitikk*, pp. 176, 177

intensified tension between East and West, Bergesen and Malnes argue.¹¹⁴ In other words, Norwegian foreign and security policy was in a demanding position in relations to their gas export. Increasing gas export could be regarded as an attempt to take advantage of the Transatlantic dispute and the Western energy vulnerability. Even though the American administration saw Norwegian gas export in conjunction with defense policy, Norway's government did not necessarily see it the same way, Ramm quipped.¹¹⁵

Besides a mismatch between Norwegian and American governments viewed on the gas trade in relation to the international circumstances, American officials were unaware of the cumbersome traditions in Norwegian politics. According to correspondence among high-level officials in the U.S. administration, the Americans hoped that Willoch would start a more rapid extraction of oil and gas from the continental shelf.¹¹⁶ The documents suggest that the American administration overstated the significance of the change in the Norwegian government. The bureaucratic nature of Norwegian governance of the shelf was one of the central political obstacles for the speedy development of Norwegian sources. The decision to speed up development was not solely up to the government. Besides, Willoch's government was preoccupied with implementing their policies on the shelf. Reorganizing of the share distribution on the Troll field became a priority for the conservative government. Statoil, the Norwegian national champion, and the biggest Norwegian oil company was the main target for the new conservative government.¹¹⁷ The government's aim was to reduce Statoil's dominance on the shelf.

All told, for the Americans, this meant a narrowing down of alternative solutions for the West European countries. It was, therefore, important to home in on Norwegian resources in general but the Troll field in particular. However, it would seem that the American administration pitched their hopes too high regarding the conservative government. Although the Conservative Party differed from the Labor Party in their approach to Statoil, their petroleum policy remained very similar, Ramm observed. It was apparent that there was a conflict of interest regarding the development of the Norwegian shelf. The U.S. urged for rapid

¹¹⁴ Bergesen & Malnes, 1984, *Norge som oljeland*, p. 65

¹¹⁵ Ramm, e-mail correspondence, April 5, 2018

¹¹⁶ CIA, *Analysis of Ability of U.S./CoCom Oil/Gas Controls to Impede Soviet Oil/Gas Production*, October 22, 1981

¹¹⁷ Notaker, 2012, *Høyres historie*, p. 110

development to offset Soviet energy export, whereas Willoch urged for reducing Statoil's role and for the sensible management of the resources.

The Decision to Impede the Pipeline

As Norwegian resources seemed as viable alternatives to the Siberian gas, the American administration decided to obstruct the construction of the Euro-Siberian pipeline unilaterally. The sanctions involved an embargo on American equipment and technology related to oil and gas development. The decision was endorsed on October 16, 1981.¹¹⁸ However, instead of trying to stop the pipeline altogether, the Americans concentrated on slowing down the construction in hopes of delaying Soviet revenue. The CIA estimated that the pipeline would be delayed at least two years, maybe three, without Western technology.¹¹⁹ The delay would give the U.S. valuable time to persuade West European countries to buy alternative gas.¹²⁰ Additionally, the Americans hoped that the OPEC oil price would decrease in the meantime, which would make the pipeline project less attractive for the Soviet Union. A decreased oil price could make the massive investments in the pipeline unprofitable. However, if the Americans were successful in delaying the construction of the pipeline, they would need a solution for the acceleration of alternative sources, such as Norwegian gas; however, a decrease in oil price would likewise make Norwegian projects less tempting to develop.

The embargo pended for two months before Reagan's administration found a pretense to effectuate the sanctions.¹²¹ On December 13, 1981, the communist government in Poland declared martial law. The presumed Soviet involvement in the situation in Poland resulted in a total ban on U.S. sales to the Soviet Union of "equipment and technical data for the refinement and transmission of gas and oil."¹²² The ban was put in effect December 30, 1981. The United States imposed sanctions against countries, companies, and individuals that aided the Russians in constructing the pipeline.

By way of contrast, European leaders were particularly unimpressed with the decision because the Euro-Siberian pipeline sanctions were seemingly only hurting the Europeans. It did

¹¹⁸ NSC, October 16, 1981 RF

¹¹⁹ Allen, NSC, October 16, 1981 RF

¹²⁰ Casey, NSC, October 16, 1981 RF; Casey, NSC, February 4, 1982 RF

¹²¹ Jentleson, 1986, *Pipeline Politics*, p. 173; Austvik, 2003, *Norwegian Natural Gas*, p. 177; Pipes, 2003, *VIXI*, p. 171; Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 66

¹²² Hardt & Gold, 1982, *Soviet Gas Pipeline: U.S. Options*, IB82020

not help the Transatlantic relationship that Reagan, as soon as he was inaugurated, lifted the grain embargo. Lifting the grain embargo made it appear as he was protecting U.S. trade with the Russians, while making Europe suffer for the same thing. On the contrary, the embargo proved to be bad business for the Americans. The pipeline sanctions meant that vital equipment such as compressors and pipelayers, made by U.S.-based companies such as General Electric Company and Caterpillar, were held back. Except for a few items, however, the U.S. did not have a monopoly on necessary equipment for the construction of the pipeline. The embargo proved to be ineffective because the allies did not comply with the Americans and offered alternative equipment. The Japanese foreign minister, for example, had told Haig earlier that year that the Japanese would not withhold sales of pipelayers to the Soviet Union. Additionally, Rolls Royce in the U.K. could provide the much-needed compressors that were held back by General Electric.

Initially, the ban on oil and gas related export from the U.S. had mostly adverse effects on American companies. For example, Caterpillar, a cornerstone of American industrial machinery, was already on the brink of bankruptcy in the early 1980s because of harsh competition with the Japanese company Komatsu. In 1981, Caterpillar received an order of over 100 pipelayers for the construction of the pipeline between Siberia and Europe. However, the pipeline sanctions were so central to the Reagan administration that they were willing to hurt American businesses.¹²³ Caspar Weinberger said, “We must not adopt the attitude that if we don’t sell to them someone else will.”¹²⁴ American authorities could enforce export restrictions on U.S.-based companies through the Export Administration Act of 1979, and they did. The Reagan administration upheld a firm policy, and the 100 pipelayers came from Japan instead, hurting Caterpillar even more.

Conclusion

Although the Norwegians were not actively participating in the pipeline dispute, it is reasonable to assume that they were following it, given that the Russians were one of the biggest competitors in the European market. The Euro-Siberian pipeline has been regarded as the cause of Troll ending up as a talking point in the White House. However, how the dispute unfolded and how that affected the talks have been much less emphasized. The political divergence within the Western alliance is an underplayed or overlooked factor that was central to the story of

¹²³ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 67

¹²⁴ NSC, July 6, 1981 RF

accelerating Troll and how it ended up in the White House. This divergence, arguably, was a foreign political constraint for the Norwegian government. However, the foreign political constraints did not mean pressure on Norway but rather unfavorable circumstances internationally, which did not match Norwegian foreign political objectives.¹²⁵

However, the dispute changed the significance of Norwegian resources. Troll as a significant geopolitical field was still not established, but Norwegian resources in general gained importance as the dependency issue arose. It was clear, however, that European leaders doubted the validity of Reagan's dependency argument.¹²⁶ Moreover, Demidova has claimed that dependency was the core reason for American opposition against the pipeline. Conversely, the CIA's reports and reasoning in the NSC suggest that the rationale behind the pipeline opposition was intricate. Dependent on different views on the pipeline, the motivation for the sanctions would vary. For example, while Haig and the *fait accompli*-school would probably stress the dependency issue, Reagan, Perle and the stop the pipeline-school would perhaps suggest that the hard currency revenue was the primary target. Nevertheless, military or political threat derived, either way, from increased energy dependency. By imposing sanctions, Reagan did what he accused the Soviet Union of doing, namely use the energy trade as political leverage.

Although sanctions gained support in the White House, The establishment of the AEG concurred with the wishes of the *fait accompli*-school. The AEG was the American response to prospected European energy demand. In that sense, change in Norwegian government came timely for the Americans. Nonetheless, the Norwegian government's election victory came at a time when deregulation and market principles were gaining support, for many of the same reasons as for Reagan's victory in 1980.¹²⁷ Although Willoch's government had much in common with Reagan's administration, Willoch was not a reflection of Reagan regarding policy.¹²⁸ U.S. ambitions on behalf of Norwegian resources did not necessarily harmonize with the Norwegian government's aims. These diverging intentions would be the centerpiece for the future process of accelerating Norwegian resources, or rather, for why they did not accelerate.

¹²⁵ Bergesen & Malnes, 1984, *Norge som oljeland*, p. 10

¹²⁶ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 79

¹²⁷ Basosi, 2013, *The European Community and International Reaganomics*, p. 133

¹²⁸ Notaker, 2014, *Høyres historie*, p. 252

Chapter 3: The Norwegian Gas: An American Weapon?

As argued in the previous chapter, different opinions on how to respond to the Soviet invasion of Afghanistan and the Poland crisis arose. The consensus in West Europe was dialogue with the Soviet Union, whereas Reagan avoided Brezhnev during his first year as president.¹²⁹ These contrasting attitudes affected Norwegian politics. Aggregated with NATO's double-track decision in 1979, the political debate concerning Norway's NATO membership arose.¹³⁰ Norway was caught between the U.S. and West Europe, which pulled in opposite directions. Consequentially, the Norwegian scope of action regarding energy export was affected by the exacerbated Euro-American relationship. The American proposal to accelerate Norwegian production to offset the Soviet natural gas production could be problematic.

Regarding the geopolitical circumstances, how did Norwegian authorities respond to the American proposal? Now we know that an accelerated development of Norwegian energy did not happen. Scholars and politicians disagree on why. Was it, as Bjørn Vidar Lerøen and Ole Gunnar Austvik argue, because of the of the technical constraints regarding the Troll development?¹³¹ Alternatively, could it be, as according to Helge Ole Bergesen and Raino Malnes, due to the geopolitical constraints?¹³² Demidova provides a third explanation. She argues that the Norwegian authorities opposed increased gas production because Norway was planning on reducing the output instead.

Even though the Reagan administration greeted the new government enthusiastically, it was apparent that the two governments had different priorities. The like-mindedness of the two governments did not manifest itself in the rapid development of Norwegian resources. Instead, it manifested in the Conservative Party's desire to reorganize the share distribution on the shelf. To understand why Willoch and Reagan had different priorities, we must investigate the policy behind their priorities. In the following, we investigate different political factors. It is, therefore, necessary to distinguish between domestic policy and foreign policy, how these factors could be dealt with, or how they inhibited development.

¹²⁹ Ludlow, 2013, *The Unnoticed Apogee of Atlanticism? U.S.-Western European Relations during the Early Reagan Era*, pp. 20, 21, 22

¹³⁰ Notaker, 2014, *Høyres historie*, p. 149; Njølstad, 2015, *NATOs dobbeltvedtak*, Norgeshistorie.no: downloaded February 28 2018

¹³¹ Lerøen, 1996, *Troll: Gass For Generasjoner*, p. 81; Austvik, *Norwegian Natural Gas*, 2003, p. 180

¹³² Bergesen & Malnes, 1984, *Norge som oljeland*, p. 10

Impressing the Norwegians

After the Americans had explored many options, the Norwegian petroleum province appeared as the most promising alternative regarding supplying Europe in the future. In 1983, Bergesen and Malnes asserted that, according to the prognosis of unexploited Norwegian reserves, Norway was the only Western country with the latitude to increase production to the year 2000.¹³³ In addition to securing West European energy, development in the North Sea was good business. American companies were well established in the North Sea and had been fundamental to Norwegian petroleum activity from the beginning. They were heavily involved in all sectors of the North Sea petroleum industry. American companies provided technical expertise, hardware, and equipment, and they were licensees of key fields.¹³⁴ Esso Exploration, for example, was the second biggest licensee on Sleipner after Statoil.

Moreover, the Americans started homing in on specific fields in the North Sea. According to AEG's energy advice from March 1982, Norway, compared with other petroleum-exporting West European countries, had "by far and away the greatest scope for expanded output."¹³⁵ AEG's mission to Europe in early 1982 concluded that "one field alone, 31/2, could provide all the gas expected to be contracted during the first phase of the Soviet pipeline deal."¹³⁶ Also known as the Troll field, 31/2 was becoming the representation of an energy-independent West Europe, but it was also a significant field for the future export of Norwegian natural gas. To develop Troll became a necessary step to offset the second strand of the pipeline from Siberia.¹³⁷

After the awareness of Troll, Reagan's administration demanded accelerated production of Norwegian resources, although there is little empirical evidence of a concretization of what was meant by the term "accelerated development." It was still an unanswered question what accelerated development was. The question was central, but probably not raised. This unclear communication could, arguably, be the origin of the divergent view of North Sea development.

¹³³ Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*, p. 4

¹³⁴ Hanisch & Nerheim, 1992, *Fra vantro til overmot*

¹³⁵ AEG, , AEG, Energy advice, March 11, 1982, RRPL: Series II Box 4, FF: Buckley Mission to Europe, Feb-Mar 82

¹³⁶ Ibid.

¹³⁷ CIA, 1982, *North Sea Gas: Development Options*, RRPL: Series II Box 5, Loc 3, FF: Alternative Energy Group [Buckley Group] 08/01/1982-08/16/1982,

Was accelerated development meant as the concrete acceleration of specific fields, such as Troll? Indeed, the Troll field was a relevant field for the American administration in the long run. Reports and records, however, did not perceive the field as either a short-term or medium-term alternative;¹³⁸ the short-term and medium-term alternative was Sleipner. Indeed, it was the acceleration of the Sleipner field that was mentioned before Troll. Explicit discussions within the American administration about the acceleration of Troll emerged during the spring of 1983. The Americans have also referred to an acceleration as accelerated issuing of licenses, easing the limitations on rigs and drilling seasons, and opening new blocks for exploration.¹³⁹

The Norwegians, however, understood the term as a speedy development of Troll and other natural gas fields,¹⁴⁰ that is, starting production promptly and solving problems continuously. Phillips, one of the first oil companies on the Norwegian shelf, tried this development procedure on Ekofisk in the early 70s.¹⁴¹ It proved, however, to be a bad experience. In this regard, Norwegian officials iterated that technical constraints prohibited a rapid development. Moreover, rushing development ran counter to the Norwegian policies on the shelf. Additionally, the Ministry of Oil and Energy (*Olje- og Energidepartementet*, hereafter called OED),¹⁴² did not want to make hasty progress on Troll, Ramm asserted.¹⁴³

Contrary to the Norwegian understanding, American documents repeated a concern about Norwegian policy more than a concern about technical constraints. The Norwegian depletion¹⁴⁴ rate, the Norwegian concern about overheating the economy, and the “go-slow” on exploration licenses were bigger concerns for the Americans than the technical challenges.¹⁴⁵ A reasonable assumption is that the Americans needed a guarantee from the Norwegians. If Norwegian authorities did not open for increased production rate, there would be no guarantee that the West European countries would have access to Western gas in the future. Moreover, as Groningen was

¹³⁸ (1) Technical Review of the Shakhalin Project (2) The Siberian Gas Pipeline Project, June 16, 1982, RRPL: Series II Box 5, FF: Buckley Mission April 1982-Present [1983] (10)

¹³⁹ Inman to Buckley, April 9, 1982, RRPL: Series II Box 5, FF: Buckley Mission April 1982-Present [1983](1),

¹⁴⁰ Lerøen, 1996, *Troll: gass for generasjoner*, p. 81; Austvik, 2003, *Norwegian Natural Gas*, p. 182; Gjerde, Interview, October 17, 2017; Pedersen, Interview, November 2, 2017

¹⁴¹ Nerheim, 1992, *Fra vantro til overmøt*, Ch. 4, p. 191

¹⁴² Ministry of Oil and Energy was established in 1978, which took over for the responsibilities concerning petroleum and energy from the Ministry of Industry

¹⁴³ Ramm, e-mail correspondence, April 5, 2018

¹⁴⁴ The depletion rate will be explained in the next section.

¹⁴⁵ CIA, 1982, *North Sea Gas: Development Options*, RRPL: Series II Box 5, Loc 3, FF: Alternative Energy Group [Buckley Group] 08/01/1982-08/16/1982,

depleting and the second pipeline from Siberia was prospected, the Americans needed assurance that Norwegian gas could supply West Europe. Despite a lack of access to OED's archives, Gjerde asserted in an interview that the depletion rate was not OED's reason not to commit to the speedy development of Troll.¹⁴⁶ Conversely, the depletion rate has operated more as an indication on the political consensus regarding the pace of depletion from the shelf, more than a *de facto* limitation on production. However, the Americans interpreted the depletion rate as a legally established absolute limit on the production. Therefore, it was more an American problem than a Norwegian one.

In this regard, according to American documents, the Americans accused the previous Labor Party government of failing to transform petroleum policy to meet the growing European energy demand. Willoch and his government, the Americans argued, were willing to make the necessary changes to expand Norwegian petroleum activity.¹⁴⁷ Myer Rashish, Under Secretary of State, confirmed this view in January 1982. He informed the members of the East-West Economic Relations committee that the new Norwegian government was laying the groundwork for an acceleration of the Norwegian natural gas production.¹⁴⁸ Rashish also reported that "such development must be economically and commercially viable and in line with the conservative government's aim to rely on market principles." Additionally, domestic social and economic concerns still played central roles under the conservative government, as Rashish ensured the committee. The Norwegian government weighed national considerations against international energy demand. The Norwegian government signaled to the Americans that they were willing to open for additional exploration licenses and that they generally would lead an expansive petroleum policy in the future. However, the Americans were too optimistic regarding Willoch's determination to expand and accelerate Norwegian energy resources. Domestic concerns in Norway trumped international concerns.

¹⁴⁶ Gjerde, Interview, October 17, 2017

¹⁴⁷ Inman to Buckley, April 9, 1982, RRPL: Series II Box 5, FF: Buckley Mission April 1982-Present [1983](1),: "Oslo has taken several steps to speed up the pace of oil and gas development. Exploration tracts north of the 62 parallel have been opened [...] limitation on drilling season and the number of rigs allowed to operate in some regions have been eased"

¹⁴⁸ Rashish to SIG, E-W Econ. Relations, *Energy Security Discussions with Norway and The Netherlands* January 4, 1982

Norwegian Depletion Rate: An American Problem

To stop the second pipeline, the Americans needed assurance of increased Norwegian production. The American administration was well informed about the tentative extraction limit in Norway, which limited production to 90 million tons of oil equivalents annually, known as the Norwegian depletion rate. Anchored in the government report no. 25 from 1973/74, the depletion rate was an expression of a moderate extraction from the shelf.¹⁴⁹ Furthermore, it was meant as a sheer domestic policy to stabilize the Norwegian economy, without the intention of affecting the international energy market. The 90 million ton ceiling, however, was an arbitrary number, because no one could anticipate the future of Norwegian oil and gas production.¹⁵⁰ Moreover, the actual extraction rate in 1981 was approximately 55 million tons of oil equivalents. In other words: not near the 90 million ton limit. More than a concrete number of extraction limit, it represented the Norwegian moderation pertaining to petroleum production. However, John Ausland predicted in 1978 that the ceiling would create problems for the Norwegian authorities. He asked, “What would happen to the moderate extraction if there were some big discoveries?” Troll and Sleipner exposed the problems with the extraction limit, which called for a thorough revision of the Norwegian depletion rate. Ramm also quipped that it was always the intention to review the 90 million ton limit when it was approached.¹⁵¹

Bruce Jentleson’s claim that Norwegian authorities lacked the will to increase production above existing plans stems from the early days of the IEA.¹⁵² Norwegian authorities were reluctant to commit to the IEA for fear of increasing the depletion rate. Jentleson was right in that the American administration suspected that Norway lacked the will to increase production. Demidova also concluded that the depletion rate obstructed increased Norwegian production.¹⁵³ The extraction limit was the primary political obstacle, as the Americans viewed it, to expand Norwegian natural gas production.¹⁵⁴ In an NSC meeting in February 1982, Casey said, “We should press the Norwegians to produce more gas.”¹⁵⁵ In an interview, Gjerde asserted that

¹⁴⁹ Finansdepartementet, St. meld. Nr. 25 (1973/74)

¹⁵⁰ Ausland, 1978, *Norway, Oil, and Foreign Policy*

¹⁵¹ Ramm, e-mail correspondence, April 5, 2018

¹⁵² Jentleson, 1986, *Pipeline Politics*, p. 187; Austvik, 2003, *Norwegian Natural Gas*, pp. 181 and 182

¹⁵³ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 75

¹⁵⁴ CIA, *Alternative Strategies for Natural Gas in Western Europe*, March 11, 1982, p. 17, RRPL: Series II Box 4,

¹⁵⁵ NSC, February 26, 1982, RF

during the talks in D.C., the depletion rate was central in the meetings.¹⁵⁶ In other words, there were significant doubts about the Norwegian commitment to increase Norwegian production. Within a week after Casey's suggestion, it was stated in a CIA report that the Norwegian Minister of Oil and Energy, Vidkun Hveding, had assured that there was no longer a fixed limit on oil and gas production.¹⁵⁷

Hveding's assurance concurred with the official explanation from the Norwegian government that Norway's resources could not accelerate due to technical constraints, not due to the depletion rate. Moreover, Ramm claimed that the depletion rate was irrelevant in this context.¹⁵⁸ On the contrary, the establishment of *Tempoutvalget*, which will be discussed in section *The American Proposal in Foreign Political Context*, suggests that the depletion rate was highly relevant for Norway and internationally.

When it became clear that it would be difficult to uphold the depletion rate and simultaneously develop Troll and Sleipner, a domestic and international debate emerged. The depletion rate implied that Norwegian petroleum production had a long-term goal of a relatively low and stable pace of extraction to benefit Norwegian society for many years and to minimize negative macroeconomic consequences. In practice, it meant that the producers could not exceed the maximum production even if the prices rose. William Clark, a White House staff member, received an article written by Lawrence Minard in *Forbes* magazine that summarized the Norwegian depletion rate.¹⁵⁹ "Since the energy prices could only go up," the article said, "it seemed logical to leave the reserves in the ground." Such a policy would benefit future generations.¹⁶⁰ Additionally, Norwegian energy export had thus far only experienced increasing energy prices. Minard argued, nonetheless, that this policy backfired.¹⁶¹ For the first time in Norwegian oil history, energy prices were falling, after the oil glut in the early 1980s. Minard argued that the policy also caused Norway to lose market shares in Europe. When Europe demanded energy in the late 1970s, the Russians had 40 billion cubic meters (BCM) to offer Europe, which would meet their import needs, and Norway had 6–7 BCM from Statfjord.

¹⁵⁶ Gjerde, Interview, October 17, 2017

¹⁵⁷ CIA, *Alternative Strategies for Natural Gas in Western Europe*, March 11, 1982, p. 17, RRPL: Series II Box 4

¹⁵⁸ Ramm, phone interview, April 13, 2018

¹⁵⁹ Martin to Clark, September 21, 1982, RRPL: Executive Secretariat, Box 33, FF: Norway (07/01/1982-10/16/1982),

¹⁶⁰ Minard, *A «NATO premium» for Norway's gas?*. *Forbes*, September, 1982: p. 76, RRPL: Executive Secretariat Box 33

¹⁶¹ *Ibid.*

Minard argued that because of the lack of viable Western alternative energy source that could meet the demand, West European countries had no other choice but to diversify eastwards.

The depletion rate inhibited the Norwegian production from keeping up with the prospected increasing demand from Europe in the 1990s. That could potentially have meant incremental import from OPEC, a situation West Europe wanted the least. The Americans, however, tried to avoid increased import from the Soviets. The circumstances put the Norwegian depletion rate under pressure. Although Reagan brought up energy dependency as a geopolitical issue, the dependency question was not new. The executive director of the IEA, Ulf Lantzke, argued the following already in the 1970s: “[...] Norway [is] under a certain pressure to contribute to decreasing the community’s dependence on imports from non-European sources.”¹⁶² It is important, however, to stress that Lantzke meant OPEC sources, not Soviet sources, when he referred to non-European sources. As mentioned previously, the European countries regarded Soviet gas as more reliable than OPEC.¹⁶³ Gjerde later affirmed the claim by saying that the Russians had always been safe in the Europeans’ eyes.¹⁶⁴ With a relatively low rate of petroleum extraction from the Norwegian sector, the international society feared a supply deficit in the next decade. Although the depletion rate was meant as domestic policy, IEA made it an international concern.

As a response to the prospected problems regarding Troll and Sleipner, Willoch’s government established a commission, *Tempoutvalget*, in March 1982.¹⁶⁵ *Tempoutvalget* would also come to symbolize the national and international debate about the Norwegian rate of depletion. One of the most important proposals in *Tempoutvalget’s* report (NOU) was to establish a fund which would help separate the earning and spending of petroleum revenues. This could enable a significant increase in revenue from petroleum activity without the fear of overheating the economy.¹⁶⁶ The suggestion was the prelude to today’s sovereign wealth fund. Contrary to Demidova’s and Jentleson’s assertions, and above all, contrary to the American accusation of lack of political will to increase production, *Tempoutvalget* was a political response to the problem of production limits.

¹⁶² Ausland, John C., 1979. *Norway, Oil, and Foreign Policy*, p. 45 & 46

¹⁶³ Haig, July 6, 1981, NSC meeting minutes, RF

¹⁶⁴ Gjerde, Interview, October 17, 2017

¹⁶⁵ Nore, March 3, 2018

¹⁶⁶ Ibid.

Chatham House Meeting: Re-Launching Norwegian Gas Alternatives

Concurrently, the Europeans addressed the energy security by singling out Norwegian resources as particularly important. Moreover, in April 1982, the White House became increasingly more preoccupied with the Norwegian natural gas alternative as the eagerness to stop the first Siberian pipeline was dying out.¹⁶⁷ While Reagan's administration was pressuring European countries to replace Soviet gas with Norwegian gas, the Europeans raised the issue of energy dependency. The European initiative produced two significant outcomes: (1) The Troll natural gas field emerged as the most significant source of alternative energy, which directed the Americans' attention to this specific field. (2) The triangular deal between Statoil and British Gas Corporation (BGC) around the Sleipner field gained significance as the short-term solution to offset the second strand from Siberia.

Robert Belgrave, the former director of British Petroleum, invited senior commercial and governmental representatives to a Chatham House Meeting in May 1982. Among the invited were Henrik Ager-Hanssen, the Vice President of Statoil; T.W. Oerlemans from Shell; and James Peery from Esso, who were the three most prominent licensees in Troll and Sleipner. William Martin and Stephen Bryen from the American administration were also invited. The invitation made it clear, however, that the meeting was not to be driven by the U.S. but led by the Europeans. The purpose of the meeting was to discuss Norwegian natural gas resources and European energy dependency.¹⁶⁸ These issues were discussed without any official governmental representation from Norway. As far as Ramm recalls, the Norwegian government was unaware of this meeting.¹⁶⁹

The resounding conclusion, Bryen and Martin reported, was that the European energy supply depended either on Norwegian natural gas, primarily from Troll, or on incremental Soviet import. It was expected that the Russians would try to take advantage of the extended lead time in Norwegian development by negotiating new contracts shortly.¹⁷⁰ To avoid new Soviet

¹⁶⁷ Ledeen to Eagleburger, April 6, 1982, RRPL: Series II Box 5, FF: Buckley Mission April 1982-present: "We have apparently decided not to 'go to the mat' over the Yamal pipeline project. Yet we do not like it, and remain concerned about West European dependence on Soviet natural gas, and the quantities of money going from West to East."

¹⁶⁸ Martin, State, April 1, 1982, RRPL: Series II box 5, FF: Buckley Mission April 1982-present; Bryen and Martin, Memo to CIA, *Chatham House Meeting on European Gas Security* May 12, 1982

¹⁶⁹ Ramm, phone interview, April 13, 2018

¹⁷⁰ Bryen and Martin, Memo to CIA, *Chatham House Meeting on European Gas Security* May 12, 1982

agreements, additional Norwegian gas needed to come on stream as quickly as possible, no matter from which field. Norwegian gas could both prevent the construction of the second strand and secure West European energy, according to Martin. Until that point in time, the Dutch had supplied a considerable share of European energy, but the Groningen field in the Netherlands was drying out. Moreover, IEA claimed that Troll could be even bigger than the Groningen field.¹⁷¹ The Dutch anticipated that the Groningen field would have stopped producing before the mid-1990s. The key issue was how quickly Norwegian gas could replace the Dutch gas.¹⁷² The only viable option shortly was the triangular gas deal involving Sleipner and U.K. as a conduit. However, the triangular deal was not intended to be the final solution. Instead, it would provide an interim solution to prevent incremental Soviet import. As Bryen and Martin stated, “Sleipner triangular deal provides a very important bridge to development of 31/2 and therefore should be pursued.”¹⁷³ Bryen and Martin were thoroughly convinced that Troll was the future of European energy.

The Chatham House meeting marked a shift in the American proceedings of finding alternative energy. The Americans recognized that the marketing of Sleipner was, in fact, a significant element if Norway should develop 31/2, the Troll field. The CIA stated the following: “[The Sleipner area] offers the greatest potential for development in the near term.”¹⁷⁴ In Norway, however, there were concerns regarding the marketing of Sleipner after the finalization of the Euro-Siberian pipeline agreement. The Americans also noted that the difficulties regarding the depths and technological challenges of the Troll gas field would imply a delayed development of the field.

Despite the challenges related to the North Sea, the Americans were optimistic regarding the triangular deal. According to the CIA, a triangular gas deal suggested that the U.K. could be used as a conduit for Norwegian gas. The suggestion implied connecting Sleipner to the existing Frigg pipeline or building a new trunk line to the U.K. from Sleipner. Accordingly, Norway would increase their gas deliveries to the U.K. from Sleipner; the U.K. would then export the excess gas to the continent through an interconnecting pipe across the English Channel to the

¹⁷¹ IEA, 1982, *World Energy Outlook*, p. 390

¹⁷² Bryen and Martin, Memo to CIA, *Chatham House Meeting on European Gas Security*, May 12, 1982

¹⁷³ Ibid.

¹⁷⁴ CIA, *North Sea Gas: Development Options*, 1982

Netherlands.¹⁷⁵ With the triangular gas deal, the continent would receive 10–15 BCM annually, making a second strand of Siberian pipeline redundant.¹⁷⁶ A triangular deal could probably have saved a considerable amount of investment and time. Moreover, a triangular gas deal would have offered the continent an alternative to the Siberian gas as early as the late 1980s, which could have made it easier to persuade the European countries to choose North Sea gas instead of agreeing on the second strand of Siberian gas.

The Pipeline: A Fait Accompli

The Chatham House meeting changed how the Americans approached Norwegian petroleum production. Although Ramm believed that the Americans had discarded the Norwegian energy option, the Chatham House meeting re-launched Norway with Troll as a viable replacement for Soviet gas. It became probable that Norwegian natural gas could offset Soviet gas and prevent West European countries from increasing their import from Siberia. Additionally, the overall situation in Poland had not changed, and the construction of the pipeline had started despite U.S. sanctions.

On May 24, 1982, just a few weeks before the G7 Economic Summit in Versailles, where Reagan would meet West European leaders, the president and the NSC were faced with issues of particular concern. The dilemma was whether to extend sanctions by applying extraterritoriality or to lift sanctions. Again, a tug of war between the stop the pipeline–school and the *fait accompli*–school emerged. According to Richard Pipes secretary in the NSC, “Reagan vacillated,” regarding this decision.¹⁷⁷ Contrary to Pipe’s assertions, according to NSC minutes, Reagan seemed as convinced as the rest of the stop the pipeline-school as to extend sanctions. Alexander Haig and the State Department, on the other hand, suggested lifting sanctions to de-escalate the Euro-American situation. Haig was concerned about allied reactions. Haig thus proposed to be flexible on the sanctions, suggesting that the Europeans compromise. The condition for American flexibility was that the Europeans would restrict credit flow to the Soviet Union and commit to developing North Sea gas. Conversely, most of the closest people around Reagan, including Pipes, urged for the President to be firm. Pipes argued that the U.S. should

¹⁷⁵ Innman to Martin, April 9, 1982, RRPL: Series II, box 5, FF: Buckley Mission April 1982-present,

¹⁷⁶ Bryen and Martin, Memo to CIA, *Chatham House Meeting on European Gas Security*, May 12, 1982,

¹⁷⁷ Pipes, 2003, *VIXI: Memoirs of a Non-Belonger*, p. 177

have two levers to use against the Soviet Union: either economic sanctions or military intervention.¹⁷⁸

For about a year, the pipeline had caused a growing geopolitical tension between the West European countries and the U.S. After several attempts to dissuade the Europeans, Reagan realized that his allies in Europe were willing to go far to secure a cheap energy import, even from the Soviet Union. The Reagan administration thus acknowledged the pipeline as a *fait accompli*; “The Europeans should have a bit of guts,” Reagan exclaimed. “We should tell them: we will help you with North Sea energy resources – OK, have your pipeline, but no second pipeline, and develop Norway.”¹⁷⁹

The decision about the sanctions, whether to lift or extend, was to be made after the Versailles summit; however, Reagan returned to Washington D.C. disappointed with the allies. Especially the French had proved to be harsh towards the Americans. All told, Reagan’s proposal received a lukewarm reception. West Europe refused to restrict credits to the pipeline development. As a last resort to delaying the Urengoy pipeline, the Americans applied extraterritoriality to extend the sanctions, enforcing, in this case, American law on overseas companies that were subsidiaries of American licenses. The act would ban any foreign company from providing oil- and gas-related equipment for the construction of the pipeline, as long as the company operated under an American license. The act was not intended to have a significant impact on the completion of the first pipeline but instead to hurt the European countries, signaling that a second pipeline would be met with strong American opposition.¹⁸⁰ Reagan effectuated extraterritoriality on June 18, 1982, which had a far more significant impact than the previous U.S. embargo on West European companies.¹⁸¹

The extension of the sanctions applied additional pressure on the West European countries to contribute to the developing of North Sea resources. As a result, the relationship between Reagan and the West European heads of state worsened. Such development within the Western alliance

¹⁷⁸ Ibid., p. 180

¹⁷⁹ Reagan to the NSC, *Review of December 30, 1981 Sanctions*, May 24, 1982, RF

¹⁸⁰ Galbraith to Buckley, June 1982, Dep. State RRPL: Series II Box 5, FF: Alternative energy group [Buckley Group] June-July 1982,

¹⁸¹ Hardt & Gold, 1982, *Soviet Gas Pipeline: U.S. Options*, IB82020

was not in accordance with Willoch's goal of a united and robust Western front against the Soviet Union.¹⁸²

In light of the announcement of extraterritoriality, Ronald Reagan announced during a press conference Norway as an alternative energy source that could meet the European needs for energy.¹⁸³ Reagan stated that these sources were closer to home, meaning that it was a safer supply of energy. In this regard, Ramm recalled that Reagan accused Norway of being less than helpful.¹⁸⁴ The Norwegian government took Reagan's comment very seriously, but the Norwegians were also surprised that Reagan had re-launched Norway as an alternative.¹⁸⁵ According to American sources, Norwegian media referred to the statement as political pressure on the Norwegian government.¹⁸⁶ There are few reasons to doubt the American sources, given that Norway traditionally preferred to lie low in international conflicts. The Americans also claimed that Norwegian authorities, and the government in particular, were pleased with the American interest in Norwegian resources.¹⁸⁷ It was also important to Norwegian authorities not to be accused of disregarding European energy security. However, because of the divergence within the Western alliance over the Siberian pipelines, it was particularly important for the Norwegian government to maintain a distance to the conflict. Norway wished not to be seen as either pro or contra the pipeline sanctions or as either on the Europeans' or the Americans' side as such.¹⁸⁸

With the extraterritorial ban on equipment, there was no longer any doubt about the American expectations of Norwegian gas production or West European gas import. U.S. officials saw a clear connection between the extraterritoriality and the Norwegian resources.¹⁸⁹

¹⁸² Notaker, 2014, *Høyres historie*, p. 149

¹⁸³ Reagan, Press conference, June 30, 1982

¹⁸⁴ Ramm, e-mail correspondence, March 23, 2018

¹⁸⁵ Ibid.

¹⁸⁶ Martin to McFarlane, August 13, 1982, Meeting with Ramm, RRPL: Executive Secretariat. Box 33, FF: Norway

¹⁸⁷ Bergesen & Malnes, 1984, *Norge som oljeland*, p. 67; Martin to McFarlane, August 13, 1982, Meeting with Ramm, RRPL: Executive Secretariat. Box 33, FF: Norway

¹⁸⁸ Meeting with Ramm, RRPL: Executive Secretariat. Box 33, FF: Norway

¹⁸⁹ Galbraith to JLB, June 1982, Dep. State, RRPL: Series II Box 5, FF: Alternative energy group [Buckley Group] June-July 1982: "The extension of the embargo [...] should be of significant help to the development of Norwegian gas."

Meetings in Washington D.C.

In June 1982, Richard Perle invited Hans Henrik Ramm, Deputy Secretary of the Ministry of Oil and Energy, to Washington D.C. to discuss the technical and political aspects of gas development.¹⁹⁰ In August, just over a month after Reagan's renowned press conference, Ramm paid the first of several visits to Washington D.C.¹⁹¹ In light of the press conference and the extension of sanctions, it is reasonable to assume that the international pressure on Norway was at its most intense. In an e-mail, Ramm asserted that the Norwegian ministry of foreign affairs took Reagan's displeasure with the Norwegian lack of helpfulness very seriously.¹⁹²

However, the purpose of the meeting was to establish a common understanding of the Norwegian natural gas development plans.¹⁹³ From Norwegian perspectives, it was important to underscore that Norway could not preempt the Euro-Siberian pipeline and that field development was the commercial actors' responsibility.¹⁹⁴ From Martin's preparations it seemed, however, that the Americans were aware that Norwegian gas could not preempt the first strand of Euro-Siberian pipeline. Conversely, the Americans expected that the Norwegian government would emphasize that Norway should not be cited as an alternative to the Siberian gas pipeline. To refer to Norway as a potential alternative to the Siberian pipeline would draw Norway into the dispute between West Europe and the U.S. and would be counterproductive, Martin remarked.¹⁹⁵

The Americans' primary objective was to express to the Norwegian government that the U.S. viewed Norwegian gas development as key for the *long-term energy supply* in Europe.¹⁹⁶ The plan to stop the second strand of the pipeline from Siberia relied heavily on Norwegian natural gas development. According to the preparations prior to the meeting with Ramm, the Americans emphasized that "most of the incremental European gas demand [should] be supplied by new Norwegian production rather than a *second strand* of Soviet pipeline."¹⁹⁷ Contrary to Austvik's and Lerøen's assumptions, the Americans did not expect Norwegian gas to substitute

¹⁹⁰ Martin to McFarlane, August 13, 1982, Meeting with Ramm, RRPL: Executive Secretariat Box 33, FF: Norway,

¹⁹¹ Gjerde and Pedersen did not attend this first meeting in DC. They attended meetings during the spring and summer of 1983.

¹⁹² Ramm, e-mail correspondence, March 23, 2018

¹⁹³ Martin to McFarlane, August 13 1982, Meeting with Ramm, RRPL: Executive Secretariat Box 33, FF: Norway,

¹⁹⁴ Lerøen, 1996, *Troll: Gass for generasjoner*, p. 81; Ramm, 23.03.18

¹⁹⁵ Martin to McFarlane, August 13, 1982, Meeting with Ramm, RRPL: Executive Secretariat Box 33, FF: Norway

¹⁹⁶ Ibid., (My emphasis)

¹⁹⁷ Ibid., (My emphasis)

the already existing agreement of the first pipeline.¹⁹⁸ It was also apparent that the Americans were willing to express their understanding of the technical obstacles to more rapid exploitation. Before the meeting with Ramm, the AEG received a CIA report addressing the technical, political, and financial issues of North Sea development.¹⁹⁹ As it appears from the preparations, there was no doubt that Troll was a significant field, but the most important objective from American perspectives was to accelerate a general development of the North Sea.²⁰⁰

However, Ramm and his delegation left D.C. with the impression that some of the Americans, especially Perle and other “hawks,” did not understand the scope of the Troll development.²⁰¹ On the contrary, the Americans were left with the idea that Norway was reluctant to increase production because of the depletion rate.²⁰² The meeting also failed in coming to a mutual understanding of the potential development of Norwegian natural gas resources.²⁰³ It was important to address the accusations about Norway being recalcitrant, Ramm said. He remembers that the foreign political pressure on Norway de-escalated as a result of the meetings.

The American Proposal in Foreign Political Context

Foreign interest, such as the American, in Norwegian resources, was nothing new. Because Norwegian oil and gas trade has always been oriented towards the European market, foreign political considerations have always been a part of the industry. However, governmental policies were meant as domestic concerns, but the IEA put the Norwegian depletion rate on the international agenda. This meant that the depletion rate had to be addressed with foreign political measures. Although it was a consensus that the Norwegian depletion rate was first and foremost a domestic concern, *Tempoutvalget* had to consider international interests. *Tempoutvalget*, therefore, engaged the *Fridtjof Nansen Institute* to account for international and foreign political

¹⁹⁸ Austvik, 2003, *Norwegian Natural Gas*, p. 175

¹⁹⁹ Buckley, August 11, 1982, RRPL: Series II Box 5, Loc 3, FF: Alternative Energy Group [Buckley Group]08/01/1982-08/16/1982,

²⁰⁰ Rentschler to Allen, November 10, 1981, RRPL: Executive Secretariat Box 33, FF: Norway (11/01/1981-06/30/1982),; Martin to McFarlane, August 13, 1982, Meeting with Ramm, RRPL: Executive Secretariat Box 33, FF: Norway,

²⁰¹ Lerøen, 1996, *Troll: Gass for generasjoner*, p. 82; Gjerde, Interview, October 17, 2017; Ramm, phone interview, April 13, 2018

²⁰² Jentleson, 1986, *Pipeline Politics*, p. 187

²⁰³ See appendix for Ramm’s story about the meetings in DC and his renowned illustration of the Troll development

aspects of different levels of extraction.²⁰⁴ If the depletion rate was a political problem for the European energy security, *Tempoutvalget* was the political solution. Petter Nore, secretary of *Tempoutvalget*, observed that the foreign policy aspect of the report did not receive much attention. The discussion centered primarily around the domestic implications of the report. The fact that a fund mechanism, if implemented, would have direct consequences for energy security including the Troll question, was largely ignored.²⁰⁵

However, after the vast discoveries of oil and gas in the North Sea, Europe had become dependent on Norwegian energy supplies. In the early 1980s, the international environment was characterized by an increased tension between East and West and a dispute over energy security that unfolded within the Western alliance. Engaging actively in these circumstances could deprive Norway of its small state privileges. Bergesen and Malnes argued, in *Norge som oljeland*, that it is a small state's privilege not to get involved in conflicts that do not directly affect them.²⁰⁶ In other words, if conflicts or geopolitical problems would occur, a small state like Norway would hide behind a greater alliance and avoid controversy. However, European dependency had given Norway a valuable bargaining chip in international relations. It also implied that Norway could "no longer hide behind its traditional small state image."²⁰⁷

The Norwegian petroleum resources altered Norway's geopolitical significance. Norway had never been in a position where Norwegian decision-making had been relevant in a global political context. Norwegian foreign policy had merely mattered in international politics. Austvik, therefore, argued that petroleum may be the most significant single factor in Norwegian foreign policy;²⁰⁸ by being a vital petroleum exporter, Norwegian foreign policy gained geopolitical significance. Although Austvik did not discuss the Norwegian foreign political limitations pertaining to the gas export, foreign political considerations are embedded in this context. Norwegian decisions, therefore, became particularly significant in the European energy security of the early 1980s. Against its will, Norway was drawn into a geopolitical dispute over the Euro-Siberian pipeline.²⁰⁹ The pipeline dispute ran counter to Norwegian aims for foreign

²⁰⁴ NOU 1983: 27

²⁰⁵ Nore, March 7, 2018

²⁰⁶ Bergesen & Malnes, *Norge som Oljeland*, 1984, p. 75

²⁰⁷ Bergesen & Sydnes, *Naive Newcomer or Shrewd Salesman* 1990, p. 1

²⁰⁸ Austvik, 2003, *Norwegian Natural Gas*, p. 174

²⁰⁹ Bergesen and Sydnes, 1990, *Naive Newcomer or Shrewd Salesman*, p. 3

policy, namely to reduce East-West tensions.²¹⁰ Moreover, Willoch's goal for a united NATO seemed farther away after the Americans extended the sanctions. After the IEA made the depletion rate an international concern, and Reagan publicly announced Norway as an alternative to Soviet gas, Norwegian decisions mattered in European energy security. The Norwegian depletion rate and *Tempoutvalget* were, therefore, placed under international scrutiny.

As a part of *Tempoutvalget's* assessments, Bergesen and Malnes authored the *Fridtjof Nansen Institute's* report on international and foreign political aspects of different levels of extraction.²¹¹ The report argues on the basis that West Europe would voluntarily decrease import from the Soviets because of safety reasons. The report concluded that the West would, therefore, expect increased production from Norwegian shelf. They argue, however, that Norwegian foreign interest would probably not suffer from the low pace of production. Indeed, the U.S. and West Europe would not sanction against Norway regardless of the depletion rate Norway chose to institute, they argue.²¹² Conversely, Øystein Noreng remarked in a working paper in 1980 that Norway's allies are dissatisfied with Norway's moderate extraction. Indeed, maintaining the current extraction rate could be provocative for the European allies, he argues.²¹³ On the whole, Bergesen and Malnes' report suggests that Norwegian freedom of maneuver would not be curtailed regarding the choice of depletion rate.

Nonetheless, a central mistake Bergesen and Malnes make is that they treat the U.S. and West European interests as identical.²¹⁴ Bergesen and Malnes further argue that Norway probably followed the Reagan administration's policy to gain advantage compared with the Soviet gas sellers. "The idea is that Norway would need all political support it can get to counterbalance the economic advantage the Soviet Union has," they say.²¹⁵ Conversely, this reasoning omits the severe discrepancy that caused the Transatlantic discord. It would be equally reasonable to assume that Norwegian gas would be met by strong West European opposition due to the Transatlantic conflict. Bergesen and Malnes omit the significant discrepancy between the

²¹⁰ Bergesen & Malnes, 1984, *Olje som oljeland*, p. 10

²¹¹ Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*.

²¹² NOU, 1983: 127, p. 158; Bergesen & Malnes, 1983, *Internasjonale og utenrikspolitiske aspekter ved valg av tempo i norsk petroleumsvirksomhet*, p. 55

²¹³ Noreng, 1980, *The European Energy Exporters*, p. 17

²¹⁴ Ramm remarked, in hindsight, that the report was outdated by the time it came out.

²¹⁵ Bergesen & Malnes, 1984, *Norge som oljeland*, p. 83: «Tankegangen er at Norge trenger all den politiske støtte man kan få for å oppveie fordelene sovjetiske gasselgere har».

views of the U.S. and West Europe on the pipeline sanctions and the growing rift it caused within the Western alliance. This particular dispute would, according to American sources, be limiting for the Norwegian scope of maneuver.

As discussed above, some American officials were reluctant to promote Norwegian natural gas as an alternative to the Soviet pipeline. Such a maneuver would be politically difficult for the Norwegian government to justify towards the West European countries, they argued. By promoting Norwegian resources in these circumstances, Norwegian authorities could be accused of taking sides in the dispute over the pipeline. It is, therefore, conceivable that the Norwegian government wanted to push matters on petroleum policy and market conditions in an attempt to keep a distance to the geopolitical constraints.²¹⁶ In other words: the government repudiated much of the liability concerning the progress on the Norwegian continental shelf. If the commercial actors and market conditions determined the vast majority of the petroleum activity, the Americans could not accuse Willoch's government of being recalcitrant.

These assumptions corresponded with the Norwegian "low profile strategy," which has been pointed out by Bente Engesland and Anne Sydnes.²¹⁷ By emphasizing the role of the market and commercial interests, the Norwegian government "sought to downplay the role of politics," they argued.²¹⁸ Indeed, Engesland and Sydnes claim that several empirical studies have shown that Norwegian authorities have downplayed their role in coping with foreign political and petro-economic interests.

Despite the government's efforts to downplay the political role in Norwegian petroleum activity, Reagan overtly made it a political issue. It was therefore inevitable to involve foreign political considerations when managing the petroleum activity. It would be challenging to insist on the Norwegian small-state image in the context of energy security. As a gas exporter, Bergesen and Malnes argued, Norway was forced to take a stand in a dispute defined by others and was no longer a remote small state but a central actor in the international energy security.²¹⁹ Although Norway was never actively engaged in the Euro-American dispute, the Americans fortified their role as a gas exporter.

²¹⁶ Ramm argued that Norway maintained a distance to the Transatlantic conflict by stressing the technical challenges.

²¹⁷ Engesland & Sydnes, 1990, *Competing Interests and Risk Aversion: Norway and the Call for International Energy Cooperation*, p. 103

²¹⁸ Ibid.

²¹⁹ Bergesen & Malnes, *Norge som Oljeland*, 1984, p. 68

NSDD 66: Lifting Sanctions and Reducing the Transatlantic Tensions

After almost five months with an extended embargo on oil- and gas-related equipment, Ronald Reagan decided to lift sanctions. The sanctions culminated in the National Security Decision Directive number 66 (NSDD 66), signed November 1982. The NSDDs were established by Ronald Reagan “to set forth official national security policy for the guidance of the defense, intelligence, and foreign policy establishments of the United States Government.”²²⁰ All American presidents have issued similar papers since the establishment of the NSC in 1947.

The directive is probably the most broadly discussed single document in the context of an acceleration of Troll and Norwegian energy resources. Both Lerøen and Austvik have labeled the material as a significant indication of Troll’s relevance in the American plan to bring down the Soviet Union. Somewhat pretentiously, Lerøen even argues that after the issuing of the NSDD 66, Troll became a part of the American dream.²²¹ There is no doubt that the Troll field was a significant field, but the field was never mentioned in the six pages of the directive. In fact, no Norwegian field was mentioned in the original document or the drafts.

The “principal objective for the United States,” as the document stated, was to prevent allied countries from agreeing on incremental energy import from the Soviet Union. The countries subjected to the directive would agree to do the following:

Participate in the accelerated development of alternative Western energy resources, principally Norwegian gas reserves. To accomplish this objective, the U.S. should undertake intensive work with our allies and within the IEA/OECD to encourage development of these Western alternatives and to encourage that adequate safety net measures are adopted to protect against shutoff of Soviet gas.²²²

The ambiguity in the latter part of the directive’s first objective is apparent. As mentioned, the directive did not specify that it was Troll that needed to be developed. The document might also

²²⁰ NSDD 66, November 29, 1982, downloaded March 3, 2018 from <https://fas.org/irp/offdocs/nsdd/nsdd-066.htm>

²²¹ Lerøen, 1996, *Troll: gass for generasjoner*, p. 80

²²² NSDD 66, November 29, 1982, downloaded March 3, 2018 from <https://fas.org/irp/offdocs/nsdd/nsdd-066.htm>

have referred to a general change in Norwegian petroleum policy, which would contribute to an accelerated production from the Norwegian North Sea. It is reasonable to assume that the American administration would prefer a change in production policy, given that policy change was brought up several times during 1981 and 1982. The directive was, however, specific about the natural gas, which could make it tempting to conclude that it was the gas from the Troll field that needed to be developed. Aware of the European fuel infrastructure, which required natural gas, it is equally reasonable to assume that the directive was referring to the European gas demand. A memo to James Buckley stated that European coal use was constrained due to the demand for gas.²²³ The industrial facilities and home-heating infrastructure in Europe at the time was gas fueled. Moreover, as the awareness of climate change emerged in the early 1980s, demand for gas increased because of its cleanliness compared with oil and coal. Admittedly, it was the existing infrastructure in the European industrial facilities and home-heating compounded with gas' cleanliness that required development of new natural gas sources.²²⁴

From a long-term perspective, Troll was the epitome of Western alternative natural gas and was undoubtedly the most significant gas field in the Western hemisphere. Austvik argued, however, that “it would be impossible to accelerate production, for instance from the Troll field, sufficiently to make Norwegian gas a real substitute for Soviet gas in the short and medium run.”²²⁵ He also argued that the Americans found it difficult to accept that Troll could not replace Soviet gas immediately. Moreover, Lerøen also argued that the Americans wanted Troll to produce gas straightaway and that they meant that a production start for Troll in the 1990s was too late.²²⁶ Knowing that the Americans had adequate technical knowledge of the development of both Troll and Sleipner, it is highly unlikely that the directive implied an accelerated development of Troll specifically.

There has been a tendency to overstate the significance of Troll in European energy security. Simultaneously, a tendency has emerged to understate the significance of Sleipner and other fields as the short-term suppliers to Europe. The NSDD 66 did not contribute to clarifying the

²²³ Bogg & Khedouri to Buckley, August 17, 1982, RRPL: Series II, Box 5, Loc 3, Alternative Energy Group [Buckley Group] October 1982,

²²⁴ Bogg & Khedouri to Buckley, August 17, 1982, RRPL: Series II, Box 5, Loc 3, Alternative Energy Group [Buckley Group] October 1982; Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 61

²²⁵ Austvik, *Norwegian Natural Gas*, 2003, pp. 183, 184

²²⁶ Lerøen, 1996, *Troll: gass for generasjoner*, p. 80

expectations of Norwegian energy production. Instead, it identified Norwegian gas as the means to achieve the allied goal of hurting the Soviet Union. The most important objective was to prevent the second strand of the Soviet pipeline to Europe. Although the pressure on Norway was reduced after August 1982, the NSDD 66 reaffirmed the American objective and placed expectations on Norway's gas export. After lifting the sanctions, West European countries agreed to postpone new contracts with the Russians.²²⁷ OECD countries also committed to participate in the IEA study on European dependency.²²⁸

Conclusion

Foreign policy and domestic policy intersected in the discussions about the Norwegian depletion rate. However, the depletion rate must be seen as the macroeconomic argument it represents. The depletion rate was not a *de facto* limitation for Norwegian production, but represented caution pertaining to the economic effects caused by petroleum production. Nevertheless, because of the pipeline sanctions and the growing rift in the Western alliance, accounted for in the previous chapter, the Norwegian government responded by downplaying the political role of the petroleum industry. Naturally enough, giving the impression the petroleum industry was politicized could result in political pressure on the Norwegian government.

Contrary to Bergesen and Malnes' arguments, harsh international circumstances curtailed the Norwegian scope of maneuver. One of the Norwegian government's political responses to the curtailment was the establishment of *Tempoutvalget*. The response was a sensible approach to both domestic concerns about the future depletion rate and American pressure; it also addressed American concerns and expressed the importance of the depletion rate in Norway's economy. From the American perspective, solutions would be to lift the depletion rate or to issue exploration licenses. Solutions could also mean the prompt initiation of development and construction. Even though it was unclear what the Americans meant by accelerating North Sea production, the proposal was interpreted as pressure on Norway to increase production from the Norwegian shelf.

Lack of political will and Norwegian nationalistic policy regarding the continental shelf have been frequent allegations against Norwegian authorities. However, because a lack of

²²⁷ Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline* p. 81

²²⁸ Pedersen participated in the IEA study as the representative for Norway

political will must be defined as deliberately refusing, albeit subtly, to comply with the American requests, it would be unreasonable to accuse the Norwegian government in this sense. Although the restructuring of Norwegian industry arguably did not speed up development, it is still not deliberate noncompliance. It is normal that the Norwegian government took care of national interests, both foreign and domestic, before considering international interests that did not directly affect Norway. In short: Willoch was as interested in furthering his government's policy as Reagan was in furthering American foreign policy.

Chapter 4: Norwegian Noncompliance?

In the previous chapter, we discussed how international interests and foreign policy intersected with domestic considerations. As a result of lifted sanctions, the process of settling the dispute within the Western alliance started. The Troll field was manifested as Europe's most prominent alternative to Soviet gas in the long run, and Sleipner emerged as the interim solution.

Previous chapters have not accounted for the commercial aspect of the development. This chapter must, therefore, investigate how authorities responded to the energy demand in Europe and how the market affected the development of Troll and Sleipner. Reagan's directive underscored the expectations of Norwegian natural gas development in an energy market characterized by stagnating demand, falling prices, and a surplus of energy. It was uncertain whether there would be room for the Sleipner gas in the European market after the finalization of the Euro-Siberian gas trade agreement.²²⁹ What about the even bigger Troll field? Was it a political solution to these problems after all? Price and demand have had a profound effect on investments and the employment rate in the petroleum sector. The market has, therefore, been a crucial factor that determined much of the development of the Norwegian petroleum sector and Norwegian state revenue. Although essential for European energy security, Troll and Sleipner were important for Norwegian petroleum export as a whole. This explains why the authorities proceeded with caution, especially regarding the oil in Troll.

This chapter discusses the market and how it was possible to cope with the stagnating demand. It also discusses the Norwegian authorities' involvement in the development of Troll resources. By investigating these factors, we can tell how market interests intersected with government intervention on the shelf and how politics influenced the market. The latter is covered in light of Norwegian customary practice in the industry and the governance of the Norwegian shelf. Last, we look at the consequences of governmental intervention on the market-based agreement on Sleipner. The Sleipner agreement was critical for the further development and marketing of the Troll field.

The Oil Glut

In June 1981, Arve Johnsen, Statoil's CEO, wrote to *Leaders Magazine* about the current outlook on the market for Norwegian natural gas. Johnsen expected "that there should be a

²²⁹ Nerheim, 1996, *En gassnasjon blir til*, p. 258

market for Norwegian gas in the 1980s and 1990s at a price covering investments and giving a reasonable profit for the investors.” His assumption was based on an expectation of “steady increase in the price of oil over the next decade.”²³⁰ A prosperous market and an acceptable price were the most important premises for the development of Norwegian resources. The Statfjord gas agreement of 1981 set the standard for Norwegian natural gas negotiations and price. The message from the Statfjord buyers was that “[the] principle of the gas price being equivalent to crude oil plus a premium,” was the message from the Statfjord buyers.²³¹ The Statfjord price was a price many believed that Statoil had to obtain to make expensive Troll gas profitable.

However, Johnsen’s predictions for the market and the Statfjord agreement were based on the surge in oil price in the late 70s and early 80s. Little did they know that the oil price would decrease continuously until the price suddenly plummeted in 1986.²³² Moreover, the investments in Troll and Sleipner required increasing demand and vast amounts of export. Although the demand would increase in the long run, there was no immediate scarcity of gas in Europe.

A surplus of oil and gas and decreasing energy demand during the beginning of the 1980s resulted in a flattening of energy prices. Table 1 shows decreased natural gas consumption in the three largest energy-importing countries on the European continent. The trend in Italy, France, and West Germany was indicative of the overall trend in Europe. Decreased demand would typically result in lower prices, which would mean reduced economic gains. Represented by Statoil and Hydro on the continental shelf, the Norwegian state had considerable economic interest in the development of the North Sea. As one of the most prominent investors on the continental shelf, the Norwegian state would, therefore, be reluctant to take the risk in the North Sea when the economic gains seemed not to justify the investments.

Alongside the risk of an unprofitable development of the gas fields and Troll in particular, there were discussions and a real fear that the vast reserves would be too much for the European market to absorb. In 1982, Willoch’s government presented the

Year	France	Italy	West Germany
1979	26,2	25,7	51,9
1980	26,5	25,7	49,9
1981	27,5	25,6	46,5
1982	27,0	24,7	42,7
1983	24,9	25,4	43,9

Natural gas consumption in billion cubic meters.

Table 1: decreased natural gas consumption in the three largest energy-importing countries on the European continent Source: *BP Review of World gas*, September 1987, July 1988, August 1989, in Nerheim, 1996, *En gassnasjon blir til*, p. 256

²³⁰ Johnsen, 1981, Pa 1339 – Statoil ASA: Yae – L0003, FF: Notater Ajo 1981-1985

²³¹ Telex from Gelsenberg to Statoil, February 4, 1980, in Nerheim, 1996, *En gassnasjon blir til*, p. 53

²³² Assumption based on oil price history provided by <https://www.marketindex.com.au/crude-oil>

government's perspectives on Norwegian petroleum activity. The perspectives elicited the possibility that there might not be a market for Sleipner, Troll, and Snøhvit because of the large volumes.²³³ Moreover, the European countries had already committed to both the "deal of the century" and the Statfjord deal in 1981. The Euro-Siberian pipeline would supply European countries almost 40 BCM annually. Due to lower demand in Western Europe, the initial contract on 40 BCM annually from Siberia was reduced to about 30 BCM. In late 1982, the CIA presented the *Oil and Gas Market: Outlook Through the Mid-1980s*, an energy report on the prospected market for natural gas. The report concluded that the first Siberian pipeline would meet the demand in the 1980s. The CIA estimated that the growth in West European demand would be marginal between 1985 and 1990.²³⁴ Given this scenario, considerable investments in the North Sea seemed unreasonable. It was also suggested that West Europe could easily adjust imports through the Euro-Siberian pipeline instead of committing to new contracts with the Norwegians.

The major inconvenience, moreover, was that compared with Siberian gas, North Sea gas was expensive. The CIA stated that Norway would require about \$5.5 per million British thermal unit (btu.), whereas the Russians required \$4.75 per million btu.²³⁵ In December 1982, Herman Franssen, an IEA official, reported to the IEA about the Troll field production: Production cost would range about "\$15–\$20 per barrel of oil equivalent," but including returns to the operator and transportation, the total cost before tax "could be in the vicinity of \$20–\$25," Franssen said.²³⁶ The price of North Sea oil had dropped from about \$34 per barrel in 1981 to around \$32 per barrel in 1982; in 1983, the price dropped to below \$30 per barrel.²³⁷ Statoil also reported that consumption of dry natural gas had dropped about 10% between 1979 and 1982.²³⁸ It was, therefore, highly uncertain whether there would be a market for Troll and Sleipner at an acceptable price for the Norwegian government. It was proclaimed in the Norwegian parliament that buyers of the gas at an acceptable price were decisive for the future of the Troll development.²³⁹

²³³ Nerheim, 1996, *En gassnasjon blir til*, p. 273

²³⁴ CIA, 1982, *Oil and Gas Market: Outlook Through the Mid-1980s*

²³⁵ CIA, Report C/NIC to NIO/ECON, *Norway: Potential Alternative to Soviet Gas* February 25, 1982

²³⁶ Franssen, December 3, 1982, Pa 1339 – Statoil ASA Yae – L0004, FF: Korrespondanse. A-Å diverse 1984-1988

²³⁷ Marketindex.com.au brent oil. In March 1983, the price of brent oil dropped to 28 dollars per barrel.

²³⁸ Statoil, Årsberetning 1983, 1983, Pa 1339 – Statoil ASA, Abb-L00011, FF: Styremøter Statoil 1983-1984

²³⁹ Nerheim, 1996, *En gassnasjon blir til*, p. 269

Statoil, as the Norwegian national champion, negotiated all gas agreements on the shelf, and their biggest rival in the European market was the Soviet Union. Franssen thus presented a dilemma to Statoil. Would it be wise to market Troll as soon as possible and ensure market shares for the gas? Alternatively, was it better to wait for the prices to increase and risk losing market shares?²⁴⁰ To Franssen, it was apparent that both Statoil and the government were worried about the market trends and the ability of the Russians to undercut Norwegian gas prices in the European market. Accounts from the government on Franssen's claim have not been obtainable; Statoil, however, expressed concerns about the oil glut in a 1982 board report.²⁴¹ The American administration shared the concern with Statoil. George P. Shultz, who replaced Alexander Haig as the U.S. Secretary of State wrote to President Reagan that "additional Norwegian gas could be priced out of the market entirely,"²⁴² which could make the Troll field an economic drain despite offering Europe alternative gas. The reduction in oil price might slow down the development even if the companies overcame the technical challenges on Troll. In February 1983, Statoil acknowledged that the energy market had not evolved as they had anticipated in 1981 and that it was on a decline.²⁴³ The market could thwart the development of Troll and Sleipner.²⁴⁴

Moreover, a delay in the marketing of Troll and Sleipner would also have adverse effects on Norwegian energy export, as other fields were depleting. Norwegian concerns evolved more around the unrealized export potential of Troll and Sleipner than security issues. Troll and Sleipner were significant for the Norwegian petroleum activity because there were no other viable alternatives to replace the depleting fields in the North Sea. As long as there were no significant oil discoveries, it was crucial to sell considerable amounts of gas to maintain the activity on the shelf, Nerheim argues.²⁴⁵ The Snøhvit field in the far north was too far from the continent, and a pipeline across Sweden was not feasible. For the Americans and to a lesser degree the Europeans, Sleipner and Troll represented the alternative energy that could preempt a second pipeline from the Soviet Union. Nevertheless, the European countries had to weigh the

²⁴⁰ Franssen, December 3, 1982, Pa 1339 – Statoil ASA Yae – L0004, FF: Korrespondanse. A-Å diverse 1984-1988

²⁴¹ Styrets beretninger for 1982, February 1983, Pa 1339 – Statoil ASA, Abb-L00011, FF: Styremøter Statoil 1983-1984

²⁴² Shultz to the US President, Feb. 14 1983, RRPL: Executive Secretariat, Box 33, FF: Norway

²⁴³ Styrets beretning for 1982, Pa -1339 – Statoil ASA: Abb – L0011

²⁴⁴ IEA, 1982, *World Energy Outlook*, p. 441

²⁴⁵ Nerheim, 1996, *En gassnasjon blir til*, p. 283

price of energy with the energy security. Norwegian gas did not appeal to the European buyers as long as the demand was low and expected price was high.

Although Gjerde said that Norway has always competed with the Russians in gas trade, it seems that the recessionary tendencies in Europe made it difficult to prefer Norwegian gas based on the fact that the supplies were marginally more politically stable than Russian supplies. In this sense, Norwegian gas seemed too costly compared with Siberian gas.²⁴⁶ The reason Norwegian gas was expensive was the required returns on investments and the premium price. Arve Johnsen required a premium price for the investment costs and the safe supply of energy when he negotiated gas contracts.²⁴⁷ Johnsen claimed that Norwegian gas would never be cheap gas because of its cleanliness compared with crude oil. As the awareness of climate change was increasing, the cleanliness of natural gas was one of the reasons West European countries preferred gas over oil and coal.²⁴⁸ The cleanliness of gas was also an argument Johnsen exploited at the time. Moreover, Johnsen also stressed the stability of the area and long-term agreements that would provide steady supplies over time.²⁴⁹ The premium pricing was far from controversial; the Dutch petroleum company Gasunie also required a premium price, for the same reasons as Statoil.

It appears from the American preparations before meetings with the Norwegian delegation as the Americans were planning on compensation for the investments and high gas prices. During the meetings with the Norwegian delegation in D.C., the Americans offered a remedy for the premium price to lessen the capital burden for investors.²⁵⁰ By subsidizing the Norwegian petroleum activity, Reagan sought to accelerate the development by reducing the investment cost, which would result in cheaper gas. Subsidies could potentially result in a more rapid negotiation process.²⁵¹

Nonetheless, the Norwegians asserted that the technical challenges in the development phase were the problem, not the financial capability. Moreover, it dawned on the Americans that approaching the Norwegian authorities with subsidies and credit was not enough. West European

²⁴⁶ Jentleson, *Pipeline Politics*, p. 188

²⁴⁷ Johnsen to Stevensen, 1980, Pa1339, Yae-L0003 – Statoil ASA, FF: Notater Ajo 1981-1985; Bergesen and Claes, 1990, p. 153

²⁴⁸ Hansen et al., 1981, *Climate Impact of Increasing Atmospheric Carbon Dioxide*; Yergin, 2011, *The Quest*, pp. 442-454

²⁴⁹ Johnsen to Stevensen, 1980, Pa1339, Yae-L0003 – Statoil ASA, FF: Notater Ajo 1981-1985

²⁵⁰ Lerøen, 1996, *Troll: Gass for generasjoner*, p. 81

²⁵¹ CIA, *The Soviet Gas Pipeline in Perspective*, 1982

countries had to purchase Norwegian gas to make the investments worthwhile, irrespective of how much the Americans subsidized. Coercive pressure on the Europeans proved not to be sufficient. Approaching the Europeans through the IEA became the United States' next move.

Troll Oil: National Control and Resource Management in Practice

Since 1972, there has been a formalized division of tasks and responsibilities in Norwegian petroleum activity.²⁵² This division of tasks can be referred to as the trisection of governance between the Oil Directorate, the OED, and a state oil company, Statoil. The trisection was meant to prevent any institution from disproportionately influencing the industry. In this regard, with the aim of maximum exploitation of resources, the Directorate has been responsible for the administration of the industry and for ensuring that the operations were conducted within the negotiated terms agreed upon.²⁵³

One of the most significant technical challenges on the Troll field was the thin oil rim under the gas deposits. The Norwegian Oil Directorate viewed the Troll field, and maybe the oil rim in particular, in conjunction with Norwegian long-term perspective of extracting oil and gas from the continental shelf. To extract the Troll oil could also be viewed as an expression of the Norwegian need for national control and management over Norwegian resources. To consider the geopolitical aspect of the development was not part of the Directorate's mandate. It is therefore reasonable to assume that they did not consider European energy security.

The Norwegian Oil Directorate urged for a thorough investigation of the oil deposits under the gas layer on block 31/2 before any extraction of natural gas could start. It was a risk that the oil would be lost in the sandstone if the gas was extracted before the oil, as had happened in the Frigg field four years earlier. Before the discovery of Troll, Frigg was the biggest natural gas field on Norwegian continental shelf. Like the Troll field, Frigg contained an oil rim underneath the gas, but it was wider than that in the Troll field and was, in fact, a significant oil field. Nevertheless, to extract the oil from Frigg was out of the question due to the lack of the necessary technology when the field started production in 1977.²⁵⁴ When the gas was extracted, the pressure in the reservoir decreased, and the oil rose into the gas reservoir and was lost.²⁵⁵ It

²⁵² Hanisch, 1992, *Fra vantro til overmot: Ch. 5*, p. 266

²⁵³ Hanisch, 1992, *Fra vantro til overmot: Ch. 5*, pp. 266, 267

²⁵⁴ Lerøen, 1996, *Gass for generasjoner*, p. 49

²⁵⁵ Oljedirektoratet, *Trollet som ble temmet*,

was, therefore, particularly important for the Oil Directorate to investigate all options regarding the extraction of the Troll oil. Losing the Troll oil reserves because of accelerated gas production would mean a loss of potential revenue. Indeed, there were billions of barrels of oil in the reservoirs, which meant massive revenue for the State.

The oil rim created problems for the license holders because it presented a technological frontier.²⁵⁶ Shell calculated that the oil on Troll was a byproduct of the natural gas production. Shell's preliminary development assessment of the field, therefore, regarded the thin oil rim as a lost cause. According to the Directorate, Shell meant it would be costly and time-consuming to develop new technology to extract the oil safely.²⁵⁷ It was, therefore, suggested to leave the oil and focus on the gas, "thereby removing at least one major constraint," Franssen said."²⁵⁸ The Oil Directorate, however, was determined that no gas should be extracted before a plan existed for the safe extraction of the oil. Shell argued that the ability to extract enough oil to justify investments would require new drilling technology, which would take too long.

The Oil Directorate stopped Shell from proceeding with development plans until they had come up with a solution for the oil, which was mainly in the 31/2 block. The Directorate's order corresponded with the overall policy to retrieve as much petroleum as possible, but it conflicted with Shell's ambition of rapid development of the field.²⁵⁹ Eventually, horizontal drilling, which means drilling horizontal wells, was regarded as the safest way to extract the oil. However, it was not until 1989 that Hydro successfully drilled the first horizontal well from a floating rig. Since then, oil has been a significant asset on the Troll field. Oil production from Troll increased until 2002, peaking at about 21 million cubic meters oil equivalents. After that, oil production declined to about 7 million cubic meters and has remained steady since.²⁶⁰

It is clear that the recovery of the Troll oil was an expression of the necessity for good resource management on the shelf. It is, however, difficult to estimate how long the Troll development was delayed due to the oil recovery. Ramm has also affirmed that the dispute over

²⁵⁶ Norsk Hydro to Statoil, October 21, 1982, Pa1339, Yea-L0004 – Statoil ASA, FF: Korrespondanse. A-Å diverse 1984-1988

²⁵⁷ Oljedirektoratet, *Trollet som ble temmet*,

²⁵⁸ Franssen, December 3, 1982, Pa1339, Yae-L0004 – Statoil ASA, FF: Korrespondanse. A-Å diverse 1984-1988

²⁵⁹ Oljedirektoratet, *Trollet som ble temmet*,

²⁶⁰ www.norwegianpetroleum.no

the oil zone might have caused delay, but he also asserted that it was the Directorate's responsibility to ensure maximum resource exploitation.²⁶¹

Scramble for the 31/6

In 1981, only one out of four blocks²⁶² on the Troll field had been distributed. One block in particular was important for the Norwegian oil companies: the 31/6 block. The scramble for that single block would put its own mark on the development of the North Sea.

The contemporaneous data of the Troll field estimated that the 31/6 block contained almost 50% of the total gas reserves and about 40% of the total oil reserves.²⁶³ The block was therefore regarded as the most crucial block in the field and the most significant block on the continental shelf. The block's operator would be the most influential actor in the entire Troll field. The operator would have operational responsibility and could determine the development and production of the block; as 31/6 was the most significant block, the respective operator would have extensive influence on the entire field, Johnsen argued.²⁶⁴ Under the Labor Party government, Arve Johnsen made the argument that Statoil should be granted all three blocks because of the strategic significance of future Norwegian gas sales.²⁶⁵

Although Statoil, the State oil company, was unanimously sanctioned in the Norwegian parliament, Lerøen argues that Statoil was a breakthrough for the Labor Party's ideology and strategy on the shelf. He therefore called Statoil "a trueborn child of the Labor Party."²⁶⁶ Additionally, many of Statoil's first board members were Labor Party affiliates. Thus, the Labor Party government was Statoil friendly; it wanted to fulfill Johnsen's wishes and grant Statoil 100% ownership over the three blocks that had not yet been distributed.²⁶⁷ However, given that there were three Norwegian oil companies on the continental shelf, the government realized that this would be politically impossible.²⁶⁸ Eventually, the Labor Party government suggested in June 1981 that Statoil be granted 85% ownership of the blocks, Hydro 9%, and Saga 6%, with

²⁶¹ Ramm, e-mail correspondence, April 12, 2018

²⁶² In the Norwegian sector of the North Sea license areas consists of 12 blocks.

²⁶³ Franssen, December 3, 1982, Pa 1339, Statoil ASA, Yae – L0004 FF: Korrespondanse. A-Å diverse 1984-1988

²⁶⁴ Johnsen, September 28, 1982, Pa 1339, Statoil ASA, Yae – L0004 FF: Korrespondanse. A-Å diverse 1984-1988

²⁶⁵ Johnsen, 1990, *Gjennombrudd og vekst: Statoil-år 1978-1987*, p. 159

²⁶⁶ Lerøen, 2006, *Norsk oljemuseum årbok 2006*, p.

²⁶⁷ Oljedirektoratet, *Trollet som ble temmet*

²⁶⁸ Oljedirektoratet, *Trollet som ble temmet*

Statoil as the only operator. Nevertheless, because many cases were pending in the parliament, the sanctioning of the suggestion was postponed to the following fall.

Contrary to the Labor Party, Kåre Willoch's Conservative Party wished to reduce Statoil's dominance on the continental shelf. When Willoch came to power during the fall of 1981, his government withdrew the Labor Party's report that recommended Statoil as the operator on 31/6. Willoch felt that Statoil was given a much too significant role in the most important field on the shelf.²⁶⁹ Instead, Willoch wished to promote Norsk Hydro on the Troll field because Hydro, to a greater degree than Statoil, represented private enterprise. Additionally, it was commonly known that the Conservative Party was Hydro friendly. Indeed, it was later said that the polarization in Norwegian oil politics resulted in people putting an equal sign between Statoil and the Labor Party and between Hydro and the Conservative Party.²⁷⁰

The postponement of the Labor Party's suggestions for share distribution on Troll would have consequences for the further process of the Troll development. Willoch's withdrawal of these suggestions delayed clarification concerning the Troll field. Without the change of government, Lerøen argued, the question regarding the distribution of blocks on the Troll field would have been resolved in 1981.²⁷¹ It is uncertain, however, whether this postponement had any effect on the development of Troll.

In a letter to Vidkun Hveding, Statoil said that the decision regarding the 31/6 block would be the most consequential single decision of an economic nature in modern Norwegian history.²⁷² The letter implied that such a responsibility should be entrusted to the State's commercial extension in the petroleum industry. Statoil argued that the operator would bear the biggest risk related to the development but would also be the most influential actor regarding the progress of construction and production. Moreover, Statoil said that their board expected that Statoil would be granted a particularly important role in the 31 area and that it would be reasonable to award Statoil the operator role on 31/6.²⁷³

These arguments would be counterproductive given that the conservative government sought to reduce the state's participation in the industry. Based on its own ambitions, the government

²⁶⁹ Ramm, e-mail correspondence, April 12, 2018

²⁷⁰ Bergens Tidene, August 22, 1985, p. 2: 2. Issue No. 192-118

²⁷¹ Lerøen, 1996, *Troll: Gass for generasjoner*, p. 43

²⁷² Lied, June 1, 1982, Pa 1339 – Statoil ASA: Yae – L0004, FF: Korrespondanse, A-Å diverse 1984-1988

²⁷³ Ibid.

started the reduction of Statoil's dominance on the shelf.²⁷⁴ Despite Statoil's plea to be granted the operator role on 31/6, Willoch's government proposed Hydro as the operator in June 1982. The new government report was notably similar the one issued by the Labor Party a year earlier.²⁷⁵ Statoil was granted the operator role on 31/3 and 31/5. Interestingly, although Saga was 100% privately owned, the government had held it out of the operator role. To ignore Saga as an operator suggests that the prioritized objective was to reduce Statoil's dominance rather than to encourage private initiative.

Although the government did not have the authority to make the final decision about whom to grant the operator role, it had a significant influence in the parliament. The decision-making power regarding the distribution of blocks was held by the parliament. Nerheim argued that this was the biggest North Sea issue the parliament had to address.²⁷⁶ The issue was to be reviewed by the parliament in early 1983, further postponing the distribution of responsibility in the field. It has been insinuated that the government was more concerned in this period with the restructuring of Statoil and about reducing the company's role on the shelf than with accelerating development in the North Sea.²⁷⁷

It was indeed disappointing for Statoil, as the state oil company, to be awarded the operator role on 31/3 and 31/5. The two blocks combined contained only 24% of the total gas reserves and 17% of the oil deposits.²⁷⁸ In an internal memo, Johnsen asserted that these two blocks would not play a central part in the process of developing the field.²⁷⁹ Johnsen's reaction was to suggest reorganizing the blocks and granting Saga the operator role on 31/5, Hydro on 31/3, Statoil on 31/6. Johnsen argued that the 31/6 block would determine the development and construction of the entire Troll field and that it would serve the state best if Statoil were the operator on the block. Going forward with this proposal, Johnsen argued, would also enhance Norwegian technological development by including all three major Norwegian companies on the shelf and thus including all segments of Norwegian industry.

²⁷⁴ Notaker, 2014, *Høyres historie*, p. 112

²⁷⁵ Johnsen, 2008, *Norges evige rikdom*, pp. 197, 198

²⁷⁶ Nerheim, 1996, *En gassnasjon blir til*, pp. 268, 269

²⁷⁷ *Ibid.*, pp. 261, 262; Johnsen, *Statoil-år: Gjennombrudd og vekst*, p. 180

²⁷⁸ Johnsen, May 18, 1982, Pa 1339 – Statoil ASA: Yae – L0004, FF: Korrespondanse. A-Å diverse 1984-1988

²⁷⁹ *Ibid.*

On June 23, 1983, Statoil received a letter from the OED saying that they were granted 85% ownership in 31/3, 31/5, and 31/6. The conditions were that they would perform the operator role in close cooperation with Hydro and Saga.²⁸⁰ The OED reached a compromise by distinguishing between the development stage and the production stage and between oil production and gas production.

With that compromise, Willoch's government reduced Statoil's dominance on the field compared with recommendations of the previous Labor Party government's report. Simultaneously, the government increased Hydro's presence on the Troll field. More importantly, the compromise also caused a delay in the distribution of blocks, which was essential to start negotiating the sale of gas.²⁸¹ Arguably, the Conservative Party's determination to reduce Statoil's role in Norwegian petroleum activity did not promote the acceleration of development. The scramble for 31/6 was an expression of Willoch's priorities, in which the American proposal to rapidly develop Norwegian resources was, at best, secondary. Ramm said that the scramble for 31/6 might have been a delaying factor, but he places less emphasis on this because it probably did not affect development. The initiation of development might have been considerably postponed by the scramble for 31/6; however, it is difficult to estimate by exactly how many years, especially considering that the oil in the field would probably have delayed the initiation of development further.

IEA Dependence Report: An American Achievement?

The IEA report that followed the NSDD 66 settled the Transatlantic dispute. It has been argued that the dispute was settled due to significant U.S. concessions;²⁸² however, although West Europe doubted the U.S. dependency argument, as mentioned in Chapter 2, the Americans managed to convince the Europeans to acknowledge European energy vulnerability. By being the driving force behind the IEA study, the Americans accomplished their will on essential points.

²⁸⁰ OED, *Tildeling av utvinningstillatelse for blokkene 31/3, 31/5 og 31/6*, June 23, 1983, Pa 1339 – Statoil ASA, Eaf-0065, FF: Myndighetskorrespondanse Olje- og energidirektoratet, 1981-1983

²⁸¹ Gjerde, Interview, October 17, 2017, Gjerde asserted that operator roles were important in order to be prudent negotiators: "man må vite hva man snakker om."

²⁸² Jentleson, 1986, *Pipeline Politics*, pp. 202, 203; Demidova, 2013, *The deal of the century: The Reagan administration and the Soviet Pipeline*, p. 82

The IEA presented a report in May 1983 that concluded that the members of the IEA²⁸³ should implement measures to avoid becoming too dependent on one energy exporter.²⁸⁴ A maximum of 30% energy import was the recommended volume from one supplier. As a compromise between the West European countries and the U.S., Soviet gas was not singled out in the report. However, as the Europeans approached 30% import from the Soviet Union, it was clear that the policy was minted at the Euro-Soviet gas trade.²⁸⁵ The IEA policy would also prevent the Soviet Union from undercutting costly projects such as the Troll field.

Apart from the 30% limit, the IEA report required increased domestic OECD production.²⁸⁶ Increasing indigenous OECD production became the United States' objective, as the first pipeline from Siberia was already on its way. Moreover, because the outlook of energy demand in Europe showed increasing demand by the mid-1990s, the IEA restriction of 30% import of Soviet gas reserved market shares for the Troll field.²⁸⁷ The whole point of the IEA report from an American perspective, as it seems, was to ensure market shares for Norwegian gas and try to squeeze out the Russians.²⁸⁸ Pedersen, who participated in the IEA study, has affirmed this assumption. He said, "Do not forget that 75% of Soviet hard currency revenue came from oil and gas export. The more Norwegian gas on the continent, the more pressure on the Soviet economy."²⁸⁹

The IEA report was a pivotal point in Western energy cooperation. Although it also ended the Norwegian dilemma concerning the Transatlantic discord, Norwegian resources became a focal point with clear expectations, Pedersen said.²⁹⁰ Contrary to the NSDD 66, the IEA report included a specific recommendation to specifically develop the Troll gas field as an alternative source to supply West Europe in the long run. It is crucial to stress that the IEA report made recommendations "for the next two decades," as the draft of March 29, 1983, stated.²⁹¹ The

²⁸³ IEA member states are not always obliged to implement the policies recommended in the IEA.

²⁸⁴ Austvik, 2003, *Norwegian Natural Gas*, p. 183; Bergesen & Malnes, 1984, *Norge som Oljeland*, p. 49

²⁸⁵ Jentleson, 1986, *Pipeline Politics*, p. 202

²⁸⁶ Jentleson, 1986, *Pipeline Politics*, p. 202; Kristiansen, 1986; Austvik, 2003, *Norwegian Natural Gas*, p. 183

²⁸⁷ Davis, 1986, p. 4

²⁸⁸ Martin to Clark, November 12, 1982, RRPL, Series II, Box 7, FF: East-West (Sep 82-Sep 83) (7/9); Martin to Clark, March 29, 1983, RRPL, Series II, Box 7, FF: East-West (Sep 82-Sep83) (3/9)

²⁸⁹ Pedersen, e-mail correspondence, March 16, 2018 "Glem ikke at 75 % av Sovjets valutainntekter kom fra salget av olje og gass. Jo mer norsk gass til kontinentet, jo mer skvis på den sovjetiske økonomien.»

²⁹⁰ Ibid.

²⁹¹ Martin to Clark, March 29, 1983, RRPL: Series II, Box 7: FF: East - West (Sep 82 – Sep 83)

statement supported the assumption that the U.S. and the IEA had a long-term perspective of production from Troll. The draft also stated that the companies involved should start negotiations “as soon as possible to make sure that supplies [...] are made available at market competitive prices beginning in the mid-1990’s.”²⁹² The Americans managed to create a market for Norwegian gas that could make Troll economically viable, exactly as the Americans had wanted before the IEA report.²⁹³

William Martin, a significant contributor to the IEA report, also stressed the importance to accelerate Sleipner because of the need to preempt a second Siberian pipeline by the late 1980s. The negotiations between Statoil and BGC made the Americans feel optimistic about Sleipner and the so-called “important bridge to development of 31/2,” namely the triangular deal.

Sleipner Agreement and Rejection

Because North Sea development would commit considerable investments to each project, the development of North Sea resources had to happen in stages. The simultaneous development of Troll and Sleipner was initially out of the question. A fundamental premise for developing Troll was that Statoil first manage to sell the smaller amount of gas in Sleipner. Without an agreement for Sleipner, it would have been difficult to justify the development of Troll. Sleipner was cheaper to develop and could come into production five to ten years earlier than Troll.

In June 1982, Statoil received a letter from Gaz de France stating that the company was interested in purchasing Sleipner gas. Gaz de France and the rest of the continental buyer consortium assured Statoil that the volumes and the planned start of deliveries were suitable for them.²⁹⁴ The French interest in Sleipner gas proved that there could be room for Norwegian gas, which was a prerequisite for the marketing of the Troll field. The negotiations with the consortium were scheduled for September of the same year.

About the same time, BGC also showed interest in the Sleipner gas and entered negotiations. Because BGC offered to take the Sleipner gas unprocessed and import it to the U.K., Statoil preferred selling the gas to the British.²⁹⁵ The U.K. demand for energy required

²⁹² Ibid.

²⁹³ Martin to Clark, November 12, 1982, RRPL: Series II, Box 7, FF: East-West (Sep 82-Sep 83) (7/9); Martin to Clark, March 29, 1983, RRPL: Series II, Box 7: FF: East - West (Sep 82 – Sep 83)

²⁹⁴ Gaz de France to Statoil, 1982, Pa1339, Yae-L0004 – Statoil ASA, FF: Korrespondanse. A-Å diverse 1984-1988

²⁹⁵ Nerheim, 1996, *En gassnasjon blir til*, p. 258 & 259

additional energy shortly, which Sleipner could supply. Because of the unlikelihood of governmental interference, the CIA believed that BGC would finalize the contract and that the British government would accept the agreement.²⁹⁶ “The Norwegians had believing [sic] that government approval of the agreement would be just a formality,” the Americans reported.²⁹⁷ BGC and Statoil agreed in February 1984 and signed a principal contract, which was renegotiated in the autumn of 1984.

The agreement between BGC and Statoil was the so-called triangular gas deal noted in previous chapters. A pipeline would connect to St. Ferguson in Scotland, and excess gas from the British shelf would be delivered from the south of England to the continent. Although Norwegian authorities were unhappy with such an agreement, Norwegian political institutions did not interfere with the negotiations.²⁹⁸ This could probably be seen in conjunction with the need for a new agreement for Norwegian gas. Moreover, it was important for the Norwegian oil and gas industry to finalize an agreement for Sleipner because it was an essential step towards the potential marketing of Troll.

However, the Sleipner deal sparked a debate in the U.K. The deal met opposition in the media and among politicians and British oil companies. British Petroleum (BP) announced that there were ample reserves on the British shelf.²⁹⁹ It was said that BP and Shell could supply the U.K. until the year 2000.³⁰⁰ The British exchequer, Nigel Lawson, has been portrayed as the driving force behind the opposition in the British government. Lawson was particularly concerned about the financial implications the deal would have, said Martin.³⁰¹ Increased import of gas would stimulate activity on the Norwegian shelf and produce a net outflow of payments from the U.K. of \$2.1 billion a year. Furthermore, BGC was accused of holding the gas prices down and thus keeping British competition away. Arguably, a situation like this was not favorable for the development of the British sector in the North Sea.

In contrast, BGC asserted that the Sleipner agreement would mean marginally increased import in practice. The Sleipner gas would only replace the Frigg field, which was depleting,

²⁹⁶ Memo from Chief, Strategic Resource Division to NSC, *Moving towards gas security*, 1984,

²⁹⁷ Memo of conversation, March 12, 1984, RRPL: Executive Secretariat Box 33, FF: Norway (04/01/1983-02/04/1985),

²⁹⁸ Ibid.

²⁹⁹ Nerheim, 1996, *En gassnasjon blir til*, p. 262; Johnsen, 2008, *Norges evige rikdom*, p. 250

³⁰⁰ Johnsen, 2008, *Norges evige rikdom*, p. 250

³⁰¹ Martin to MacFarlane, April 13, 1984, RRPL: Executive Secretariat Box 33: Norway (04/01/1983-02/04/1985),

they said.³⁰² Moreover, without Sleipner, the U.K. needed to “find and develop the equivalent of about three-quarters of its current output just to meet present demand levels,” William Martin said.³⁰³ The opposition in the U.K. parliament wanted to increase imported Dutch gas and stimulate development on the British continental shelf instead of importing Sleipner gas. According to Martin, the Dutch offered less than half of the volume from Sleipner and a price that was about 20% higher than the price agreed upon between BGC and Statoil.

Although the Sleipner agreement complied with the professed Thatcherism, *laissez-faire*, meaning no political interference in the negotiations and sheer free market principles, Margaret Thatcher’s government rejected the Sleipner agreement in 1984 and a second time in 1985.³⁰⁴ The rejection was, apparently, due to economic constraints linked to the Sleipner agreement. Sleipner was, however, rejected despite the British need for additional energy supply over the next 10–15 years. BGC, which was the British equivalent of Statoil, had monopolistic privileges on the British shelf. Thatcher was as engaged as Willoch in reducing state-participation in the petroleum industry, and BGC was the target for her policy.³⁰⁵

The Times asserted that no one doubted that the U.K. needed additional gas supply.³⁰⁶ Given that U.K. energy demand was precarious, the rejection came as a surprise for the Norwegians and for American officials.³⁰⁷ Norwegian officials felt that the British government had never provided a credible explanation as to why the British government twice rejected the Sleipner agreement. However, one U.K. official close to the Sleipner negotiations has, in a private conversation many years later, claimed that Reagan urged Thatcher to reject deliveries from the Sleipner field.³⁰⁸ According to this source, due to security reasons and the opportunity to squeeze out Soviet gas from the continental market, Reagan meant that Sleipner should be reserved for the continent along with the Troll field.³⁰⁹ The claim does not seem unreasonable, however, given Regan's policy towards the Soviet Union and his desire to reduce Soviet hard currency revenue. Moreover, there was a fear within the American government that the

³⁰² Nerheim, 1996, *En gassnasjon blir til*, p. 262

³⁰³ Martin to McFarlane, April 13, 1984, RRPL: Executive Secretariat 33: Norway (04/01/1983-02/04/1985),

³⁰⁴ Pedersen, Interview, November 2, 2017

³⁰⁵ Nerheim, 1996, *En gassnasjon blir til*, p. 262

³⁰⁶ *The Times*, *Towards a free market in gas*, April 5, 1985, in Nerheim, 1996, *En gassnasjon blir til*, p. 262

³⁰⁷ Pedersen, e-mail correspondence, March 16, 2018

³⁰⁸ Unnamed civil servant

³⁰⁹ *Ibid.*

interconnector between the Netherlands and England that would be built for the triangular deal could be a way for the Russians to infiltrate the British market.

The rejection also caused complications for other Norwegian projects on the continental shelf.³¹⁰ Besides having profound implications for Norwegian oil service industry, the rejection had a direct effect on the marketing of Troll. In a memo to Secretary Shultz, it was claimed, “If Sleipner is postponed, there will be no incentives for Norway to proceed with plans to develop the costlier Troll gas field.”³¹¹ Nonetheless, Troll negotiations started in 1985, which also included the Sleipner field as a provider of early gas under the agreement.

Conclusion

There was a set of issues that were both outside the Americans’ sphere of influence and outside the Norwegian government’s mandate when it came to development of the Troll field. These issues are related to the trisection of governance, technical challenges, and commercial constraints.

It is difficult to estimate by how many years the development of Troll was delayed as a result of the scramble for 31/6 and the necessity to find technological solutions to extract the oil. However, one can assume that the government could focus on restructuring the responsibilities for Troll because the technological difficulties in the field would postpone the development regardless of when the blocks were distributed. The restructuring could happen without anybody being accused of being recalcitrant. On the other hand, the scramble for 31/6 expresses, to some extent, the government’s priorities at the time. The governance on the shelf was divided among the Directorate, the OED, and Statoil. However, the Directorate reports to the OED; therefore, the government can overrule the Directorate’s decisions. A direct order from the government to proceed with development of the field without considering the extraction of the oil would, on the other hand, be a violation of customary practice and in discord with the trisection of governance. Moreover, Norway as a significant investor on the shelf had particular economic interests in retrieving the oil from Troll.

It is reasonable to assume that the government strategically emphasized the technological constraints to avoid a situation in which the Americans could exert political pressure on the

³¹⁰ Nerheim, 1996, *En gassnasjon blir til*, p. 263

³¹¹ Memo to Shultz, 1984, RRPL: Executive Secretariat; Box 33, FF: Norway

Norwegian government. Because the OED could overrule the Directorate's decisions, the technical challenges could therefore be interpreted as political issues. The Norwegian strategy can, moreover, be linked to the need for national and governmental control over the shelf and to the government's political ambitions to take care of domestic issues.

Another aspect of Norway's need for maximum resource exploitation and control was the necessity of a healthy market. As the leading investor in the Norwegian shelf, maximum revenue has always been at the heart of Norway's petroleum activity. Ramm affirmed that Norway wanted to initiate the development of Norwegian resources when the fields were economically ready.³¹² When the market seemed unfavorable and the demand was low, the development of Troll could, therefore, be delayed for commercial reasons. In response, the Americans succeeded in accommodating the Norwegians by pushing through the 30% import ceiling, thus creating a market for Norwegian gas. It has been argued above that the Americans lacked an understanding of Norwegian politics; however, they did understand that a guarantee of market shares was essential to proceed with the marketing and development of Troll.

Although the IEA dependence report was an American accomplishment regarding Troll, the Sleipner rejection was a huge setback, at least from a Norwegian perspective. The end of the story is that in 1985, Sleipner and Troll were marketed in combination and sold to the continent the following year. However, if it happens to be that Thatcher rejected Sleipner due to American pressure, it is a clear expression of how deeply Reagan influenced Norwegian petroleum policy. Although the IEA's limit of a 30% import of gas violated free market principles, Reagan's alleged involvement in the Sleipner agreement would mean that petroleum activity was even more politicized than it appeared.

From the end of the détente via the pipeline sanctions and the IEA, the Troll field became internationally recognized as the most important field for the future of European energy security. In this regard, there has been a tendency to overlook Sleipner's substantial significance as the short-term alternative. Moreover, the political constraints and Norway's need for national control and management have been overshadowed by the technical challenges.

³¹² Ramm, e-mail correspondence, April 11, 2018

Chapter 5: Concluding Remarks

As elucidated before, the research question highlights two central aspects: the geopolitical aspect and Norwegian domestic considerations. In this regard, this thesis has analyzed the way Troll became a centerpiece in the American quest to bring down the Soviet Union and made Norwegian policy the focus of international attention. However, the development of Norwegian gas resources was not accelerated. To understand the reasons behind this matter, we have discussed the political and technical constraints, in addition to the commercial difficulties, in this regard. Above all, however, there was a necessity to take care of national interests in terms of the country's petroleum activity.

This thesis, therefore, raises several questions, such as why were the Americans interested in Troll? Furthermore, what would have happened to Troll's relative importance in the European energy market without the Americans vested interest with respect to the acceleration of its development and production? Moreover, would *Tempoutvalget* have been established if the American pressure was not there? What were the effects of the change in Norwegian governments? These questions relate to the geopolitical and international aspects of the research question. Concerning the curtailment of Norwegian freedom pertaining to maneuvering the acceleration of Troll's gas production and development, this thesis has attempted to assess the relative importance of several factors. In this regard, it refers to factors such as technical limitations, commercial constraints, domestic political concerns, the depletion rate, and the need for national control over the resources.

By answering the aforementioned questions and testing the aforesaid factors, this study attempts to arrive at conclusions regarding the research question.

Norwegian Petroleum Policy: A Geopolitical Concern

As a result of the tug of war between the stop the pipeline-school and the *fait accompli*-school, Norwegian natural gas resources emerged as an alternative to the Soviet gas. Norwegian resources and Troll, in particular, represented the most viable energy sources to offset Siberian gas in the long run. However, as Ramm pointed out, it is reasonable to assume that, initially, the Americans were interested in extracting gas from Statfjord and Heimdal. As these fields were already committed to depleting contracts, the U.S. moved on with exploring the possibility of accelerating the production of Sleipner and, subsequently, Troll. This course of events clearly

suggests that it was irrelevant which field was chosen to offset the Euro-Siberian pipeline. However, the Troll and Sleipner gas fields' proximity to the European market and the size of its reserves made them convenient fields to secure Western energy supplies. Moreover, the fact that Troll could supply gas to West Europe for several decades made the field a centerpiece in American foreign policy during Reagan's first term as president.

However, owing to the size of the field and the fact that it contained natural gas, it would have been eventually regarded as key to secure Western energy supplies in the long run. However, the significance of Norwegian resources changed during a period when West European countries diverged from oil and coal in favor of natural gas. For Norwegian natural gas export, this period represented a real breakthrough. One could regard it as a lucky chance that Norwegian natural gas discoveries coincided with the shift in substance demand. In the wake of the second oil crisis during 1979–80, politically stable sources were much sought after. It could hardly have been more convenient for the resource-deprived West European countries, Pedersen remarked.³¹³ Pedersen further stated that the most significant offshore natural gas field was within the territory of a politically stable ally that was “practically at their doorstep.”³¹⁴ Moreover, as it became clear that Norway was a prominent natural gas province, international attention shifted towards Norway and Troll.

Although the international society had its interests in Norwegian gas resources, increased Norwegian production had to comply with the governmental norms of the Norwegian petroleum industry. Therefore, it was a sensible decision of the government to establish a commission to investigate the consequences of increased production from the continental shelf. To proactively accommodate prospective problems pertaining to the Norwegian depletion rate and international energy demand indicated a political will to strengthen Western energy security. However, Ramm remarked that *Tempoutvalget* was not a consequence of the increased pressure on Norway to produce more gas.³¹⁵ Arguably, irrespective of the international pressure, the size of Troll and Sleipner presented macroeconomic challenges that needed to be addressed. All told, it seems unlikely that the establishment of *Tempoutvalget* accidentally coincided with increased international expectations concerning Norwegian gas production. Hence, the Norwegian

³¹³ Pedersen, e-mail correspondence, March 16, 2018

³¹⁴ Pedersen, 16.03.18: «[...] prosessen førte jo til den viktige erkjennelsen at det energifattige Vest-Europa nå hadde en viktig, politisk stabil energikilde rett utenfor “stuedøra”.»

³¹⁵ Ramm, phone interview, April 13, 2018

government responded by establishing *Tempoutvalget*, which operated between both domestic and foreign policy. “The foreign political aspect of the commission was something I did not fully realize at the time,” Nore observed.³¹⁶ Although it was not a deliberate response to the actions of the Americans, the report provided the groundwork for future increase in Norwegian gas export.

Several Factors as to Why Troll did not Accelerate and their Relative Significance

Arguably, although Troll grabbed international interest, the decrease in prices of energy resources produced adverse effects on the development of the North Sea projects. Without initiating new projects on the Norwegian shelf, one would risk losing market shares to the Soviet Union. As a matter of fact, the entire purpose behind the imposition of the pipeline sanctions was to reduce the Soviet’s share in the European energy market. However, the IEA compromise, which was implemented from May 1983, provided a solution that could aid Troll and Sleipner to come on stream by creating a market for the gas fields.

On the contrary, the compromise did not solve the problems pertaining to the massive investment costs in the North Sea. In this regard, bigger market shares could not help if the price on the gas extracted did not justify the corresponding investments. A reasonable assumption is that the North Sea developers would be more inclined to initiate projects with rising energy prices. In conclusion, owing to unfavorable market conditions, it was regarded as a particularly risky undertaking to proceed hastily with the North Sea projects.

Although the market was an actual commercial constraint for the development of Troll, the accusation of deliberate noncompliance was considerably vague. The Americans accused the Norwegians for lacking the political will to increase production and consequentially reducing Western dependence on Soviet gas. However, this accusation must be seen in conjunction with Norway’s need for moderation concerning petroleum production in order to avoid overheating the economy. Although the depletion rate and the government report 25 from 73/74 were deeply rooted in the petroleum policy, the 90 million ton ceiling was just a guiding number, rather than a *de facto* ceiling.³¹⁷ Moreover, the establishment of *Tempoutvalget* served as a substantial solution to this problem. Therefore, it is reasonable to conclude that the depletion rate, as interpreted by the Americans, did not delay the development of Troll.

³¹⁶ Nore, March 21, 2018

³¹⁷ Finansdepartementet, St. meld. Nr. 25 (1973/74)

However, the change in Norwegian governments came at an opportune time for the Americans, who hoped that the new government would be convinced to develop the North Sea's resources rapidly. On the contrary, this thesis argues that the change in Norwegian governments proved less productive for the Americans than they had hoped for. Arguably, it was the conservative government's urge for market principles and maximum resource exploitation that inhibited an accelerated development in this regard. Paradoxically, it is therefore reasonable to assume that with a Labor Party government in power, Norway would have been more inclined to meet the American's request owing to less focus on market principles. However, it is uncertain whether a Labor Party government would have produced any other outcome.

Moreover, if picked up by the Americans, the conservative government's priorities would probably have been domestically regarded as noncompliance. For instance, the restructuring of the industry, which was manifested, *inter alia*, by the scramble for block 31/6 in the Troll area. Whether the conflict over 31/6 between Statoil and the Conservative Party significantly slowed down the development of the gas field is uncertain. However, it arguably drew the government's attention away from a potential acceleration of the field's development. One can, therefore, assume that the government would passively accept the American proposal for accelerating Troll and Sleipner's production as long as it did not contradict the government's domestic policy. In the end, however, it seemed that the domestic factors overtook foreign ones in determining the future of gas developments on the Norwegian shelf.

Admittedly, the time it took to develop the technology, which could extract the Troll oil safely, made it possible for the government to postpone the block distribution on Troll. The technological advancement was, therefore, more decisive in relation to the delay of development in this regard.

Above all, the scramble for the oil extracted from the Troll field was an expression of the need for national control and sound management of Norwegian resources. Control and sound resource exploitation have been the most significant guiding principles for Norwegian petroleum policies and were expressed clearly through these events. According to Ramm, the OED did not want to proceed hastily with Troll, primarily because of the necessity to maintain good resource management.³¹⁸ Arguably, this decision anchored in the government report 25 from 73/74, which

³¹⁸ Ramm, April 13, 2018, phone interview

delayed the start of production on the Troll field. However, would the Directorate have been inclined to forget about the Troll field's oil if the gas prices were rising? This question is relevant in that its answer expresses Norway's interpretation of resource management.

Conclusion

By investigating the crossroads of Cold War history, international relations, and the Norwegian petroleum history, this research has concluded that politics and commercial interests are closely connected with respect to the oil and gas industry. However, the conclusion is not groundbreaking. Indeed, it reinforces the notion that natural gas trade and pipelines are essentially geopolitical elements that influence a states' political freedom of maneuvering both foreign and domestic policies. Although it is tempting to think that foreign policies play a minor part in determining Norwegian petroleum policy, the outside world was, and still is, a significant influencer with regard to Norway's petroleum industry. This thesis has revealed the way in which the Norwegian petroleum industry was influenced by geopolitics. Moreover, this research has also highlighted the way the Americans played a central role in underscoring Norwegian significance in the field of European energy security. It thus shows that although Norway is a small state, which would prefer to stay outside of geopolitical controversies, its petroleum resources is used and exploited in global conflicts. Moreover, it demonstrates that petroleum is not only a matter of energy security but also a *de facto* economic weapon. However, research pertaining to the point of confluence of politics and the energy market, in addition to the way in which commodities are utilized as political leverage, is increasingly gaining importance in today's international environment.

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Nore, Petter. Secretary for *Tempoutvalget*

Pedersen, Per Kristian. Senior official in the Norwegian Ministry of Foreign Affairs and former Ambassador to the IEA

Ramm, Hans Henrik. Deputy Secretary of the Ministry of Oil and Energy

Unnamed civil servant

Appendix

Appendix 1: Hans Henrik Ramm's Renowned Story from the Meetings in D.C.

“Finally, I found a simple way to illustrate how demanding the development of Troll would be. This story is cited several places, not always completely correct. Here is the right version: I grabbed a glass and said it represented one of the three legs, and that this was about the height of the Empire State Building. This should be filled with technology, towed out, and placed on approximately 300 meters depth. Then we had to build another Empire State Building and place it next to the first, and then a third. (I placed two glasses next to the first one). Finally, we will build a giant factory and place it on a platform on top of the three legs. (A fourth glass came on top). "Such a project would have taken its time, even for American industry."”