

ENEMY OIL COMMITTEE

M E M O R A N D U M

In reply refer to:
SU-959-BHG

SEP 27 1944

S E C R E T

To: Mr. Morris G. Wood
Mr. Walter Levy
Major Robert R. Munoz
Major Russell S. Tarr

From: E. H. Grove *BHG*
Executive Secretary
Enemy Oil Committee

Subject: German Oil Position

Attached, for your information, is copy of a commentary on the draft EOC paper, prepared as the basis for a CIC paper, which commentary has been received from Mr. Oliver Thompson, London. It is foreseen that we shall discuss these British views at an early opportunity.

Attachment

S E C R E T

PAST AIR BAG

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ENEMY BRANCH,

(Foreign Office and Ministry of
Economic Warfare),

LANSDOWNE HOUSE,

BERKELEY SQUARE, W. 1.

Dear Kilbey,

AXIS EUROPE OIL POSITION

We have noted with much interest the two draft reports by the Enemy Oil Committee dated July 28th and August 17th. These reports are comprehensive and, with certain exceptions, agree closely with our view of the position.

In the light of our latest understanding of the position we are of the opinion that stocks, and especially stocks of gasoline, were at a very low level at the conclusion of the Russian Winter offensive and that since that time consumption has had to be continuously subjected to downward adjustments (except where such adjustments have had to be modified by urgent military necessity) in order to maintain the position in balance. However, before discussing this aspect in more detail, we would mention a number of points where there are differences in our respective statistics.

Production

The figures given for production are higher than those postulated in the last Hartley Report. The difference appears to lie principally in the estimates for Roumanian crude production and synthetic oil output.

In regard to the former we do not yet know the precise figures for the first six months. There have, however, been reports from a variety of sources and, as previous predictions of output for Roumania have turned out to be approximately correct, it is possible that our estimates for the first half of 1944 may prove to be within reasonable limits of accuracy. Our estimates are as follows:

S. Kilbey Esq.,
British Embassy
Washington, D. C.

January	409,000	tons
February	409,000	"
March	409,000	"
April	409,000	"
May	190,000	"
June	141,000	"

1,967,000 tons

In regard to synthetic production we would suggest the deletion of the allowance for unknown plants. Reconnaissances have been completed of all the areas in which plants have been most frequently reported and the results have been barren. We have consequently decided to delete any allowance for this factor, a decision with which Messrs. Peck & Noel are in agreement. Our estimates for May & June are based on the findings of the Target Sub-Committee, being the result of a detailed examination of the available evidence upon each plant. Our estimates are as follows:

January	460,000	tons
February	470,000	"
March	470,000	"
April	460,000	"
May	385,000	"
June	225,000	"

2,490,000 tons

Consumption

We have had considerable difficulty in estimating both military and civil consumption with any degree of confidence. Shortages have resulted in reduced allocations and, in many instances, allocations have not been implemented. In the case of army consumption, our calculations have been rendered more difficult by reductions in the number of consuming units and in estimating wastage of both vehicles and fuel due to military reverses.

An attempt at calculating consumption by categories and by months is shown in the table attached, while a number of the individual figures may later prove to be rather wide of the mark we believe they illustrate the correct trend.

The Balance Sheet

The attached balance sheet indicates that during the first four months of the year production and consumption were just in balance; the figures for these four months tend to confirm that only just

sufficient production has been maintained to meet essential requirements. In May and June the position appears to have gone into the red and a withdrawal from stocks has occurred, such withdrawal having probably been principally from military dumps. Carrying the trend a stage further we arrive at the following tentative figures for July and August.

	<u>July</u>	<u>August</u>
Army	220,000 tons	150,000 tons
Navy	157,000 "	100,000 "
Air Force	167,000 "	85,000 "
Todd	30,000 "	25,000 "
Non-Military	355,000 "	250,000 "
Losses	<u>100,000 "</u>	<u>75,000 "</u>
Total	1,009,000 "	835,000 "
Production .	<u>671,000 "</u>	<u>525,000 "</u>
Difference in Stocks ...	- 338,000 "	- 160,000 "

Stocks

The impression that we gain from these figures is that, even if a substantial stock in the form of free reserves existed in the early part of the year (and we do not think that stocks can have been any larger than is indicated in the last Hartly report), such stocks would have been largely dissipated by June - July. In any case recent intelligence now makes it clear that operational shortages, not attributable to transport difficulties, are occurring and it is not conceivable that such shortages would have been permitted if any stocks were available to obviate them.

If this argument is correct there is but little support for the two points tentatively submitted by Mr. Grove in his Memorandum SU-959, namely (1) that there were still 750,000 tons of free reserve at the period of low ebb in 1943, contrary to the Hartley Committee opinion that stocks were below the distributional minimum at that time and (2) that there may have been an addition to stocks of about 500,000 tons during the first half of 1944.

In regard to (1) it is our opinion that the position at that time was desperate and that local shortages were occurring which would have been ameliorated if a month's reserves were on hand. The difficulties experienced by the Italians at the time when their stocks were at their lowest ebb might be cited as a parallel condition to that which may have been occurring in Germany.

In regard to (2), the figures in the table attached, and the enforced cuts in consumption in May and June, indicate that an accumulation of 500,000 tons since the first of the year would be a maximum figure.

In discussing stocks we would stress that the position is more acute in some products than in others. Although there have been reports of serious shortages of marine bunker fuels, it appears likely that the position has been eased by supplies of surplus feedstocks that cannot be processed by the damaged synthetic plants.

In the case of motor and aviation gasolines it is certain that the shortage is now acute. Current production at the time of writing is not more than about 100,000 tons per month as compared with a consumption of about four times that amount where production was at more normal levels.

CONCLUSIONS

Whereas we feel that you may consider it advisable to present any statistics for the first half of 1944 in fairly general terms, it is our view that there should be no uncertainty in making plain the weakness and vulnerability of the position, especially in respect of gasoline, at the conclusion of the period under review.

Yours sincerely,

Sgd. O. F. Thompson

S E C R E T

EUROPEAN AXIS OIL CONSUMPTION AND PRODUCTION ESTIMATES

First Six Months of 1944

Consumption (Including Satellites)	Jan.	Feb.	March	April	May	June	Total	
	In Thousands of Metric Tons							
Army	440	410	420	345	175	195	1,985	1,100
Navy	145	145	145	145	120	144	844	417
Air Force	195	175	192	192	196	167	1,117	600
Todd	27	25	26	26	30	30	164	35
Non-Military	500	500	500	500	500	400	2,900	1,000
Losses	25	25	25	25	100	100	300	100
Total	1,332	1,260	1,808	1,233	1,121	1,036	7,310	1,300
Production	1,344	1,344	1,344	1,344	1,067	800	7,243	670
Difference in Stocks	/ 12	/ 64	/ 36	/ 111	- 54	- 236	- 67	- 100

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