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NUCLEAR ENERGY IN PLACE OF OIL AND GAS*

On June 25, 1979, Radio Moscow carried a report of the Novosti Press Agency entitled "The USSR: Fuel, Power, and the Consumer" that summarizes the main features of Soviet energy policy and the ways in which the USSR's fuel and power supply is to be maintained in the immediate future. A number of the questions dealt with in the article have already been under discussion in the Soviet press for some time, and from the report the impression is created that definite decisions have now been taken on some of them.

Gennadii Pisarevsky, the agency's economic observer and the author of the report, confirms that "the era of cheap fuel is past." The search for new oil and gas fields will mean moving into Eastern Siberia, where development will involve immense outlays. This vindicates those experts who warned that the more readily obtainable deposits in Siberia had already been tapped, that the extraction of oil and gas in these areas would soon begin to decline, and that the search for new deposits would have to be shifted to areas much more difficult of access.¹ Bearing in mind the enormous cost of the relatively easy first stage of harnessing the oil riches of Tyumen' in Western Siberia and the inadequacy of the resources of materials and manpower available to Gosplan that was revealed in the process, it is clear why Pisarevsky should observe that Soviet citizens are getting their fuel and power very cheaply.

Pisarevsky's references to the financial burden for the state in extracting and producing fuel and power suggest that there may well soon be an increase in the wholesale and retail prices of energy, with his report serving as a kind of psychological preparation for such an eventuality. This possibility would seem to be borne out by a lengthy article by First Deputy Chairman of the USSR Council of Ministers Nikolai Tikhonov in a recent issue of Kommunist.² Tikhonov notes that the existing system of wholesale prices does not adequately reflect production costs, particularly those of

* Translation of RS 100/79.

1. See, for example, the proceedings of a round-table discussion on the development of Western Siberia in Voprosy filosofii, No. 9, 1978.

2. Kommunist, No. 7, 1979, pp. 35-48.

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②

fuel and raw materials. He also mentions that the increasing difficulty of extracting fuel in both existing and new areas is sharply raising its prime cost.

It is to be expected that any increase in the price of fuel is likely to affect not only the domestic Soviet market but also the country's partners in Comecon. They may be obliged to compensate for the USSR's rising expenditure on fuel extraction by correspondingly increasing their participation in the exploitation of new deposits. This form of compensation would, at least on the face of things, be less painful for the countries of Eastern Europe than higher prices for fuel imports from the USSR. Nevertheless, the new price formation mechanism introduced in Comecon at the insistence of the USSR makes it fairly easy for the Soviet Union to justify higher prices for the oil it exports by reference to the price increases imposed by the OPEC states.³ In view of the fact that the prices members of Comecon are charged for Soviet oil are still lower than those on the world market and that the countries of Eastern Europe, which are obliged to take care of part of their fuel requirements on that market, are already feeling the effects of higher world prices, it is possible that the USSR may impose another unilateral amendment in Comecon pricing procedures with respect to fuel prices despite the political risks involved.

Pisarevsky provides a further confirmation of the Soviet decision to accelerate development of nuclear power generation.⁴ Realizing that the exploitation of Western Siberia has required far greater financial outlays than anticipated, Soviet planners are probably skeptical about the chances of harnessing new fuel deposits quickly enough. The development of deposits in Eastern Siberia may be more dependent on the participation of Capitalist firms than on the capabilities of the Soviet economy, to judge by the scheme now under discussion for the exploitation of the gas fields in Yakutia almost exclusively by American and Japanese firms and by the very slow progress being made on the economic development of the Baikal-Amur Railroad zone.

Thus, nuclear energy may be used to counterbalance the problems being encountered in opening up new sources of fossil fuels. Gosplan experts have already concluded that increased power supplies for the European part of the USSR should be based primarily on the use of nuclear energy.⁵ Now, however, Soviet intentions in this field would seem to be extending even further: Pisarevsky is talking of the gradual replacement of oil and gas by the atom "in many branches of the economy and in everyday life." By 1990, he says, the construction of nuclear power stations "in several hundred population centers" will be justified.

--Allan Kroncher

3. See RL 493/76, "Hard Times for Comecon," December 8, 1976, and RL 178/78, "Comecon and Oil Prices," August 9, 1978.

4. See RL 149/79, "The Soviet Nuclear Power Program," May 14, 1979.

5. Planovoe khozyaistvo, No. 2, 1979, pp. 19-21.