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House of Representatives

REPRESENTATIVE UDALL DETAILS ENERGY INDUSTRY RESTRUCTURING PLAN

Mr. NELSON. Mr. President, the distinguished chairman of the House Committee on Interior and Insular Affairs Subcommittee on Energy and Environment (Mr. UDALL) recently delivered a very thoughtful speech on the topic "Energy and the American Future."

Congressman UDALL outlines a sound and practical approach to solving our Nation's energy problems. This approach correctly strikes a fair balance between environmental protection and the need to become energy self-sufficient.

This speech is an important document. I ask unanimous consent that Congressman UDALL's speech be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

ENERGY AND THE AMERICAN FUTURE

(By Representative MORRIS K. UDALL)

If we are to have an energy system that strengthens our economy and serves the real needs of our citizens, it is now plain that drastic reforms are required.

The first question that must be answered in formulating a national energy policy is whether the government or the petroleum industry will guide and direct what happens.

The American people have had it with the oil companies.

They are outraged by disclosures of frauds, price fixing conspiracies, and political sluch funds.

They are suspicious of the claim of the oil companies that they need bigger and bigger profits for more drilling and exploration, when they witness a steady decline in our production and proven reserves of oil and gas.

They are tired of living under the threat that a few oil-producing countries will embargo us and disrupt our economy.

They are incensed by special tax privileges which produce windfall profits—but no improvements in the U.S. oil outlook.

And they are at the end of their rope with governmental leadership that has allowed such an anti-competitive system to prosper and dominate our national life.

What the American people want in 1975 are policies that will end special privileges and practices which stifle competition.

They want their government to compel competition and halt the manipulation of energy prices by all segments of the energy industry.

They want their government to control all oil imports and arrange for embargo-proof systems of supply.

They are not demanding a nationalized energy system, but they want the energy resources owned by all of the people developed for the common good under plans and policies that will guarantee adequate energy for future needs, protect the environment from despoilation and protect consumers from exploitation.

The energy crisis has pitched us into a serious predicament: the country at once, must grapple with the interrelated problems of economic recovery, runaway prices, shortages, increases in pollution, and threats to foreign policies vital to our future.

The American people want the hard facts about this energy predicament. They are willing to make sacrifices if sacrifices are necessary, but they are convinced the energy policies of the past are working against the national interest. In short, they want our energy destiny taken out of the hands of oil company executives and put in the hands of the people.

It is increasingly clear that Americans cannot have the kind of energy system they want unless the system itself is reorganized. Patchwork solutions will not be adequate. Structural changes are needed, changes which will enable us to shape an energy economy which serves the common good.

We have had no national energy policy in the past because as long as petroleum was cheap and seemingly superabundant, there did not seem to be a need for one. We called our policy a "free market" policy, but in fact it consisted largely of oil industry free-wheeling dedicated to the proposition that what was good for the oil companies was good for the country.

This policy is a disaster for consumers in a time of shortages. It jacks up all prices and enlarges the unbridled power of those who control our petroleum. The real energy crisis we face today is not—as some oil industry spokesmen would have us believe—a short term crisis of production: even if herculean efforts are made, our lives in the next decade will be dominated by energy shortages. The crisis centers on conservation, the rapid development of sound alternate energy sources, and actions to break the iron grip a few large oil companies have had on our energy system.

POLICY GUIDELINES

Action to implement this new national energy policy should be guided by eight broad concepts:

(a) awareness that we live on a planet where energy resources are scarce, not abundant, that we must use them with a high degree of efficiency and conserve energy wherever possible.

(b) the premise that whatever energy is available should be allocated to assure everyone enough for basic necessities at fair prices

and according to priorities that protect jobs and promote economic health;

(c) the idea that all laws and regulations should be reformed to penalize waste and encourage energy thrift;

(d) an understanding that environmental protection must be a major objective of any national energy policy;

(e) the belief that we should take steps now to reduce our dependence on unreliable sources of imported oil;

(f) a steadfast commitment to support whatever level of research and development is needed to give this country stable, adequate energy supplies for the long haul;

(g) a bias for open energy industries which compete aggressively for markets in all sectors of our energy economy: and

(h) a recognition that it is the job of government to set policies and priorities that will reorient the energy future of this country.

STRUCTURAL CHANGES IN THE U.S. ENERGY SYSTEM

As stated, the framework of a national energy policy will involve fundamental changes in our systems of supply and distribution. Reforms, like the pieces of a puzzle, must fit together in a unified whole. My plan takes the form of six interrelated proposals.

PROPOSAL I: BREAKING UP THE ENERGY CONGLOMERATES

By any reasonable criteria of what constitutes a concentrated industry—high prices, inefficiency, lack of innovation and exploration, bloated profits and the power to control and direct the economy—the energy industry qualifies; and is in clear violation of the intent of the anti-trust laws.

The problem as now defined is not one of restraint of trade—but a naked question of who will determine America's energy future.

The time has come to restructure the oil industry and eliminate those features which stifle competition. This must be done by legislation; there is too much at stake to wait for conventional anti-trust proceedings.

Legislation should be enacted which would break up the energy conglomerates. It should fix reasonable deadlines for divestiture and prohibit any corporation from engaging in more than one phase of the petroleum business. Once this restructuring is consummated, separate companies would a) explore and produce petroleum, b) transport it, c) refine it, and, d) market it at retail.

Such legislation should also prohibit the multiple ownership of competing energy resources. Already four coal companies owned by Big Oil account for 35% of domestic coal output. In addition, oil companies control over 30% of the nation's privately-held coal reserves, and 50% of the uranium reserves.

Major oil companies which have become energy conglomerates are stifling the very competition needed to eliminate energy shortages.

The trend towards horizontal integration points to the further need for price controls on all domestic fuels until such time as divestiture is achieved and competition is injected into the energy market. For in the absence of controls, the energy conglomerates are pushing the price of all fuels—oil, gas and coal—up to the OPEC level.

This real danger is dramatized by what is now happening in the coal industry. Under the combined pressures of short supplies and increasing horizontal integration of the energy industry, coal prices are rising towards the artificially high price level of OPEC oil. Even independent coal companies, riding this trend for all it is worth, are now reporting windfall profits. For example, two independent coal companies recently reported annual profit increases of 669% and 340%. This policy of inflated, OPEC-level prices for all fossil fuels, would institutionalize inflation and make a return to economic vitality vastly more difficult.

PROPOSAL II: THE MANAGEMENT OF OIL IMPORTS

The government must also take immediate steps to reduce America's dependence on unreliable sources of imported oil.

To achieve this, legislation should be enacted to accomplish the following:

a) The control over the importation of oil should be taken out of the hands of the multi-national companies and placed in the hands of the government. This should be done by reinstituting a system of quotas under which a federal agency would determine the amount of oil imported in order to reduce gradually our reliance on imports over the next decade.

Import quotas adjusted quarterly, would insure that all reductions in energy use come out of imports, rather than from reduced domestic production, as has been the case in the past year.

b) Once the control over oil imports is vested in the government, a bidding procedure and/or other appropriate negotiating techniques should be instituted which would give the government the final say over the source and price of all such imports.

In the 1960's our previous oil import quota program was administered under a "preference" which favored Western Hemisphere sources of supply (i.e. Venezuela and Canada). The new quota program should contain a "reliable sources" preference which would enable the U.S. to reduce—and ultimately eliminate—imports from the countries which embargoed us in 1973–74 and tie our future supply sources to such nations as Venezuela, Nigeria, Iran, Indonesia and Canada.

It is also urgent for the U.S. to start now to create a national oil stockpile of one billion barrels, including a 300 million barrel military stockpile. The purchase of this reserve should be rapidly escalated once the world price of oil falls to reasonable levels.

The paramount need of all the oil consuming nations is the lowering of oil prices. Because our self-sufficiency is greater, the U.S. should lead the effort to achieve this objective. We can do this by keeping price controls on supplies of domestic oil and gas, by instituting rigorous programs of energy conservation, by giving industry incentives to switch from petroleum to coal—and by other steps which will keep steady pressures on the oil cartel.

One step we should not take is to attempt to negotiate an international floor price for oil. Secretary Kissinger's proposal to commit the U.S. and the other oil importing nations to such a price is totally inexplicable. If we institute import quotas, adjustable on a quarterly basis, prospective domestic investors in energy resources need fear no loss of market from foreign oil at any price. At first glance, there is a kernel of economic sense in the Kissinger plan, but on further analysis, it blossoms into an absurdity. Whether we are talking about tertiary recovery methods for oil, expensive off-shore development of gas, or the highly capital intensive requirements of new synthetic fuels, all can be subsidized directly by the government without extending that subsidy indirectly to the OPEC cartel.

PROPOSAL III: THE MANAGEMENT OF U.S. RESOURCES

A third structural reform should be the creation by Congress of a new public agency with well-defined powers to manage our publicly owned energy resources.

Our privately owned resources are rapidly depleting. The great bulk of the remaining undeveloped fossil fuel resources of this country are in public ownership. It has been estimated that close to 70% of our undeveloped oil and gas resources lie under public lands, and that at least half of our mineable coal and over 85% of our oil shale are likewise owned by all the American people.

The time has come for the federal government to play a larger role in the management of our energy future. We can no longer afford to leave our lives and vital economic interests to the mercies of an oil cartel and a handful of giant corporations that have forfeited the trust of U.S. citizens.

This important agency (which might be called The National Authority for Energy Management) should be chartered and given

the power to play a catalyst role in the development of the nation's publicly-owned fossil fuel resources. It should be empowered:

1) to carry out the initial exploratory drilling on the remaining offshore frontier areas on the continental shelves of the Atlantic and Pacific oceans;

2) to develop sufficient producing oil and gas wells on public lands to provide a yardstick on production costs against which the performance of private companies could be measured;

3) to be the steward of the resources of all Naval Petroleum Reserves, and have the exclusive responsibility to inventory the petroleum resources within National Wildlife Refugees prior to any decisions concerning the actual development of such resources.

4) to be the manager of the U.S. petroleum stockpile.

To propose the creation of this authority, is not to propose the nationalization of the U.S. oil industry. To the contrary, such an agency will provide a cutting edge that will sharpen competition in the domestic industry.

Finally, government must take a more active part in the development of new energy resources: solar, geothermal, fuel cells, and a whole variety of energy conservation technologies. Under authority already vested in the Energy Research and Development Administration, joint government-industry corporations should be set up to insure that new technologies are promptly introduced into the marketplace.

PROPOSAL IV: A NEW APPROACH TO NATURAL GAS REGULATION

Of all the near term energy shortages we face, the prospect of a serious natural gas shortage is the most ominous. For example, some experts are forecasting a 40% drop in gas availability for the North Central states by 1980. The natural gas industry has rightly been a regulated monopoly since its inception. But with the President dangling prospects of taking the lid off prices, it is not surprising that very little new gas is coming to market.

With the current shortage in the sky-high price of alternatives, decontrol of natural gas prices would be a multi-billion giveaway to the Big Oil companies who also monopolize gas production. Congress must act to end the uncertainty over the future of the natural gas industry.

The new legislation being developed by the Senate Commerce Committee is a step in the right direction. It will permit somewhat high prices for new gas discoveries to reflect higher costs, together with end-use controls phasing out the wasteful burning of natural gas as boiler fuel. This legislation will elicit all the gas that can be economically found and still protect the consumer against price-gouging.

We must remember that the fundamental answer to the natural gas shortage is to switch America's industrial boilers to coal as rapidly as possible in conformity with siutable environmental safeguards.

In the meantime, it is crucial that the Federal Power Commission make a decision that the gas from the Prudhoe Bay Field in Arctic Alaska be brought down the MacKenzie River Valley to replenish the dwindling supplies of the north central states. Canada will benefit as well as the U.S.

PROPOSAL V: LONG-TERM DIRECTIONS FOR THE COAL INDUSTRY

With the decline of our petroleum reserves, coal must once again become a key factor in our energy economy. The recent controversy over strip mining has temporarily clouded the outlook for coal, but now that new ground rules are about to be written into law, I am confident the coal industry will respond to the challenge.

Unfortunately, in recent years, the promise of widely expanded development of western coal has been overstated while the problems have been woefully underestimated. The Ford administration and one segment of the coal industry have pushed for headlong stripmining of western coal, despite its relatively low quality and the high cost of transporting it to the industrial states. Morever, as long as the vast tracts of western coal are controlled largely by oil, railroads, and big mining concerns, there is little room for competition from the independent coal producers who have long played an important role in the eastern coalfields. And too many states have competed for the jobs that come with stripmining by ignoring the environmental and social devastation that also accompany it. Likewise, the Administration has closed its eyes to these matters in buying the strip-at-any-cost philosophy of the big coal producers.

Congress, however, has risen to the challenge. The balanced bill that will soon be on the President's desk will set fair national ground rules for coal development. This legislation has said to the coal companies, "Strip if you will, but not by permanently destroying the western way of life, not by poisoning the streams and groundwater as you have in the East, not by leaving productive farm and range lands desolate for centuries." We have tried to assure that any shift in production from eastern to western coal, from deep mined to stripmined coal, will not leave us with ghost towns in the East and ill-planned boom towns in the West.

In addition, the comeback of coal must be tied to a planned rennaisance for American railroads. Nothing can do more to promote energy conservation than the rebuilding of our most efficient means of transportation. Coal cannot play the much larger role that it clearly must unless the government gives an immediate high priority to railroad rehabilitation.

PROPOSAL VI: AN OBJECTIVE ASSESSMENT OF NUCLEAR POWER

There is probably no area of energy policy more fraught with emotion, uncertainty, and dubious information from both proponents and opponents than nuclear power generation. On the one hand, utilities advertise that a nuclear power plant is "no more dangerous than a chocolate factory", and at the same time we hear prophesies of doom from informed nuclear opponents.

We need to know the real risks and benefits of nuclear power plants: what the short-and-long-range costs are, what the most reliable and economical technologies are. Beginning next week and continuing throughout the year, the Subcommittee on Energy and the Environment, which I chair, will take a leading role in promoting a national dialogue on nuclear energy. For the first time, both sides of the nuclear debate will get a fair hearing in a neutral forum. We will undertake a comprehensive analysis of the hard technical data to present in comprehensible form all that is known about nuclear safety, and to pinpoint the unanswered questions.

Only with this kind of solid background, so lacking in the hyperbolic claims which have dominated the nuclear debate, can we make a rational, informed decision on how far and how fast the nation can afford to go.

TRANSPORTATION REFORMS AND ENERGY EFFICIENCY

Personal mobility has been the most conspicuous boon of the cheap energy era. But we have paid a frightful price for the psychic and economic benefits of this freedom in the form of congestion, pollution, atrophied inner cities, and the disappearance of the neighborhood as a functioning social unit. We have permitted, even encouraged, the decline of public transportation by unneeded highways and inadequate financial support, so that even today, in the throes of an energy and economic crisis, we pour nearly three times as much federal money into highways as into all mass transit modes. We have the means to reverse these trends. We can replace our entire auto fleet in six or seven years if we make it a national goal to do so. If we convert our automotive fleet to vehicles which will get double the miles-per-gallon as today's dinosaurs, by 1981 (even assuming we use our cars almost as much as we use them today), the consumption of gasoline can be reduced 50%, or about 3½ million barrels per day.

The way to restore the auto industry to a condition of health is to build small cars that will stretch our existing oil and reduce our dependence on imported sources of supply. By gradual steps, if our automakers manufacture more buses and new kinds of public vehicles and provide more and better hardware for the new modes of public transportation, the whole country will be more efficient and more prosperous.

CONSERVATION, JOBS AND THE FUTURE

In the past eighteen months, we have learned much about the benefits and bonuses offered by a national strategy of conservation. Industries which have eliminated energy waste have improved their profits and made the jobs of their employees more secure, just as the practice of energy thrift has enabled families to make significant savings in their budgets. The fewer billions we spend on OPEC oil, the more billions we will have to spend on products and projects that benefit everyone in this country.

A well-designed energy conservation program will strengthen our economy in the years ahead. If the U.S. is a lean and efficient country, it will be stronger socially and economically. Conservation will mean shifts in patterns of investments and industrial growth—but will not mean reductions in employment.

To appreciate this prediction, it must be recognized first that the energy industry, while capital intensive, provides relatively few jobs. Today the energy industry accounts for nearly 10% of GNP but provides only 3% of American jobs. Dollars spent on energy generate fewer jobs than dollars spent elsewhere in the economy. To be more precise, it requires an investment of about $150,000 to provide for one permanent job in the energy industry, whereas only $22,000 is required in general manufacturing.

So whenever we substitute better workmanship, more efficient machines or more carefully designed systems for wasteful energy use, we not only employ more people in implementing the conservation program itself, we also employ more workers when we spend the released dollars that no longer must be invested in producing energy.

While broad economic projections are always uncertain, the results of a pioneer University of Illinois study which attempted to calculate the energy and jobs consequences of diverting $5 billion from the highway construction program in to other sectors, are instrucitve about the effects of various priorities. If the $5 billion were diverted to railroad and mass transit construction, the study calculates there would be a net saving of 61% in energy and a net gain of 3% in jobs. If the money were put into water and waste treatment facilities construction there would be a 41% reduction in energy use and a very small—around 1%—increase in jobs. If the money were spent on the construction of education facilities, there would be a 36% decrease in energy use and a 5% increase in jobs. If the same sum were to be spent on national health insurance, there would be a 64% reduction in energy required and a huge 65% increase in jobs. If spent on improving the police and criminal justice systems, the $5 billion would mean a 3% loss of energy, but again, a huge 53% increase in jobs. And finally, if you took the $5 billion away from the government completely and gave it back to the people through tax reductions, there would be a 23% decrease in energy use and a 7% increase in jobs.

These predictions may not prove to be absolutely accurate, but the general trends are undeniably clear. Tens of thousands of new jobs can be created if we use our wealth and technology creatively. For example, Governor Milton Shapp of Pennsylvania has developed a plan—recently endorsed by other Eastern Governors—to rehabilitate the nation's railroads by investing $2 billion to $3 billion annually in restoring roadbeds and new rails and rolling stock. Shapp's studies show that such a program would create over 400,000 new jobs. Other areas where energy efficiency and economic revitalization could go hand in hand are:

Building more subways and modernizing mass transportation in all of our cities;

Providing the machines and incentives to bring to birth new resource recycling industries in all parts of the country;

Giving an impetus to urban housing improvement programs which will make our cities more compact, more efficient, and more livable.

These are but some of the neglected areas of our national life where we can generate jobs that will utilize the full potential of America. These activities will require energy, but they will represent a rejection of the idea that we can work our way back to prosperity by building more gas guzzling cars, more energy-wasting glass houses, and more and more junky, resource-wasting products.

U.S. energy use soared in the past twenty years not because of need, but because energy was seemingly so cheap and so abundant. But now our wasteful economy is in serious trouble. The solution lies in learning to get to work, keep warm, and to run factories with less energy per unit of service. That clearly can be done and is being done. If we do this, the energy required per dollar of GNP will also go down—and the money saved can create thousands of new jobs. Once the full genius of U.S. know-how is brought to bear on the problems of energy efficiency, a stronger and sounder economic system will be created.

One thing is certain. The worst mistake any society can make in a time of rapid change is to stand pat. Each month we continue energy consumption as usual, we are forfeiting valuable options. If we are willing to make some hard decisions now—and begin stretching our oil resources now—we can save tomorrow's jobs and share our remaining petroleum resources with future generations as well.

Paid For By Udall '76 Comm., Stanley Kurz, Treasurer