

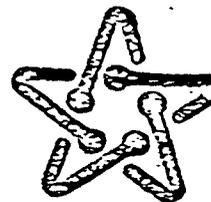
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# Federal Energy News

Federal Energy  
Administration  
Washington  
D.C. 20461



ADDRESS BY

FRANK G. ZARB

FEDERAL ENERGY ADMINISTRATION

BEFORE THE

NATIONAL CONFERENCE ON FINANCIAL REQUIREMENTS

FOR ENERGY DEVELOPMENT IN THE

WESTERN STATES REGION

ALBUQUERQUE, NEW MEXICO

OCTOBER 29, 1975



I AM BOTH HAPPY AND HONORED TO BE HERE TODAY, REPRESENTING THE PRESIDENT AT YOUR CONFERENCE ON ENERGY DEVELOPMENT.

MANY OF US PERCEIVE IN THE NATION'S ENERGY PROBLEMS —

— AND IN OUR CAPACITY, OR LACK OF CAPACITY, TO DEAL WITH THEM —

— THE CRITICAL ISSUE NOT ONLY OF THIS DECADE BUT, QUITE POSSIBLY, OF THIS HALF CENTURY.

MANY OF US BELIEVE THAT THE ENERGY CRISIS CONSTITUTES ONE OF THOSE WATERSHED ISSUES —

— AN ISSUE THAT TESTS A PEOPLE'S RESOURCEFULNESS AND STRENGTH, AND DETERMINES THEIR FUTURE AS A NATION.

THIS KIND OF HISTORICAL PERSPECTIVE WAS SUGGESTED IN A RECENT NEWSPAPER ITEM. THE WRITER NOTED THAT THE AVERAGE LIFE SPAN OF GREAT CIVILIZATIONS HAD BEEN ABOUT TWO HUNDRED YEARS AND, THAT

—IN THEIR RISE TO GREATNESS AND THEIR EVENTUAL FALL FROM IT, THEY ALL PASSED THROUGH THE SAME STAGES OF DEVELOPMENT AND DETERIORATION.

BEGINNING IN BONDAGE, THEY PROCEEDED TO FIND SPIRITUAL FAITH, DEVELOP GREAT COURAGE AND SECURE THEIR LIBERTY.

AND WITH LIBERTY AND HARD WORK CAME MATERIAL WELL-BEING AND ABUNDANCE. THEN THE DECLINE BEGAN.

MATERIAL WELL-BEING AND ABUNDANCE LED TO —

— SELFISHNESS,

— THEN, COMPLACENCY,

— THEN, APATHY,

— THEN DEPENDENCY AND,

— ULTIMATELY, BONDAGE AGAIN.



THE WRITER — NOT WITHOUT GOOD CAUSE — THOUGHT WE HAD ENTERED THE NEXT-TO-LAST PHASE.

THE PARALLELS ARE OBVIOUS AND, ON THE EVE OF OUR BICENTENNIAL, DISQUIETING, TO SAY THE LEAST.

—THE AMERICAN COLONISTS BROKE FREE OF THEIR BONDAGE THROUGH SPIRITUAL FAITH AND COURAGE TO ATTAIN LIBERTY — POLITICAL AND ECONOMIC FREEDOM. FROM THE MID-19TH TO THE MID-20TH CENTURY WE ACHIEVED GREAT — INDEED, UNPRECEDENTED — MATERIAL SUCCESS.

OUR MORE RECENT HISTORY HAS BEEN MARKED BY SELFISHNESS, COMPLACENCY AND APATHY.

AND, IF ENERGY IS AMERICA'S ACHILLES HEEL, THEN WE HAVE ENTERED THE NEXT-TO-LAST PHASE — WITH A GROWING DEPENDENCY ON FOREIGN SOURCES OF ENERGY THAT COULD WELL PUT US BACK INTO POLITICAL AND ECONOMIC BONDAGE TO OTHER NATIONS.

RELIANCE ON IMPORTED ENERGY BECAME SIGNIFICANT DURING THE 1960'S.

—BUT, BECAUSE IT WAS CHEAP, NOT MANY PEOPLE NOTICED.

WITH THE IMPOSITION OF THE OIL EMBARGO TWO YEARS AGO — WITH LINES AT SERVICE STATIONS AND SOARING UTILITY BILLS — AMERICANS WOKE UP TO THE FACT THAT THEY WERE DEPENDENT ON OTHER NATIONS WHICH COULD CHARGE WHAT THEY WANTED IN A SELLER'S MARKET.

SO, WHERE DO WE STAND TODAY, TWO YEARS LATER?

— EVEN MORE DEPENDENT THAN WE WERE AT THE TIME OF THE EMBARGO,

— EVEN FURTHER DOWN THAT ROAD TOWARD POLITICAL AND ECONOMIC BONDAGE.



— DEPENDENCE ON FOREIGN OIL HAS ACTUALLY RISEN BY THREE PERCENT SINCE THE EMBARGO — DESPITE CURTAILED CONSUMPTION DUE TO THE RECESSION AND CONSERVATION EFFORTS.

— AND DEPENDENCE ON OPEC OIL — THE OIL THAT LED TO QUADRUPLED WORLD PRICES — HAS INCREASED FROM 49 TO 60 PERCENT OF IMPORTS OVER THE SAME PERIOD.

—AND, AT THE SAME TIME, THE COST OF THIS DEPENDENCE ON OPEC AND OTHER FOREIGN OIL HAS MORE THAN TRIPLED — TO 27 BILLION DOLLARS A YEAR.

IN SHORT, IN THE TWO YEARS SINCE THE STATE OF OUR ENERGY DEPENDENCY BECAME CLEAR, — WE HAVE MADE LITTLE PROGRESS IN REVERSING OUR DESCENT.

TRUE, CONSERVATION EFFORTS, ALONG WITH THE RECESSION, HAVE SLOWED THE RATE OF THAT DESCENT. WE WILL CONTINUE TO RELY ON CONSERVATION AS A NECESSARY ELEMENT OF OUR ENERGY PROGRAM. AND, EVENTUALLY, NEW FORMS OF ENERGY — FROM THE SUN, WIND, SEAS, AND OTHER ADVANCED TECHNOLOGIES WILL CONTRIBUTE TO OUR ENERGY INDEPENDENCE.

BUT, THE KEY TO OUR ENERGY SALVATION TODAY AND FOR THE NEXT DECADE

— THE KEY TO A REVIVED AND THRIVING ECONOMY,

— TO INCREASING NUMBERS OF JOBS,

— TO GROWING PRODUCTIVITY DURING THE NEXT TEN YEARS —

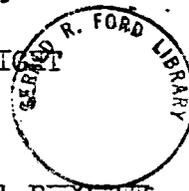
IS DEVELOPMENT OF OUR OWN DOMESTIC RESOURCES.

AND, IN THIS AREA OF RESOURCE DEVELOPMENT, THE PICTURE IS BLEAK:

— DOMESTIC OIL PRODUCTION IS AT A NINE-YEAR LOW, DOWN EIGHT PERCENT THIS YEAR FROM 1973.

— NATURAL GAS PRODUCTION OVER THE SAME PERIOD IS DOWN 11 PERCENT,

WITH CURTAILMENTS EXPECTED TO BE SUBSTANTIALLY GREATER THAN LAST YEAR.



— COAL PRODUCTION HAS REMAINED AT ABOUT THE SAME LEVEL OVER THE PAST FIVE YEARS.

— AND RECENT CANCELLATION OR DEFERRAL OF SOME \$20 BILLION DOLLARS OF NEW ELECTRIC POWER PLANT CAPACITY TRANSLATES INTO THE LOSS OF 60 PERCENT OF ALL NEW CAPACITY SCHEDULED FOR OPERATION BETWEEN NOW AND 1985.

THOSE ARE THE FACTS OF OUR ENERGY SITUATION.

—AND THE MYSTICS, WHO HAVE IGNORED THOSE FACTS AND HAVE CLAIMED THAT OPEC WOULD GO AWAY, HAVE BEEN PROVEN EMPHATICALLY WRONG.

OPEC HAS PASSED THE ACID TEST,

— CAPPED PRODUCTION AND

— RIDDEN OUT A WORLD RECESSION WITHOUT CRACKING.

— AND IF IT CAN RAISE ITS PRICES 10% DURING A RECESSION, WITH SUPPRESSED DEMAND, WHAT CAN WE EXPECT ONCE THE INDUSTRIALIZED WORLD RECOVERS AND DEMAND GOES BACK UP?

OF COURSE, RECOGNITION THAT A CRISIS EXISTS IS JUST THE FIRST STEP IN OVERCOMING IT. AMERICANS ARE BY NATURE INDEPENDENT. THEY HAVE TO BE CONVINCED THAT THEIR CONTRIBUTIONS AND THEIR SACRIFICES ARE NECESSARY PARTS OF A NATIONAL EFFORT TO SOLVE A NATIONAL PROBLEM.

THEY — AND THEIR REPRESENTATIVES IN GOVERNMENT HAVE TO BE CONVINCED THAT EVERY SEGMENT OF SOCIETY — GEOGRAPHICAL, SOCIAL, ECONOMIC — WILL SHOULDER A FAIR SHARE OF THE BURDEN.

RESPONSE TO A CRISIS IN AN AUTHORITARIAN SOCIETY CAN BE QUICK AND AUTOMATIC. IN AMERICAN DEMOCRACY IT IS SLOW AND PAINSTAKING. IT INVOLVES A RELEARNING OF THE ART OF NATIONAL PARTNERSHIP.



AND THAT IS AS MUCH TRUE OF THE PEOPLE OF THE ROCKY MOUNTAIN STATES AS IT IS OF THOSE ON THE EAST COAST. IF WE ARE TO DEAL EFFECTIVELY WITH THIS ENERGY CRISIS WE MUST ALL SEE THE TRUTH OF OUR CURRENT SITUATION AND RENEW THE NATIONAL VIGOR WHICH MARKED OUR CHARACTER TWO HUNDRED YEARS AGO. A VIGOR AND COMMITMENT WHICH SHOULD HAVE NO BOUNDARIES, REGIONAL, STATE, OR LOCAL. IT HAS BEEN SAID BEFORE, BUT IT HAS NEVER BEEN MORE APPROPRIATE THAN TODAY... WE HAD BETTER HANG TOGETHER OR SURELY WE WILL HANG SEPARATELY.

FOR YEARS AMERICA'S ENERGY CAME FROM THE COAL MINES OF THE EAST AND THE OIL WELLS OF THE WEST. TODAY, THE SITUATION IS SOMEWHAT REVERSED: WE MUST LOOK EAST FOR NEW OIL — FROM THE OUTER CONTINENTAL SHELF — AND WEST FOR NEW COAL — FROM THE VAST RESOURCES IN THE STATES YOU REPRESENT.

WE NEED THE OIL AND GAS THAT LIE OFF OUR SHORES FROM NEW ENGLAND TO THE BERING SEA. AND HERE IN THE WEST WE NEED THE LOW SULFUR COAL, THE OIL SHALES AND THE URANIUM DEPOSITS THAT COMPRISE SO MUCH OF THE NATION'S UNTAPPED ENERGY.

THAT DOES NOT MEAN HAPHAZARD, IRRESPONSIBLE EXPLOITATION THAT COULD TURN THE EAST COAST INTO ONE LONG OIL SLICK OR THE ROCKY MOUNTAIN STATES INTO A NEW APPALACHIA.

ENVIRONMENTAL LESSONS HAVE BEEN LEARNED — PAST MISTAKES CAN, MUST AND WILL BE AVOIDED.

NOR DOES DEVELOPMENT OF UNTAPPED RESOURCES MEAN IGNORING THE KINDS OF SOCIAL AND ECONOMIC PROBLEMS THAT CAN RESULT WITH THE RAPID GROWTH OF A PREVIOUSLY UNDEVELOPED AREA:

— DISRUPTIVE AND COSTLY BOOM-TOWN SYNDROMES CAN, MUST AND WILL BE AVOIDED.



IN SHORT, ALTHOUGH RESPONSIBLE NATIONAL POLICY MEANS DEVELOPMENT OF DOMESTIC ENERGY RESOURCES, IT DOES NOT MEAN ENVIRONMENTAL, SOCIAL OR ECONOMIC DISASTER FOR ANY AREA.

TO THE EXTENT THAT THERE ARE CONFLICTS BETWEEN OUR ENERGY NEEDS AND OUR OTHER GOALS, RESPONSIBLE NATIONAL POLICY MEANS OBJECTIVE CONSIDERATION OF THE FACTS, RATIONAL ANALYSIS OF THE POSSIBLE TRADE-OFFS AND FAIR RESOLUTION OF THOSE CONFLICTS.

IN OTHER WORDS, RESPONSIBLE NATIONAL POLICY INVOLVES ACHIEVING AN EQUITABLE BALANCE BETWEEN REGIONAL AND NATIONAL NEEDS.

NO ENERGY SOURCE CAN BE DEVELOPED WITHOUT SOME COST AND SOME SACRIFICE. OUR OBJECTIVE MUST BE TO MINIMIZE THOSE COSTS WHILE MAXIMIZING THE BENEFITS OF DEVELOPMENT.

LET'S CONSIDER COAL, FOR EXAMPLE.

THE UNITED STATES POSSESSES MOST OF THE FREE WORLD'S COAL RESERVES. WITHIN 1000 FEET OF GROUND SURFACE LIE ALMOST HALF A TRILLION TONS OF COAL — ALL OF IT REACHABLE WITH TODAY'S TECHNOLOGY.

THAT CONSTITUTE'S A PERSIAN GULF MANY TIMES OVER OF AVAILABLE DOMESTIC ENERGY. IN FACT, IF WE COULD EFFECTIVELY TAP THESE VAST RESOURCES, OUR FRIENDS IN THE MIDDLE EAST MIGHT BE TRAVELING COACH INSTEAD OF RIDING FIRST CLASS.

NOW TAPPING THOSE RESOURCES INVOLVES RISKS — THE THREAT OF POLLUTION, THE PROSPECT OF MARRED LANDSCAPES. BUT WE HAVE THE TECHNOLOGY AND GOOD SENSE TO MINIMIZE THOSE RISKS ~~==~~ TO KEEP POLLUTION WITHIN ACCEPTABLE BOUNDS. AND TO RESTORE THE ENVIRONMENT.



SO, ALTHOUGH THESE TREMENDOUS COAL RESERVES ARE A SOURCE OF DOMESTIC ENERGY THAT WE MUST DEVELOP IF WE ARE TO REDUCE OUR DEPENDENCE ON IMPORTS, DEVELOPMENT DOES NOT MEAN DEVASTATION OF THE ENVIRONMENT.

IT MEANS, INSTEAD, COMING TO TERMS ON SATISFACTORY COMPROMISES THAT WILL PRODUCE THE COAL AND AT THE SAME TIME PROTECT THE ENVIRONMENT.

IT GOES WITHOUT SAYING THAT GETTING TO THOSE COMPROMISES IS NO EASY TASK. BUT, THEN, THERE'S NO EASY ROAD TO LEAD US OUT OF OUR ENERGY DILEMMA. IF THERE EVER WAS A TIME THAT REQUIRED A MEANINGFUL FEDERAL-STATE PARTNERSHIP— THIS IS IT.

BUT STATEMENTS OF GOOD INTENTION ARE NOT ENOUGH. WHAT WE NEED IS ACTION. AND, WE KNOW, JUST AS YOU DO, THAT WHEN A NEW SYNTHETIC PLANT IS BUILT IN A GIVEN AREA, IT CREATES PROBLEMS THAT REQUIRE ACTION, NOT MORE GOVERNMENT PRONOUNCEMENTS OF SYMPATHY.

WE KNOW THE KINDS OF STRAINS THAT CAN BE PLACED ON A COMMUNITY WHEN HUNDREDS, EVEN THOUSANDS, OF NEW PEOPLE MOVE IN: WE KNOW WHAT IT MEANS IN TERMS OF WATER SUPPLY AND SEWER SERVICE, HOSPITALS, AND SCHOOLS.

WE KNOW THAT, TO REDUCE THOSE STRAINS, A LOT OF ADVANCE PLANNING — AND ADVANCE FUNDING — HAS TO TAKE PLACE, LONG BEFORE THE INFUX OF PEOPLE AND BUSINESS PROVIDES A NEW, BROADER TAX BASE TO SUPPORT THE NEW, LARGER COMMUNITY.

WE KNOW THAT THESE ARE THE FACTS, AND WE DON'T INTEND TO IGNORE THEM — OR TO GO ON AND ON STUDYING THEM IN WASHINGTON WHILE COMMUNITY PROBLEMS ARE BEING COMPOUNDED IN THE WEST.

WE — THE FEDERAL HALF OF THE PARTNERSHIP IS PREPARED TO WORK WITH THE STATES AND COMMUNITIES OF THE WEST — AND OF EVERY OTHER REGION — IN AN EFFORT TO PLAN FOR AND ACCOMMODATE ENERGY DEVELOPMENT.



THERE ARE THREE FORMS OF FINANCIAL ASSISTANCE WE SHOULD CONSIDER.

FIRST, IT'S CLEAR THAT MOST COMMUNITIES CAN FINANCE THEIR OWN INTRASTRUCTURE DEVELOPMENT GIVEN PROPER PLANNING AND LONG TERM REVENUES TO BE DERIVED FROM NEW ENERGY PROJECTS. BUT SOMETIMES THE FRONT-END REVENUE RAISING IS NOT POSSIBLE WITHOUT SOME FORM OF FEDERAL GUARANTEE. IN SUCH EXCEPTIONAL CASES, WE SHALL BE PREPARED TO DO OUR PART.

SECOND, IF WE GUARANTEE AN ENERGY PROJECT AND A LOCAL COMMUNITY INVESTS HUNDREDS OF THOUSANDS OF DOLLARS INITIALLY, — IT MAY LOGICALLY ASK WHAT WILL HAPPEN IF THE PROJECT FAILS AND ANTICIPATED REVENUES ARE NEVER REALIZED TO OFFSET THE DEBT. HERE AGAIN, WE SHOULD BE PREPARED TO ABSORB A SUBSTANTIAL PORTION OF THAT KIND OF LOSS.

FINALLY, GOVERNMENT-WIDE COORDINATION OF ALL FEDERAL GRANT AND AID PROGRAMS COULD BE STRENGTHENED AND MADE TO FOCUS ON PRIORITY ENERGY PROGRAMS.

NOW, I'M NOT STANDING HERE, TELLING YOU, "SURE, THE FEDERAL GOVERNMENT HAS GOT ALL OF THIS UNDER CONTROL." I'M NOT TELLING YOU, "GO BACK TO YOUR STATE CAPITOLS, COURT HOUSES AND CITY HALLS AND JUST TELL YOUR PEOPLE THAT THEY'VE GOT NOTHING TO WORRY ABOUT."

FIRST OF ALL, IT'S NOT ALL UNDER CONTROL AND THERE'S PLENTY TO WORRY ABOUT. AND, SECONDLY, WHILE THE FEDERAL GOVERNMENT PLANS TO DO ITS PART, EVERY STATE AND REGION WILL HAVE TO CARRY ITS SHARE OF THE LOAD — OR THE JOB WON'T GET DONE.

WHICH BRINGS ME BACK TO WHAT I WAS TALKING ABOUT A FEW MINUTE AGO: THE NECESSITY, IN TIMES OF CRISIS, TO RECAPTURE THE SPIRIT AND ABILITY TO ACT COOPERATIVELY AS A NATION IN DEALING WITH NATIONAL PROBLEMS.



THAT SPIRIT AND ABILITY DEPEND UPON AN ATMOSPHERE INVOLVING MUTUALITY OF INTEREST, MUTUALITY OF UNDERSTANDING AND MUTUALITY OF TRUST. AND I AM AMONG THE FIRST TO AGREE THAT WE DO NOT HAVE THAT ATMOSPHERE TODAY.

AND WE WILL ONLY ACHIEVE IT WHEN THE AMERICAN PEOPLE AND THEIR LEADERS AT EVERY LEVEL OF GOVERNMENT CAN JOIN TOGETHER IN A DIALOGUE THAT IS BOTH OPEN AND FREE — A DIALOGUE THAT LEADS TO ACTION — NOW — NOT LATER.

AT THE FEDERAL LEVEL, WE RECOGNIZE THAT THERE HASN'T BEEN THIS KIND OF DIALOGUE. WE RECOGNIZE — AND UNDERSTAND — THAT STATE AND LOCAL OFFICIALS HAVE FELT CUT OFF FROM THE DECISION-MAKING PROCESS. WE RECOGNIZE AND APPRECIATE THE CONCERN THAT "THOSE WASHINGTON BUREAUCRATS" ARE RUNNING THE WHOLE SHOW ON THEIR OWN.

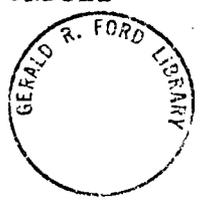
AND, AT THE FEDERAL LEVEL, WE HAVE TO ACCEPT SOME OF THE RESPONSIBILITY FOR THIS SITUATION — WE HAVEN'T DONE ENOUGH TO FOSTER THE NECESSARY DIALOGUE THAT WILL LEAD TO SHARED UNDERSTANDING AND TRUST. IT IS A SITUATION THAT — WITH YOUR HELP AND THE HELP OF YOUR COLLEAGUES IN OTHER STATES — WE HOPE TO CORRECT.

WE ARE NOW IN THE PROCESS OF ESTABLISHING, UNDER THE AUSPICES OF THE ENERGY RESOURCES COUNCIL, AN OFFICE THAT WILL CONCENTRATE ON LIAISON WITH STATE AND LOCAL OFFICIALS OF THE WESTERN STATES.

ATTACHED TO THIS OFFICE, WITHIN THE FEDERAL ENERGY ADMINISTRATION, WILL BE A TASK FORCE, WHOSE STAFF WILL BE CHARGED WITH THE RESPONSIBILITY OF MAINTAINING DAY-TO-DAY CONTACT WITH THOSE OFFICIALS — WITH YOU.

WE BELIEVE THAT WE MUST OPEN UP A TWO-WAY CONDUIT BETWEEN WASHINGTON AND THE WEST.

— THIS NEW OFFICE AND THIS TASK FORCE WILL PROVIDE THAT CONDUIT WILL ASSURE THAT NO LAPSE OF ACCESS WITHIN THE FEDERAL GOVERNMENT



JOINTS FOR FUTURE FAILURES IN WHAT MUST BE A COOPERATIVE EFFORT.

IT IS CLEAR THAT THERE ARE NO "QUICK FIXES" FOR OUR ENERGY HABIT

— NO EASY OR PAINLESS SOLUTIONS TO THE ARRAY OF ENERGY PROBLEMS  
THAT CONFRONT US TODAY.

AND IT IS EQUALLY CLEAR THAT THE LONGER WE DELAY IN ARRIVING AT  
AGREEMENT, — IN REACHING THE NECESSARY COMPROMISES, — IN MAKING THE  
NECESSARY TRADE-OFFS, AND TAKING ACTION, THE MORE DIFFICULT OUR POSITION WILL  
BECOME. BUT IF WE MOVE NOW, ORDERLY BUT BOLD, WE CAN SUCCEED.

THIS NATION HAS DONE IT BEFORE WHEN CONFRONTED WITH AN OVERWHELMING  
NATIONAL PROBLEM. WE'VE DEMONSTRATED OUR CAPACITY TO ROLL UP OUR SLEEVES,  
SET REGIONAL DIFFERENCES ASIDE AND WORK TOGETHER TOWARD EFFECTIVE SOLUTIONS.

TODAY, IF WE WANT TO DISPROVE THAT THEORY ABOUT THE LIFE CYCLE OF  
CIVILIZATION WHICH I MENTIONED AT THE OUTSET — IF WE WANT TO DEMONSTRATE  
THAT THE UNITED STATES, AS IT APPROACHES ITS BICENTENNIAL IS NOT A  
DESCENDING SOCIETY, THEN WE MUST JOIN IN THE NATIONAL INTEREST.

IT IS OUR COMMON CHALLENGE AND COMMON OPPORTUNITY TO PROVE TO OURSELVES  
AND TO THE REST OF THE WORLD THAT THE UNITED STATES,

— AS PERHAPS THE GREATEST CIVILIZATION IN HISTORY,  
DOES HAVE A FUTURE AS IT ENTERS ITS THIRD CENTURY OF EXISTENCE.

THANK YOU.

