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THE WHITE HOUSE

REMARKS BY THE PRESIDENT
TO THE
HOUSTON CHAMBER OF COMMERCE
ENERGY/ECONOMIC CONFERENCE

EMERALD ROOM
SHAMROCK HILTON HOTEL

3:04 CST

Mr. Walbridge, Senator Tower, Congressman Archer and other Members of the House of Representatives who are here, Mayor Hofheinz, Secretary of the Interior, Rogers Morton, Mr. Alan Greenspan, the Chairman of the Economic Council, and Mr. Paul O'Neill, the Deputy Director of the Office of Management and Budget, ladies and gentlemen:

Let me thank you from the bottom of my heart for the opportunity to come here to your great City of Houston to discuss the complex problems that are facing all of us, and there is no doubt that energy and the problems of our economy are extraordinarily complex.

This is the second trip in the last week from Washington to very important parts of our great country; Atlanta last week, Houston today, Topeka, Kansas tomorrow.

I am meeting with the Governors of a number of States in this area this evening and I am meeting with members of the news media, publishers, editors, tomorrow morning before shoving off for Kansas.

The message that I am going to bring you today is a very complicated one, but I think we have reached the metallic stage of the energy crisis. I emphasize the metallic stage. We have to look for the silver lining in the energy problem. We must consider it a golden opportunity to achieve self-sufficiency and then I might add we have to get the lead out.

America must face the challenges of the 21st Century today, to live and act ahead of our times. Rapidly changing circumstances at home and abroad demand -- in fact, they insist -- that we do so. We must redefine our direction as a nation and our priority as a people. It is imperative to embark on new courses, to set new precedents, to create new policies, and to chart America's future with a new spirit of national determination and national urgency.

Now is the time to make energy an urgent priority before it becomes our number one problem. It is already a significant contributor to the present number one problem, which is inflationary recession.

Less than ten years ago in the late 1960's the United States had sufficient surplus capacity to prevent any sharp increases in the world petroleum market.

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We were invulnerable to foreign disruption of our critical energy needs, but the control of that market has moved from here in the Texas Gulf area in this country to the Persian Gulf and other oil-producing nations.

During this same period or span of time, our energy consumption grew rapidly -- at the rate of four to five percent per year. Yet, despite the increasing demand, U. S. petroleum production peaked in 1970 and it has, unfortunately, declined every since.

The energy industry here at home did not have sufficient incentive to increase production. Our domestic energy supply has seriously deteriorated. Natural gas has been consumed faster than new reserves have been developed. Coal production still equals only 1930 levels. Nuclear power has been beset by technical and environmental problems. Many electrical utilities are in very severe financial straits.

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Foreign oil has filled the gap. It now furnishes about 33 percent of our domestic consumption at prices that have quadrupled in the past year. Thus, when foreign supply was cut off during the 1973 embargo, we had no excess domestic production to fall back on. Our Gross National Product dropped substantially. Nearly 300,000 people lost their jobs at the height of the embargo. The impact could have been far more severe if it had continued any longer.

This presents us with the following problem: we must take immediate and resolute action so that we can insulate our economy against the disruption which a new embargo could create. The risks in terms of unemployment and economic damage are simply far too great.

There are those who promise more jobs if we would just import more foreign oil than I have proposed. They say, in effect, pay the higher prices to the oil producing countries and bring in more foreign energy than the President plans because that will create more jobs and lessen inflation.

It is my sincere judgment that that is an empty promise. The facts, as I see them, are as follows: the longer we take to protect ourselves against embargoes, the more vulnerable our economy becomes to foreign decisions beyond our control. Each year we have been increasing our dependence on foreign energy sources. Each year we lose more jobs because we are sending overseas the money we are paying for additional and higher priced oil. That money, which has increased fourfold, is lost to investments in our domestic economy. So, we will not create more jobs in America by paying more money to the Arabs and other oil producing nations.

Future embargoes would be substantially more damaging to our economy than the last one because we are now even more dependent than a year ago. Those who propose no action now hope there will be no future embargoes.

I must add, however, they offer no guarantee of security and, obviously, cannot do so. This is a little like saying that a man with a very large family needs no insurance. I assure you that the United States is a very, large family, some 213 million Americans, and as President, I do not wish to take that gamble, the risk, the danger, they are far, far, too great. We cannot play games, as I see it, with our total economy in the hopes of boasting about limited winnings that are not at all certain.

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This bet-a-million philosophy -- that we can continue to import the entire million or a significant part of the million barrels that I propose to cut back -- is a very high-risk and, in my judgment, a reckless gamble.

Instead of betting on what foreign sources may do, we should put our money on what Americans can do and what Americans will do. If we offer sufficient incentives, American enterprise here at home will solve our energy problems.

Because of our present dependence, we are confronted with these two critical problems: First, the effect on our national political and military security; and, secondly, the severe strain increased petroleum prices have caused, not only to our economy but those of the world's industrialized nations.

As I have indicated, America is not in control of its energy destiny right now. Price leadership has shifted to the Arab nations and to other members of the Organization of Petroleum Exporting Countries. I am determined that American independence in energy be restored. We must never again be forced to pay the cartel-manipulated, inflated prices of foreign oil.

However, we must pay a price now to insure a more reasonable price for our oil in the future. And that price is what it will cost us to produce American oil on American soil -- right here in the State of Texas, in Alaska, in the Outer Continental Shelf and elsewhere within our territorial limits.

Now, some people in Washington do not seem to recognize the need for incentives in the marketplace, but we must, in my judgment, have sufficient incentives in the marketplace to increase production.

Unless we create incentives, we will be settling for dependence on other nations.

Personally, I am very sensitive to the dramatic cost increases in domestic oil and gas exploration and development. The facts, as I understand them, are just about the following:

In the last 12 to 18 months, the cost of drilling a well has gone up 100 percent or more. With those facts in mind, I think we have to understand the need for incentives.

I have seen estimates that the petroleum industry might budget as much as \$26 billion for capital spending in 1975 on expansion projects throughout the country to help boost our energy supply.

However, many of the proposed projects may never see the light of day if the Congress fails to act on legislation that I have requested.

I have proposed a very comprehensive energy program. It is not a program that is without cost or without sacrifices, but it is a program that will keep costs and inequities as low as possible, still achieving our objective of energy independence.

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I suspect in this room many of you may not support all of what I have proposed, but as I must say again, I have seen no better program proposed. And let me illustrate, if I might, my program and what the Congress has been working on so far since January 14, when they reconvened.

Here is a copy of the bill put together by myself and my advisers; 167 pages of a comprehensive program to increase supply and to conserve in the utilization or importation of foreign oil -- 167 pages, leaving out -- because it is traditional in the Congress -- the specific recommendations of any tax changes. But the title of the bill, I think, is important: To increase domestic energy supplies and availability, to restrain energy demand, and to prepare for energy emergencies and for other purposes; 167 pages.

Now I have in my hand here the bill the Congress has been working on since January 14 -- four pages -- and let me read the title of what Congressional action calls for: To suspend, for a 90-day period, the authority of the President under Section 232 of the Trade Expansion Act.

I ask you, in all sincerity: Which makes more sense -- a program that is comprehensive, put together for the purpose of conservation and for increased production or, a piece of legislation of four pages suspending the power of the President to do anything about the problem.

It is so patently obvious to me that a program and a plan is needed, not a step backward.

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It is quite obvious, I should say, that in my judgment, my program is far superior to any system of allocation, of quotas or of rationing, and that is what we have heard from the Congress most of the time thus far, either allocation, quotas or gasoline rationing.

I don't think allocation or rationing can be fair and equitable to the consumer. Neither one can stimulate energy independence. They cannot produce one barrel of oil, nor one gallon of gasoline. Furthermore, such a program would be administratively burdensome, substituting bureaucratic judgments for the interplay of the free marketplace. It would be costly, about \$2 billion a year, according to some estimates I have seen, just to administer.

In short, I think it would be a very serious mistake not to make maximum use of the marketplace to achieve our national goals. There is no doubt in my judgment it offers the best and the most equitable solution. The promised land of allocation and rationing would turn out to be a jungle, a jungle of red tape, bureaucratic judgment, inequities and other problems.

And speaking of rationing, let me just mention a fact or two: the proponents of rationing seek to create the impression that it would just be a six-month or a 12-month rationing program of gasoline. If we are going to lick the energy problem in this country, it has to be a five or ten-year program, so, what our public would have to understand is that a gasoline rationing program would involve a five to ten-year gasoline rationing program and, yet, it would stimulate production. Everybody, of course, when they talk about gasoline rationing, understandably believes that he or she will get all of the gasoline that they think they deserve and everybody else will be called upon to make a sacrifice.

Well, the facts are, there will be, if we get into gasoline rationing -- over my dead body -- then we would have 140-some million licensed automobile drivers in the United States and that we have 230-some million gallons of gasoline per day. What does that amount to, if you just divide it equitably? Not many people in this country, and very few in Texas -- (Laughter) -- can go very far in their daily chores or their work on what, about a gallon and three-quarters a day?

Well, I just hope that the good people of Texas and the surrounding States in this part of our great country won't succumb to what some say is an answer to the energy problem. Gasoline is about the poorest answer that I can imagine.

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Thus far, as I have read and heard the debate, the energy debate in the Congress has focused mostly on oil. This, as you well know, oversimplifies the problem. Our energy difficulties involve much more than oil. One of our most important energy sources, and the most acceptable from an environmental point of view, is natural gas. Despite the pluses of natural gas, let us consider, for a moment, the very sorry history of natural gas policy in the United States.

Over the past 20 years, the Federal Power Commission has set the price at the wellhead for natural gas sold in interstate markets. Since supplies in the early days seemed ample, the emphasis by Federal regulators was placed on minimum prices to consumers. Natural gas prices were held to artificially low levels. Real prices for natural gas fell throughout the 1960's. Demand for natural gas doubled between 1957 and 1972. Not surprisingly, the rate of exploration and development on new gas fields dropped off.

A further distortion of natural gas markets resulted when producers kept natural gas supplies inside their respective States where they were not subject to Federal regulation -- under a restrictive statute -- and where prices are set by supply and demand. This intrastate market has contributed to the completion of a greater number of gas wells. All of this, of course, leads to the conclusion there must be an incentive to find and develop new natural gas supplies. To do this, we must cease Federal regulation of prices on new gas for interstate use.

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Supplies to current consumers are being very rapidly and very drastically reduced in relation to major market demand. Major pipeline companies in the year ending March 1973 fall short of meeting contract requirements by some 925 billion cubic feet of gas. In the year ending March 1974, the short fall was estimated at one trillion, 200 billion cubic feet. That is comparable to 200 million barrels of oil.

The entire country is affected by these reductions in delivery -- now running at a rate of well over 100 percent more than the 1973-1974 heating season curtailments.

I am told by some of my short-sighted Members and friends of the Congress and others that there is no urgency in this matter. I wish that were true but the facts are otherwise. The facts are that one of the nation's most pressing energy problems is a real and increasingly serious shortage of natural gas. Unless our natural gas policy is changed by congressional action, we will be faced in a short time with hard choices on supplying either homes or industries across the Nation.

And in this bill that I put together with the help and assistance of my White House and departmental aides, we have a proposal for the deregulation of natural gas. Right now, because of natural gas shortages, I have read horror stories of factory closings and lost jobs. This is true in a number of our East Coast and northern United States states.

I keep telling the governors up there, why don't they help us get some votes in the Congress and they won't be faced with these kinds of problems.

Well, it took the Congress four years -- as Secretary Morton knows -- to pass the Alaska Pipeline bill. On April 18, 1973, almost two years ago, Congress was asked to deregulate new natural gas. Only one house of the Congress -- the Senate -- even bothered to hold public hearings.

I personally have sent three special messages to the Congress pleading for this legislation. I regret that nothing has happened affirmatively.

Well, in sum, the Congress has done virtually nothing about natural gas policy for the past two years, much less come up with a plan to beat the expected shortages. This Nation cannot remove the insecurity of our dependence on foreign sources of oil while we constantly hold back assistance to producers right here at home, producers who help make us secure and independent. We simply must have capital investment if we are to discover new sources of oil and new natural gas, and if we are to put people back to work solving our problem, we will not get help from anyone except ourselves.

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Quite frankly, the future of this country is in our hands. The United States will not bring about lower world oil prices without some evidence of seriousness of our intentions.

The United States will not rally our allies to stand with us in solving the international problems unless we offer some evidence of the seriousness of our intentions. And I might say parenthetically here: Removing the power of the President to force Congress to act isn't very good evidence of the seriousness of our intentions.

The American people will not believe there is an energy crisis unless the President and the Congress offer some evidence of the seriousness of our intentions, and I can assure you without hesitation or qualification I will continue to demonstrate the total seriousness of my intentions.

As I said in my State of the Union Message to the Congress on January 16, I believe in America's capabilities. In the next ten years I envisage 200 major nuclear power plants, 250 new coal mines, 150 major coal-fired power plants, 30 major new oil refineries, 20 major new synthetic fuel plants, the insulation of 18 million American homes, the construction of millions of new automobiles, trucks and buses that will use much less fuel, and, finally, the drilling of many thousands of new oil and gas wells.

With the money we spend in one month on imported oil, I am told that we could drill the equivalent of 18,000 onshore wells or about 3,000 offshore wells.

We are all in this together. Each of us has a contract with this country. Each of us must make good on the key clause in that agreement which deals with responsibility. As you well know, there is a price for everything -- whether it be independence from tyranny or freedom from dependence. It is important that we have this freedom from dependence on others for the resources that we need.

Idealism and realism do not contradict one another. The American people have always been idealists. It is now time to show ourselves and the world that we are also realists.

In another time of crisis -- during World War II -- the oil and gas industry increased its production by 22 percent with an investment of nearly \$5 billion. This industry expenditure was the equivalent of two and a half times the cost of the Manhattan Project that developed the Atomic Bomb. A far greater commitment is needed today and government cannot do it alone.

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One of the fundamental principles of democracy is that decision, direction and deed do not come down from rules and regulations and bureaucratic paperwork -- but up from the millions of its citizens.

I ask and literally pray that you have courage and confidence and come with me to face the challenges of America's third century.

I call on you for a rebirth of that great American spirit. It is really a very noble call. It is the call, it is the challenge for solutions now to the problems of the future.

Thank you very much.

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AT 3:26 P.M.(CST)