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# Federal Energy News

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Administration  
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REMARKS OF THE HONORABLE FRANK G. ZARB  
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION  
BEFORE THE

WHITE HOUSE FIELD CONFERENCE  
PHOENIX BALLROOM  
HYATT-REGENCY HOTEL  
265 PEACHTREE STREET, N.E.  
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Thank you. I am happy to have the chance to participate in this first White House Field Conference of 1975. I would like to use the time I have this afternoon to talk with you instead of to you, because I want to hear your questions and any problems you have with the way we tackle this energy situation, or the way you think we should try.

So I'm just going to say a couple of things first and then we'll throw this session open for questions.

The embargo hit us very suddenly last year. America took it right on the chin. A lot of people were jolted by it. But they rose to the emergency.

Unfortunately, people thought of the crisis as something that could be solved quickly -- with effort, with sacrifice, but also with results. Now, a year later, we still have energy problems, and also the economic troubles brought on by them, so Americans are pretty frustrated. I don't blame them.

The thing I want to tell you first today is that the crisis had a long fuse. America has had energy problems for a couple of decades.



In 1947 U.S. coal production peaked and began to decline. Domestic exploration for oil and gas began to fall off in 1956, and since 1970 our domestic production has been decreasing. Meanwhile, we didn't build enough refineries to keep pace with the demand.

Over that same time period, demand doubled for those failing supplies of energy materials.

You don't need arithmetic to see that we were in deep trouble, and didn't know it -- or didn't want to. As far as energy is concerned, America has been doing some economic sleepwalking for the past 10 years.

Admittedly, the 1973 embargo was a nasty way to wake up. But it came at exactly the right time. A few years later, and its impact would have been too great for any Federal program to alleviate.

But now we have a chance.

The predicament is a bad one. It will take a strong program to get us out of it. Solving it completely will take some time. We do not have the option of taking abrupt action now and then letting well enough alone. We are going to have to take care of the future as well, or it will take care of us.

This calls for a program offering immediate, forceful action now as well as careful long-range planning. Only one such program is available to us now, when we need it.

The President of the United States has put forward a comprehensive energy program which I am confident will get us out of our difficulties.

There is one other proposal -- mandatory rationing. Not only would it not succeed as well, but I am certain that if we measure success by our achievement of energy self sufficiency, it will not succeed at all. For it will do absolutely nothing to produce one more barrel of oil, or one more cubic foot of natural gas.

You have all read about the President's program by this time, but I would like to just run over some of the major points of it, to show what it will do.



The first part of it consists of a system of import fees and excise taxes designed to save one million barrels of imported oil a day by 1975 and two million by 1977. The \$30 billion estimated revenue from these proposals will be returned to the economy through a series of tax credits and rebates to private citizens and to industry.

This recirculated money will stimulate the economy and ease the bite of higher energy prices.

Then there are conservation proposals -- strong ones -- as follows:

New housing and commercial establishments would have to fulfill new Federal standards for lighting and heating which reduce energy waste. This would save over one half million barrels of oil per day by 1985.

Energy efficiency goals for major appliances would be obtained by agreement with the major manufacturers, or mandated. This would achieve another saving of a half million barrels by 1985.

Tax credits to homeowners making heating and cooling efficiency improvements in existing homes would save still another half million barrels.

There would be a low-income energy conservation program for offering direct subsidies to low-income and elderly homeowners, for energy-conserving home improvements like insulation.

The President has asked for and received an agreement from the automobile industry to achieve a 40 percent improvement in car engine efficiency by 1980. And he will ask Congress to make that mandatory if the industry seems to be falling short.

All these are strong proposals, and they would work. Since the end of the oil embargo, energy use in public, commercial and industrial buildings has decreased five percent through voluntary efforts. By following the FEA's lighting and thermal guidelines we could save an additional 20 percent.

Federal buildings have been made to follow the guidelines for almost a year, and the cost of lighting and heating them has dropped 27 percent.



While we conserved in these ways, we would be hurrying to develop our own energy resources. This part of the country is already experiencing some severe shortages of natural gas. The President's program would alleviate the situation in the following ways.

Deregulation of natural gas would provide incentive for further exploration of gas, and alleviate the serious shortage we are now facing. Area utilities and industries now using natural gas would be called upon to convert to cheaper and more abundant energy sources, such as coal or nuclear power, as soon as practicable.

Under the feet of the citizens of this nation lie half the coal reserves of the free world -- some one trillion, 500 billion tons of it. The conversion of utilities and industry from precious natural gas to coal would save the clean-burning gas for use in commerce and the home, where it would be of more value.

Nuclear plant building is encouraged by provisions of the President's program which facilitate siting and promote research into safety features. Converting electricity generation from oil and natural gas to nuclear energy would again save the more precious fuels for better uses.

Moreover, as of January 22, the Federal Energy Administration has put forward a proposal to permit petroleum refiners to pass through more cost increases to gasoline. The price of gasoline will go up, discouraging demand without the need for a tax.

The price of residual oil used by industries and utilities, and of middle distillate petroleum used as diesel fuel and heating oil, would rise somewhat and then level off. This would help considerably to alleviate the need for extreme utility rate hikes, a sore point with consumers.

The President's proposals provide for the replacement of costly imported oil with domestic product obtained in a number of ways. By accelerated exploration and development of the oil fields of the Outer Continental Shelf, by judicious tapping of the vast Naval Petroleum Reserves of the West Coast and Alaska, and by deregulating the price of domestic oil, we will encourage increased competitive development.



I realize that this area, with its islands and beaches, would have much to lose from careless offshore drilling. But I assure you that it will be a minimum of two to three years before the first gallon of oil is produced by an offshore rig.

And the reason for that is that we are making certain of fair environmental controls.

Finally, so that we will not be caught off guard by another embargo before we become self-sufficient, the President has provided for the emergency storage of one billion, 300 million gallons of crude oil--300 million for military and 1 billion for civilian use--in case of national need.

These are most of the high points of the President's program. And now I think I'll keep my promise and turn the floor over to you for questions.

-FEA-

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