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FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

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BEFORE THE
COMMITTEE ON HOUSE SCIENCE AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES

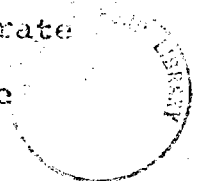
SEPTEMBER 25, 1975

Mr. Chairman and members of the Committee:

I am pleased to appear before you today to present the Administration's position on Synthetic Fuels Commercialization and more particularly Section 103 of the ERDA Authorization Bill, which pertains to loan guaranties. With me today is Robert Fri, ERDA's Deputy Administrator.

It is important in understanding the Administration's position on the loan guaranty provision to describe the relationship of our proposed synthetic fuels commercialization program to the overall energy development initiative announced by the President this past Monday in San Francisco.

As you know, the President has proposed a new \$100 billion Government Corporation to work with private enterprise and labor to gain energy independence for the U.S. by 1985. The President proposed that the Energy Independence Authority have the power to provide financial assistance to accelerate the introduction of emerging energy technologies into the



U.S. energy supply system. One of the most important elements of the President's proposed energy independence initiative is a program to lead to the production by 1985 of 1 million barrels per day equivalent of synthetic fuels from coal, oil, shale and other domestic energy resources.

In proposing this new Energy Independence Authority, it was not the President's intention to halt or delay any important projects falling within its proposed scope. This is particularly true for synthetic fuels. Let me assure you, Mr. Chairman, that it's the President's expressed belief that the synthetic fuels program is an urgent National priority and that he desires to move forward now on the initiation of a synthetic fuels commercialization program in ERDA. Once the Energy Independence Authority is established, the synthetic fuels program can then be transferred to it in an orderly manner.

As most of you know, the Energy Research and Development Administration has most of the statutory authorities needed to initiate the synthetic fuels part of the President's proposed energy independence program. An essential financial incentive authority which is not vested in ERDA, at the present time, is the authority to provide loan guaranties. Thus, the Administration strongly supports



the \$6 billion loan guaranty authority provided in the proposed Section 103. Bob Fri will shortly discuss the Administration's detailed views on the specifics of Section 103 as well as presenting the Committee an overview of how ERDA proposes to proceed in implementing this program.

Mr. Chairman, there has been an extensive effort over the past six months to develop and evaluate alternatives for a comprehensive and responsible program to encourage the private sector to initiate synthetic fuels production in the U.S. This effort has included a detailed examination of technical, economic, regulatory and environmental factors, the costs and benefits of each, alternative financial incentives which might be offered to encourage industry investment, as well as means for program implementation. Your Committee has the draft Interagency Task Force Report which describes these analyses and I can assure you that the Administration is willing to provide the Committee with whatever additional information we can in support of your important deliberations.

In moving forward in considering this program, I believe it is important that we actively solicit the input of the States. Pursuant to a request made by a group of interested and affected Governors, I have invited them to comment on The Synthetic Fuels Task Force Report, and have assured

them that, if received by the end of October, their views will be considered in formulating the final synthetic fuels program. In this connection, Governor Thomas P. Salmon of Vermont, Chairman of the National Governor's Conference Committee on Natural Resources has asked Governor Richard D. Lamm of Colorado to serve as Chairman of a National Governor's Conference Subcommittee on Synthetic Fuels to work with the Federal Government in this matter.

Finally, let me again emphasize that the President believes synthetic fuels commercial demonstration is an essential element of America's program for energy independence by 1985. He believes further that we need to move swiftly in ERDA to implement this historic program. I call upon you, Mr. Chairman, and all the members of the Committee and the Congress to act favorably on this unique opportunity and to move forward -- all of us working together -- to provide the necessary additional authority to initiate this important program this fiscal year.

Thank you, Mr. Chairman. We will be pleased to answer any questions either you or the members of the Committee may have.

