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THE FEDERAL ENERGY ADMINISTRATION
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WASHINGTON, D.C. 20461

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

TWENTY FIRST ANNUAL MEETING OF THE INSTITUTE OF
ENVIRONMENTAL SCIENCES
AT THE
DISNEYLAND HOTEL
ANAHEIM, CALIFORNIA
APRIL 14, 1975
9:00 AM, PCT

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Good Morning. I appreciate the invitation to join all of you at this annual meeting of the Institute for Environmental Sciences.

Basically, I want to discuss two things this morning. First, I'd like to give you some general idea of the administration's proposals for a national energy policy, and second, my own view of the implications of energy policy for the environment.

The effort to reduce the amount of oil imported by the United States is predicated on a firm belief in the effectiveness of the free market in allocating resources efficiently, equitably, and productively. We feel that if American consumers -- and I'm talking about industries as well as individuals -- are presented with a new set of market circumstances, they will begin to make different decisions about energy use.



And the new circumstance we envision is energy that is priced to reflect its real value in our society. It's been our experience -- I should say the nation's experience -- that energy consumption, like consumption of anything else, is responsive to price.

Over the last year of higher oil prices, energy consumption has decreased by slightly more than two percent. That was the first time since 1952 that energy use in the United States actually declined, and the only difference between 1974 and 1952 was increased prices.

So we're confident that increased energy prices will prove effective in reducing the amount of oil we import from overseas. Faced with higher energy prices Americans -- and again I'm talking about corporations as well as individual consumers -- will adjust their buying habits. They will, in short, consider the real value of the energy they use.

But higher energy prices are not the whole story. Granted, they will rise by roughly \$30 billion dollars, but that is the amount we expect to return to the economy through tax reform and rebates.

Those rebates will be structured to help those who need it most -- lower and middle income Americans. They will actually be better off in terms of purchasing power. But that purchasing power will have to be spread over a range of goods and services in which energy has become more expensive.



It's natural to expect that purchasing power to move away from peripheral energy purchases to other goods and services.

In short, people -- making their own decisions, and disposing of their own income -- will begin, by degrees, to conserve energy at home, on the road, and in the factory.

This type of conservation cuts across the whole spectrum of energy use. And it's this kind of broad approach that is necessary.

After all, about 38 percent of America's use of energy -- apart from that used by the utilities -- is industrial. And, if you add electric utility consumption, the total comes to more than 50 percent. What's more, residential and commercial buildings account for another 32 percent of our energy use.

We're convinced that more expensive energy means more efficient use in industry. And, likewise, we're sure that the higher cost of energy will tend to more efficient use in residential and commercial buildings, especially when the proposed tax incentives for residential insulation are considered. As for new buildings, we propose to establish strict national thermal standards.



Greater automobile efficiency is the Administration's goal. The industry has agreed to improve fuel efficiency by 40 percent by 1981. This is a handshake agreement; its on paper, signed and sealed. We expect to achieve that goal voluntarily, if possible, and otherwise, if necessary.

In the short-term, the environmental effects of these proposals may be somewhat mixed, but there would be some substantial gains in certain areas. For example, there should be a beneficial effect on air quality with a decrease in the amount of motor fuel consumed. Industrial pollution could also be reduced to a degree because of the economic incentive to increase efficiency, while more efficient buildings also promise gains for the environment.

Reduced imports also mean less tanker traffic, and fewer oil spills, while a levelling of oil consumption will stabilize refinery production, and improve air and water quality.

Coal will replace some of the imported oil displaced by the Administration's program. But in the short-term increased coal production would be marginal, and would come from existing mines.

As I said, however, the environmental results are somewhat mixed. The greater use of coal to generate electricity would raise pollution levels to a degree in some selected areas, but the program would still require the maintenance of primary air quality standards.



It's safe to say that if the Administration's energy proposals involved nothing but conservation measures, the question of environmental impact would probably never arise. But, if we expect to be truly invulnerable to oil supply interruptions by 1985, it will take more than reduced consumption. We will have to develop the resources we have.

The Administration has presented a wide range of initiatives to Congress that would stimulate this kind of activity.

I don't propose to expound on all of them, but I would like to spend a few moments on several that could have major environmental impact -- development of the Outer Continental Shelf and the amendments to the Clean Air Act.

One of the most critical aspects of the Administration's program is development of the Outer Continental Shelf. As you may know, the President has set a production goal of a million and a half barrels of oil a day by 1985 from OCS fields.

But, unfortunately, oil exploration is an inexact science. Geological surveys show that these areas contain structures which are normally associated with crude oil and natural gas, but there is no way to tell with certainty that the resources are there until we actually begin to explore.



As a result, we will have to begin exploratory drilling soon, just to confirm the validity of the goal. Unfortunately, when people think of offshore oil, they also tend to think of the Santa Barbara oil spill.

Granted, that event was tragic, but that tragedy has to be considered in light of the history of offshore oil production. And that context shows that, by and large, offshore production of oil has been anything but an environmental catastrophe.

As of April 1972, some 14,000 wells had been drilled in Federal and state waters. Of all those wells, only twenty-five created pollution hazards from blowouts. And exactly three were large enough to attract widespread attention.

The fact is that offshore drilling technology has advanced to the point where we can be reasonably confident of environmentally safe operations. We have the capacity to minimize oil spills and to control them should they occur.

The chief anxiety that has emerged with greater concentration on the Outer Continental Shelf is not so much the safety of drilling operations themselves, but the effects of large scale development of these resources on local communities. In short, for example, what happens to a fishing community, with standards and customs that may go back 200 years, when the oil off their coast starts coming ashore?



The federal government is aware of this problem, and is prepared to help coastal states in protecting their shoreline societies. And the problems are numerous. They include refinery siting, land use, increased public services.

Unplanned development has enormous potential for the sort of "boom and bust" situation that characterized the aerospace industry. Many of you scientists and engineers in the audience who enjoyed that boom and endured the bust know what potential there is for harm in permitting haphazard development.

And that's one reason that coastal zone planning is so important. That's one reason why the federal government has increased funds for assistance to states for planning and for environmental studies.

Still, there are some who object to any leasing of the Shelf until the states have completed their coastal zone management plans. I can't agree with that.

For one thing, it penalizes the search for needed energy supplies and would probably set OCS production back another five years. And we already have one lesson in the effects of delay up north where work on the Alaska pipeline -- which could have been carrying oil by late 1972 -- is only now under construction.



But equally important, there is simply no way any state can plan adequately for coastal management without knowing what to expect. And there's no way of telling that unless we lease certain promising areas, explore them, and obtain some firm idea of how much oil and gas is there.

Even production from the Outer Continental Shelf -- once it starts -- will only slow the rate of depletion of our domestic oil and gas reserves. We need to start relying on and developing other fuels. The most important among them is coal.

However, there aren't too many places in the country where you can burn coal. This is one reason why the Administration proposes to amend the Clean Air Act. And for a moment, I'd like to turn generally to some of those amendments.

As a result of the Clean Air Act Amendments of 1970, this country has made great progress in reducing pollution from all major sources. But since those amendments were passed our situation has changed, and changed radically.

For one thing major sources of clean fuel are insecure, and we are faced with the urgent need to begin relying on our own resources to the greatest possible degree.

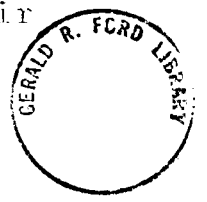


Because of this, it has become apparent that certain requirements and deadlines in the original amendments must be deferred. The Administration sees a critical need to delay further improvements, until we have dealt adequately with the energy shortage. And to do this we are going to have to use less oil and more coal.

However, this change in emphasis will be substantially thwarted by emission standards which must be imposed by the states during the 1975 to 1977 deadline. With those limitations in effect, installations that are, or could be burning coal would face what we've been calling a clean fuels deficit. By that I mean insufficient supplies of stack scrubbers or low-sulfur coal.

Enforcing those standards, therefore, would mean less coal burned and more oil imported. Because of this we want to extend those compliance deadlines, and permit the use of intermittent control systems in areas where the primary -- that is, the health -- standards of the surrounding air can be reliably maintained.

The result would be greater use of coal generally. But we would also be able to use short supplies of scrubbers and low-sulfur coal in the areas that need them most -- areas with the greatest air pollution problems. In this way, intermittent controls would actually be hastening the attainment of primary air quality standards for the nation as a whole.



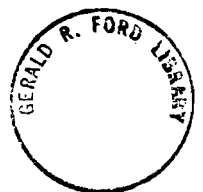
The Clean Air Act Amendments also focus on automobile emissions.

As I said, the President has obtained the voluntary agreement of the automobile manufacturers to increase engine efficiency by 40 percent by 1980. To give the manufacturers the greatest chance of success in fulfilling their part of the bargain, we are asking for a five-year suspension of certain emission standards. We've been assured by the industry that, under these circumstances, the goal of a 40 percent increase in fuel economy can be achieved.

Again, this doesn't mean a retreat from environmental goals. Postponement will let us maintain the gains we've already made. In fact, for some pollutants the standards will be stricter than for the 1976 model cars.

But in addition to stabilizing the gains we've made on air pollution, the amendments also mean advancing the nation toward greater self reliance in energy by saving more than a half million barrels of gasoline per day by 1980.

And I might add that a half million fewer barrels of gasoline in our gas tanks means that much less pollution from our exhaust pipes.



Now these are only a few measures among many which will have major consequences for the environment. But I think they illustrate the fact that energy policy and the environment are not mutually exclusive.

The policy decisions we have made -- and will make in the future -- will not be made in an environmental vacuum. There is no fundamental antagonism between the drive for energy independence and the effort to preserve environmental integrity.

What we want -- and what we have -- is a policy that balances the energy needs of the nation with the requirements of a hospitable environment. The time is past when the nation can afford to concentrate its efforts in one area to the virtual exclusion of another. The environmental movement itself has taught us that.

We live in an increasingly interdependent society where all issues meet in the quality of our individual lives. And given changing circumstances, we must condition our response to those issues, just as we adjust our lives to altered circumstances.

But adjustment doesn't mean renunciation.

Thank you.

-FEA-

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