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

AMERICAN MINING CONGRESS
THE PITTSBURGH HILTON HOTEL
PITTSBURGH, PENNSYLVANIA
MONDAY, MAY 5, 1975
10:00 AM, EDT

EMBARGOED FOR RELEASE UNTIL:
MONDAY, MAY 5, 1975, 10:00 AM, EDT

Ian, thank you very much for your kind introduction. It's a pleasure to join you here at the 1975 coal convention of the American Mining Congress.

And I'm especially happy to join you here in Pittsburgh -- a town that is justly famous for the most productive steel industry on earth, as coal capital of the world, and as the home of a fellow named "Mean" Joe Green.

Personally, as a citizen of the United States and as Administrator of the Federal Energy Administration, I also consider coal a source of hope. The coal community confirms my belief that this nation is supremely capable of successfully answering the challenges we face in energy today.

As a government official concerned with helping to develop the energy supplies our country needs to survive in an uncertain future, I'm encouraged by the knowledge that when it comes to coal, the United States can not only match but, outmatch and out-muscle any country in the world.

I want to talk to you today about the Nation's hopes for coal. But before I do that, I want to spend some time describing the nature of the problem we face -- in all its urgency and with all its potential hazards.

Not long ago, this country could formulate its foreign policy by consulting its own interests and those of its allies. Now it must consider -- and weigh very carefully -- the interests of others -- interests which have differed sharply from ours in the past and may well do so in the future.



Once we could handle our economic affairs with an assurance of stable supplies of vital commodities at reasonable and predictable prices. Now we must labor with the knowledge that our imported oil -- so vital to that production -- can be cut off at a moment's notice or priced at still more exorbitant levels.

A year ago, these dangers were brought home forcefully to the American people. The energy crisis -- years, even decades in the making -- suddenly became an everyday reality: service station lines and skyrocketing utility bills became common experiences for most Americans.

Today, the threat is more subtle. But whether we choose to call it a crisis, or a problem, or a dilemma, it is no less persistent. It has simply taken a different form.

A year ago, the energy crisis meant empty gas pumps. Today it means a national pocketbook which is being emptied to pay quadrupled prices for imported oil. Not as dramatic as gasoline lines, perhaps -- a bit more subtle -- but every bit as serious as the shortages of last year.

Last year, the United States ran a balance of trade deficit of more than \$5 billion dollars. If our oil import payments had remained at their 1973 level, that deficit could have been a surplus of some \$14 billion dollars. Had we paid twice as much for imported oil in 1974, our balance of trade still would have been in the black by as much as \$7 billion dollars.

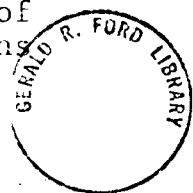
But our oil payments were not only doubled, but, more than trebled, to add to this nation's debt.

Now to some people the balance of trade is a complicated creature of the economists. But in plain pay-day terms, it means dollars taken out of American pay checks and put into foreign bank accounts.

It means slimmer paychecks here in Pittsburgh, fatter bank accounts in Baghdad.

Still, there are those who continue to deny the danger, defy the facts, and demand nothing more than "business-as-usual."

Doing nothing would mean, by 1977, agreeing to a 1000 percent increase over 1970 in the annual cost of imported oil. It would mean \$32 billion drawn out of the American economy and transferred to other nations in only one year.



Now, we in Washington are very glib in tossing around figures like a \$32 billion outflow and a 1000 percent increase.

The average American wants to know what's going to happen to the family budget. Well, business-as-usual means that in 1977 an American family would pay out -- and this is a conservative estimate -- an average of \$575 per family to other countries for oil.

Of course that is not the entire picture. The dollars we send abroad do not go into permanent exile. They are repatriated or, in the words of the economists, "recycled."

Those dollars -- some of them -- are sent back to us in return for goods and services produced here in the United States -- food, machinery, technology, and so forth.

And those same dollars can come back in the form of investment in American firms. Investment means ownership in varying degrees, and ownership, in turn, means control, in whole or in part.

Foreign investment in American enterprises is not, of itself, an evil phenomenon. It does provide a form of capital. But what it does not provide is an effective, permanent solution to the disparity between domestic energy demand, and domestic energy production.

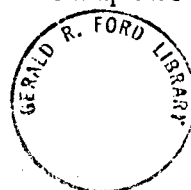
Recycling may be necessary crisis management, but it is not crisis solution.

Until we solve the energy crisis, we will remain vulnerable to exorbitant prices and to another embargo and cut-off of oil imports and the resulting economic disruptions. In fact, the mere threat of another embargo could be, in a way, as effective as the reality.

Unless we take decisive steps to protect ourselves now, the gravity of that threat and the potential impact of an actual embargo will grow with each additional barrel of oil we import.

Let's see what that means for the future.

In two years' time, if we do nothing, more than 40% of our petroleum supplies will be coming from overseas sources. If all those supplies were cut off, a six-month embargo could bring a \$45 billion drop in the gross national product. It's difficult to say exactly how much it would increase unemployment, but it's estimated that the 1973 embargo -- which involved only 14 percent of U.S. petroleum consumption -- threw half a million people out of work.



That is the sort of future this country can anticipate unless we are willing to take firm and convincing action now. We can let the American ship of state run rudderless in the unpredictable tides of rising energy consumption and diminishing supply, or we can take command of our own future.

And no nation is so capable of molding its energy future as the United States. Yes, it will cost billions of dollars, but this is a trillion dollar economy. It will require some sacrifice, but we have never shrunk from that. It will require resources, but we have those in abundance, and that abundance is most manifest in coal.

It's no secret that this nation possesses most of the world's coal reserves; that we are the world's major coal producer and it's chief exporter; and that almost a half trillion tons of coal lie within 1,000 feet of America's surface -- all of it reachable with today's mining technology. But despite that wealth of solid hydrocarbon fuel, despite possessing a Persian Gulf -- many times over -- in coal energy, the industry and its consumers, both present and potential, are still beset by uncertainty.

And that uncertainty is chiefly caused not by some foreign nation holding energy supplies hostage for the modification of American foreign policy, but oddly enough by the government of the United States. In search of a number of objectives, all perfectly valid, the federal government has imposed restrictions on the burning of coal, and may further reduce the amount that can even be mined.

In short, we could find ourselves in the novel predicament of instituting a legislative embargo on a source of energy that could, over the next decade, make perhaps the major contribution to our search for energy independence. I'm speaking primarily of the Clean Air Act, as it presently stands, and various efforts to limit strip mining.

I want to spend some time on both these measures, but at the outset let me emphasize that the Administration agrees in principle with the objectives of both. Our differences with the current Clean Air Act and with some advocates of strip mining regulation are problems of timing and degree.

For instance, the Clean Air Act Amendments of 1970 have brought great progress to this country in reducing pollution from all major sources. However, there are areas of the nation where environmental restrictions on the use of coal are more stringent than necessary to protect public health. This situation has potential to grow and spread as stricter requirements and new deadlines in the Clean Air Act come into effect.



And this is what I mean by differences over timing and degree. Can we afford new, immediate advances now, beyond those necessary for public health, when those improvements will exact a cost in coal produced, coal consumed, and oil imports increased? Personally, I think not, beyond those needed to move our environmental objectives forward.

In this area, the Administration sees an urgent need for -- and is committed to attaining -- an even-handed approach to national energy goals and environmental needs. As the Clean Air Act now stands, that even-handedness has been lost.

I cannot stress the words "even-handedness" too strongly because that is precisely what we have to restore for the overall good of the American people. The American people need clean air; and the American people need reliable supplies of energy.

To the extent that those two needs conflict, it is in the people's best interest to resolve those differences through reason and compromise -- which are positive responses to the problem -- rather than through divisiveness and polarization -- which are negative, counterproductive responses we cannot afford.

The Administration's proposed changes to the Clean Air Act seek to restore balance. They are not just proposals of the Federal Energy Administration. They are proposals that we at the FEA worked out jointly with Russell Train and others at the Environmental Protection Agency. They are proposals that can resolve conflicting goals of the American people in a positive way.

Hopefully, debate on these proposals will be characterized not by a negative spirit of polarization, but rather by a positive spirit of compromise. Certainly, that is the spirit with which they are offered.

Environmental gains -- good in and of themselves -- have to be considered in the overall context of a multitude of national interests. And it is in the interest of this country to foster greater consumption of coal. This is why the Administration wants to extend the State compliance deadlines and permit the use of intermittent control systems in areas where the health standards of the surrounding air can be maintained reliably.

In this way, we think coal could be consumed in increasing amounts, and in an environmentally safe manner.



Moreover, short supplies of stack gas scrubbers and low sulfur coal could then be concentrated in areas of the country that need them most -- areas with the most serious air pollution problems. It is conceivable that, in this way, intermittent controls would actually hasten the attainment of primary air quality standards for the nation as a whole.

The Administration is convinced that, given the Clean Air Act Amendments, we can and will attain and maintain acceptable air quality standards while converting major fuel burning installations to coal. Our analysis indicates that major substitutions of coal for oil and natural gas can be accomplished if we:

- convert a number of existing powerplants from oil and gas to coal;
- ensure the continued use of coal by powerplants now using it;
- require new powerplants to be capable of burning coal; and
- convert other large fuel burning facilities to coal.

If Congress will amend the Energy Supply and Environmental Coordination Act to allow these conversions, we could be saving almost a million barrels of oil a day between 1977 and 1980. As of this moment, we have already identified 75 powerplants that can burn coal, but are using oil and natural gas. Conversion of all those plants would mean saving a half million barrels of oil a day -- oil that comes from insecure foreign sources, oil that deepens our dangerous and growing dependence on overseas supplies, oil that weakens our standing in the world and our situation at home, oil that can and must be replaced by coal.

But, if Government places too many unneeded restrictions on coal production -- we might as well be talking about replacing oil with sunflower seeds, because, otherwise, the industry -- and the country -- will be foreclosed from major supplies of coal.

Right now, that issue focuses on the Strip Mining Bill just reported out of conference committee in the Congress. We have opposed certain elements of that bill and earlier bills because we felt that they would unnecessarily place substantial amounts of coal off limits to America. We felt the following question had to be straight-forwardly addressed and forthrightly answered:



Is this country so wealthy in resources or so willing to commit itself to foreign oil supplies, that we can afford to cut ourselves off arbitrarily from so much potential energy? Our answer was "no" and that's why we have hoped -- and still continue to hope -- that, Congress will pass an improved version of the bill.

Again, in strip mining as in clean air, we should seek balance. It's not a question of trading in the environment for strip mined coal; it is, however, a question of realizing that coal is imperative for this country's economic health and international standing, and that the environment, while disrupted temporarily, can -- and must -- be restored. It will be far easier to reclaim the environment as we remove coal from the surface, than to reclaim our independence from foreign oil ten years from now.

These are some of the problems facing us. There are others. Our goal is slightly more than a billion tons of coal production annually by 1985 -- the equivalent of opening a million and a half ton mine every week for the next ten years. To do this, the industry will probably need up to \$20 billion dollars in new investment.

And I'm convinced that money will be available if we all work to create a climate that inspires confidence both inside and outside the industry.

On the question of confidence, let me add this: the successful achievement of our energy goals through the free enterprise system depends largely on the confidence of the American people. Whether this confidence is earned or not depends on the sensitivity and balance and concern demonstrated by individual elements of our free economy.

As you go forward to fill your primary role in our national energy program, I urge you to take seriously your responsibilities in helping to create a climate of confidence.

I can give you my assurance that the Administration will continue trying to establish that climate because we already have confidence in you and in the future of coal.

In fact, when it comes to energy, coal is virtually synonymous with confidence -- confidence in our ability to shape our future, confidence in our own material and technical resources, and confidence in our capacity to deal with an energy situation that has changed drastically.



That is why I began these remarks on a hopeful note. If we can surmount the legislative, administrative, and economic hurdles that have impeded development of the coal industry for so long, then we can all continue to hope for a future free from the effects and the threats of oil embargoes, and secure in the knowledge that the American economy has been returned to the American people.

Thank you.

-FEA-

