The original documents are located in Box 9, folder: "Speech - May 12, 1975 - Government Institutes Second Energy Technology Conference" of the Frank Zarb Papers at the Gerald R. Ford Presidential Library.

THE FEDERAL ENERGY ADMINISTRATION
FEDERAL BUILDING
12TH AND PENNSYLVANIA AVENUE, NW.
WASHINGTON, D.C. 20461

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

GOVERNMENT INSTITUTES SECOND ENERGY
TECHNOLOGY CONFERENCE
SHOREHAM-AMERICANA HOTEL
WASHINGTON, D.C.
MONDAY, MAY 12, 1975
10:00 A.M., EDT

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MONDAY, MAY 12, 1975, 10:00 AM, EDT

Good morning. I appreciate the opportunity to join the distinguished group of energy specialists who will be addressing this conference during the next three days of sessions.

And it is a privilege to share this morning's kickoff session with Congressman McCormack, Chairman of the Subcommittee on Energy Research, Development and Demonstration of the House Committee on Science and Technology and a man who plays a key role in developing the technology our country needs for a secure energy future.

And that future will be secure only if the Federal government reacts to the energy problem with a responsible national energy policy.

I believe the Administration's program for national energy self-sufficiency must be adopted if our future is to continue to be characterized by progress -- both technological and social.

You in this audience are daily confronted with the overwhelming need for a national energy policy as you work with the organizations that make up the foundation of our economy and America's position as the leader of the industrialized world.

Our national prominence and the success of our economy have been based on stable supplies of vital commodities available at reasonable and predictable prices. Now we must grapple with the fact that foreign oil -- on which our economy has grown so dependent -- can be denied at a moment's notice or priced at still more exorbitant levels.

In 1973, the United States paid close to 8 billion dollars for foreign oil. Last year, that bill jumped to nearly 25 billion dollars. As a direct result, this country ran a balance of trade deficit of almost 6 billion dollars.

If our oil import bill had stayed the same as in 1973, with all other factors equal, our balance of trade could have shown a <u>surplus</u> of as much as 14 billion dollars.

If the bill had only doubled in 1974, we <u>still</u> could have had a substantial surplus.

But, as we know all too well, our payments for foreign oil not only doubled last year, but more than tripled, to put this country further into debt.

And if we fail to mount a serious national effort to conserve energy and increase our own domestic energy supplies, in 1977 alone the oil producing countries will take $32 billion out of our economy in exchange for imported oil. In short, we will be throwing our hands in the air and saying "yes" to a 1000 percent increase in the annual cost of imported oil over a seven year period.

That is why the Administration is pushing for development of domestic energy resources. We believe that this can best be accomplished by the free market system, a system that has historically been fair, reliable, and responsive to dynamic economic situations.

We are convinced that removing controls on domestic oil and gas prices and avoiding excessive control of other energy development efforts will provide the climate the market needs to meet our energy requirements.

This is not to suggest that government has no role to play in industry regulation and consumer protection.

For while over-regulation can hinder economic growth and productivity, leaving the consumer to pay both taxes and higher prices for what amounts to government-sanctioned price fixing, the same is also true when the private sector engages in market manipulations.

In both cases, the consumer must pay a price artificially higher than a commodity's true market worth while receiving no additional value for his money.

For the most part, government's role in the marketplace should be that of a referee or umpire who sees that the rules are obeyed.

This is precisely the role FEA is playing right now in our investigation of overcharges for crude oil, propane and other petroleum products.

Those who would use a national crisis to profit at the public expense through willful and fraudulent price gouging are breaking the rules and undermining the free economy system that has kept us strong and prosperous for almost two hundred years.

And I can assure you they will be investigated and prosecuted to the limit.

But while this type of government monitoring is essential to keep the marketplace open, free, and fair, let me emphasize again that neither the public nor the government get their money's worth from <u>over-regulation</u>.

In the energy sector, we are trying to strike the regulatory balance necessary to protect the public interest and at the same time, help the operation and growth of a productive economy.

We favor a program that will allow the price of energy to reflect its true value to the economy; that will maintain government's role as an umpire -- making sure that rules of free and fair competition are followed and the consumer protected; and that prevents the government from becoming a competitor in the marketplace.

This choice -- to either strengthen our free market economy or transfer even greater power to the government -- is one of the most crucial aspects of the energy crisis, for it involves decisions that will affect the very basis of our society.

I believe that the fairness and the good judgment historically exercised freely and effectively by American consumers and businessmen are infinitely preferable to the inequities, inflexibilities and inefficiencies that would result from market decisions made in the isolated confines of some government bureaucracy -- institutions more concerned with balancing interests than with balancing the books.

The Administration will continue the effort to establish a stable market atmosphere free from capricious or counter-productive government decisions that are disruptive to our economic and energy goals. So, let's look at what we are working with.

Our supplies of oil and natural gas are finite; they are running out. Higher energy prices provide the necessary profitability to spur investment in expensive advanced recovery methods for existing oil wells and development of our outer continental shelf and Alaskan reserves.

But even with these efforts to increase conventional fuel supplies, we must look to other sources to help fill our energy needs.

The most promising near-term developments in alternate sources are synthetic fuels which can be used to supplement conventional oil and natural gas supplies.

One great advantage of synthetic fuels is their adaptability to our existing energy system with few if any modifications.

Another big factor is that we have immense domestic supplies of the raw materials from which these fuels can be manufactured -- coal, for example.

But, the most important factor is that the technology is being rapidly advanced to bring these fuels into prompt and economic commercial use.

Work on oil shale extraction and coal gasification and liquefaction technologies has been going on since World War II in the private sector and in joint efforts by government and industry.

The Energy Research and Development Administration is carrying on these projects through their fossil energy program -- a program based on an incentive approach to developing the economically viable technology to convert domestic fossil fuels into the energy forms that will satisfy market demand.

ERDA funds 100 percent of the fossil fuel projects that are in the high risk stages of early development. When projects reach the pilot plant stage, the private sector picks up a third of the investment while government funding totals two-thirds. When the demonstration plant stage is reached, joint government-private funding is equal. The final full scale commercialization is then left totally to private financing.

The President has set a goal of producing 1 million barrels of synthetic fuels daily by 1985. It is a goal I believe we can -- and will -- reach.

There are more than 125 fossil fuel contracts in existence under the ERDA program. Their total value runs around $600 million and industry is picking up over 25-percent of the tab.

Much of this work concerns oil shale and efforts to extract the 80 billion barrels of recoverable oil contained in this resource.

At least seven processes for above ground mining and extraction of oil from shale have been developed and most are nearing commercial application. At least six production projects have already targeted operation dates between 1978 and 1982.

In addition, processes for in-situ oil shale extraction -- a cheaper and more advanced technology -- are continuing. Numerous methods have been tried, but until recently, few have shown any real promise.

However, recent technological advances indicate the process will be commercially feasible by the early 1980s.

Tar sands -- another area of synthetic fuels development from resources within the United States -- could yield between 20 and 30 billion barrels of oil. The Athabasca Tar Sands plant in Canada is already producing 52,000 barrels of oil a day at a profit. So commercial development has already been achieved. Here, in the U.S., a number of small private research and development projects are getting underway and the government has agreed to help finance an experimental project with private industry.

Coal conversion technology, most notably in the advancement of coal liquefaction processes to the demonstration state, are also among ERDA's fossil energy projects.

This nation has about 3 trillion tons of coal reserves. That constitutes about 80-percent of our entire stock of fossil fuel resources. Commercialization of the technologies to produce clean gaseous, liquid and solid fuels from coal, and to improve the direct combustion of coal consistent with environmental standards could supply a major share of U.S. energy demand.

Current Federal budgeting for coal conversion programs totals over $260 million, with commercial stage development expected by the early 1980s for both liquefaction and gasification technologies.

Beyond the synthetic fossil fuel programs, the government is pushing development of more advanced forms of energy -- anticipating both short and long-range applications.

One of the most popular -- solar energy technology -- is developing along six different avenues. Significant advances in the development of three of these -- solar energy for heating and cooling, wind energy conversion, and bioconversion -- could have near-term commercial applications if our present rate of advance is continued.

Solar thermal, photovoltaic, and ocean thermal conversion techniques are in the initial development stage, but have shown exciting promise for providing significant amounts of electric power by the turn of the century.

Geothermal energy development also has the potential to provide a large part of the energy needs in the Western United States and Alaska.

Development of the Geysers, a dry steam geothermal source in Northern California, was accomplished solely by the private sector. The Government hopes that Federal efforts in developing and demonstrating applications utilizing other types of geothermal resources will stimulate additional industry activity so that between 20,000 and 30,000 megawatts of commercial electric and thermal power will be generated from all geothermal sources by 1985.

While this may seem like an overly ambitious goal, accelerated geothermal energy development can provide its developers and the nation with a cost-effective and environmentally acceptable energy resource that could save several billions of dollars a year in imported oil costs.

Looking even further down the energy timetable, the successful development of nuclear fusion can furnish us with reliable, economic and safe production of electricity.

Nuclear fusion is, of course, at the very experimental stage. But, the scientific feasibility of producing energy from fusion could be demonstrated by 1980. Once feasibility is proven, the engineering practicality and economic competitiveness of the concept could spur testing by the middle of the next decade; and with a successful and vigorous research and development effort, fusion could begin contributing to our energy supply in the early part of the next century.

Commercial development and application of new ideas in energy conservation are as vital to achieving our goals of self-sufficiency as energy resource development. And financial backing is imperative in this area if we are to build a better energy conservation mousetrap -- from the mini-computer to stop gasoline waste -- to a new car engine that gets 40 miles to the gallon -- to an improved form of insulation to increase thermal efficiency in homes and buildings.

Conservation -- using old methods or new -- and the development of energy resources -- whether conventional or advanced -- will require massive funding for practical, commercial use.

The Federal Government has committed itself to providing an enormous share of this funding to help get these projects off the ground.

But unless we are willing to accept a drastic, fundamental change in our economic system, private industry -- through private investment -- must be prominently involved in these developments and must take over the final marketing, building, and operating stages as new energy systems become commercial.

The new resources and techniques being developed today are going to be the only energy game in town in the years and decades ahead, and you are in that game right at the start. You can play a vital role in the comprehensive energy plan that this Nation must implement without delay.

The need for positive action to implement a comprehensive national energy program is urgent.

Every day, every week, every month we delay means more money flowing out of our economy and the mounting risk that our efforts ultimately will come too late to reverse the trend in time.

I trust that those of you in this room and throughout the industry will make the commitment to do your part in achieving our national energy goal -- for the good of the economy and the future of our country.

The costs of any other course are too grave to consider and too high to be borne.

Thank you.

-FEA-

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3:45 pm