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THE HONORABLE FRANK G. ZARB, ADMINISTRATOR
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Good afternoon, and thank you for that kind introduction. It is always a pleasure to get back to California, especially to speak to a group as distinguished as this one.

While Henry Comstock's "Lode" was in the process of petering out toward the end of the last century, another Comstock -- Anthony -- was achieving a certain notoriety by setting himself up as the sole arbiter of American morals.

George Bernard Shaw saw Anthony Comstock for what he was -- a censor -- and coined the derisive term "comstockery" to describe any attempt to dictate what the public should or should not hear, or see, or read.

I have been reminded of that term recently. When I commented in public a little over a month ago that the United States remains subject to another oil embargo, and that the energy crisis is by no means over, there was a small but noticeable flurry of editorial commentary in some of the Nation's newspapers to the effect that the public should not hear such talk, and that in view of the present relatively stable supply situation, we shouldn't have to be bothered with thinking of the possibility of another embargo.

That might be viewed as the most damaging sort of 1976 "comstockery." The last thing the public needs to be told is that our energy situation is fine, that the energy crisis is over, and that we can return now to those thrilling days of yesteryear, driving huge, inefficient cars, and consuming energy as though supplies are limitless.

The news of California's record high gasoline consumption for the first three months of this year rated exactly one paragraph of space in the Los Angeles Times last week. Gasoline use in the state was up by 6.25 percent for the first quarter of 1976, and gasoline consumption for March was up by 7.4 percent over March, 1975, according to the State Board of Equalization.



Of course, California is not unique in this case, and a quick review of recent news stories from other states shows a similar trend toward much higher gasoline consumption.

The cold, hard, unpleasant fact is that we still have energy problems of unprecedented proportions, and that we remain not just vulnerable, but even more vulnerable today to foreign energy actions than at any time in the past.

We cannot afford to act like ostriches, planting our heads in the sand and ignoring the real world around us. We must recognize what can happen if another embargo -- or any type of supply disruption -- takes place, and prepare for that "worst case," while we take the necessary steps to bring the country back to an "embargo-proof" status.

None of you here today buys fire insurance for a house in the expectation that the house will burn down. Just as you buy insurance to guard against the remote possibility of a fire, the nation has to buy insurance that it will have energy from secure domestic sources to meet its future needs.

That insurance will not be cheap. We have allowed our energy dependence on other countries to grow steadily, to the point where a sudden absence of foreign energy supplies would have a devastating economic impact on the United States.

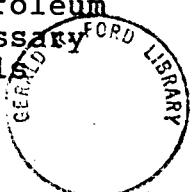
But taking action now to reverse this trend will inevitably be far less expensive than continuing reliance on foreign energy, whether or not that foreign energy supply is interrupted.

Some action has already been taken, but much more remains to be done. President Ford made it quite clear when he signed the Energy Policy and Conservation Act last December that it was a good start, but only the beginning of a series of needed programs. If the Nation is to meet its energy independence goals, and accomplish those objectives by 1985, we will need further action quickly to enable us to complete a comprehensive and effective national energy policy.

Legislation already enacted provides standby authorities enabling the President to implement allocation, rationing, and mandatory conservation plans to meet our domestic needs and international energy commitments during any future supply interruption.

A strategic petroleum reserve has been created to offset the potential impacts of a supply cut-off.

And, existing legislation clearly establishes the intent of Congress to provide incentives for accelerated domestic petroleum exploration and production by gradually removing the unnecessary and counterproductive burden of artificial oil price controls over a 40-month period.



Voluntary and mandatory programs are included in the new legislation to encourage both conservation of energy and efficient use of energy in new applications. The energy efficiency improvement standards for automobiles mandated by the Act, as well as efficiency goals for appliances and other consumer products, will help to ensure that replacement products use energy far more effectively than existing products.

In addition, the Congress has extended authority to require conversion of industrial and utility boilers from oil and gas to coal, where environmentally feasible, in order to make the best use of our most abundant fossil fuel resource and reduce demand for scarcer natural gas and petroleum.

By combining the 40-month pricing phase-out schedule, conservation and resource development provisions, we will be able to pinpoint those energy requirements that still stand between our current situation and our goal of independence by 1985. The Federal Government will work with the State governments and the private sector to continue to develop and expand programs to bring us closer to success.

As the economy continues to move into recovery, the demand for energy resources will continue to grow. We cannot afford to let this new demand be met by increased foreign energy purchases.

We must continue to work toward additional energy supply and conservation legislation to enable the United States to put a lid on energy resource imports while the economy grows. Legislation passed now incorporates five of the original thirteen provisions of the President's Omnibus Energy Bill. Further steps are still needed.

The fall and winter seasons this past year were mild enough and the economy slow enough to mitigate widely predicted shortages of natural gas. Even so, the fact remains that domestic natural gas production peaked in 1973, and has declined ever since, while domestic proved reserves have fallen steadily since 1968.

In the long term, the price of natural gas must reflect its true value as a fuel, if this Nation is to produce adequate amounts to meet demand. Gas prices must take into account its relative scarcity, the ever-increasing demand, and the huge costs involved in exploring for gas in new and remote areas.

The phase-out of Federal controls on the interstate price of new natural gas remains a prerequisite to stimulate both exploration for and production of new gas supplies.

To change our mix of energy sources away from oil and gas, the United States will have no choice but to make greater use of its coal and nuclear resources. In the next ten years, the limiting factors for coal use will not be its availability, but the level of demand.



One reason that coal lost its share of the fuels market in the last 15 years was the passage of legislation requiring the reduction of air pollutants, especially the sulfur dioxide produced by burning coal. This legislation requires large capital expenditures by coal users to meet air quality standards. The Administration will continue to work for a balanced program for mining, transporting and burning coal so that more coal can be used while protecting and preserving the environment.

The primary demand for coal comes from the electric utility industry. The continued provision of adequate generating capacity is a high priority for the nation. This is doubly true because generating plants can often use either domestically available coal or nuclear fuels instead of oil, and because electricity can be used in homes and businesses to displace the end use of imported petroleum products. We will continue to work toward electric utility rate structure reforms to encourage a more efficient use of plant capacity.

The Nation must seek to expedite the construction of energy production facilities by projecting the regional needs for such facilities and seeking out land areas that would be suitable for such construction. Legislation has been proposed which will allow the Federal government to join with the States to streamline planning and regulatory action for future facilities.

Nuclear energy has many advantages for electrical generation. Unfortunately, some regulatory actions by the local, State and Federal governments have caused excessive delays in bringing nuclear plants on line.

The Energy Resources Council will continue to support legislation designed to reform the complex nuclear facilities licensing process. Early site review and approval, and facility design standardization, are all important in expediting the contribution of nuclear power to our energy supply.

We will also support legislation to assure the availability of enriched uranium fuel for present and future nuclear power plants and to foster the development of a competitive, private enrichment industry in the United States.

Additional parts of our overall energy insurance policy include legislation to establish the Energy Independence Authority to guarantee loans and permit financing of far-ranging energy projects through traditional capital markets. We also need legislation to bring synthetic fuels technology to full commercial viability as quickly as possible. And we look forward to action this year on proposals to accelerate the transportation of Alaskan natural gas to the markets of the lower 48 states.

While production of domestic energy is essential, conservation is equally important. Standards must be set for the thermal efficiency of all new buildings. This action will produce energy



payoffs on an expanding basis from now to the turn of the century. In conjunction with this program, funds will be sought to aid the poor and elderly to insulate their homes.

Basically, programs are needed which will encourage private industry and consumers to use more of the fuels we have domestically available. And, incentives will be needed to induce the capital investments which will produce and save energy.

Reviewing programs and policies is relatively easy. What the United States desperately needs -- and quickly -- is a national consensus on energy priorities and the means to be used to reach our goals. And that is the most difficult thing to achieve.

The people of this country have traditionally reacted forcefully and constructively to crisis situations which threaten the way of life we have established during our 200 years of independence.

The challenge we face now is to react every bit as positively to the much more subtle threat we face in energy -- the specter of continually growing reliance, not on ourselves, but on others to supply the energy lifeblood of our Nation's economy.

Years ago, a major national magazine used the catch-phrase in its advertising: "Life . . . consider the alternative." We might well remind ourselves today: "Secure domestic supplies of future energy . . . consider the alternative."

That alternative is not comfortable at all, and in reality, we have no choice. Unless all of us -- government, industry, consumers, environmentalists, businessmen -- work together to rebuild a secure energy future, we will all stand to lose a significant portion of the freedom we value so highly.

We must recognize that the need for energy conservation, and development of both new energy resources and better ways of utilizing energy is just as imperative now as it was when the energy crisis first struck home in 1973.

If we can establish that national awareness of the energy facts of life, and if agreement can be reached on the legislative actions needed to complete a realistic national energy program, we will be able to regain our energy independence, and we will be able to do it by 1985.

But time is slipping away rapidly, and each day we delay postpones unnecessarily the time when we can once again enjoy energy security.

We can achieve our energy goals, but only if we determine to work to achieve them.

Thank you.

