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Jim Cannon: Requested

Re our conversations, 2
transcripts enclosed.

I believe your caller
was talking about Oct.
2 version; Oct. 6
much better, [and I also
edited it.]

Hugh



REMARKS OF THE VICE PRESIDENT
AT THE ENERGY CONFERENCE
WITH BUSINESS EXECUTIVES
WASHINGTON, D. C.

October 6, 1975

This country, up to the 1960's, was the major producer and exporter of oil, and had the reserves to export additional amounts if necessary. So when on two or three occasions other nations around the world tried to raise the prices of oil substantially, we just exported more and were able to hold the price.

Then as we got into the mid-60's, OPEC had been formed and we became a net importer. We didn't have the reserves to dominate world prices and therefore, triggered by the conflict in the Middle East, the Arab countries finally moved and in two years raised prices 500 percent.

At that point, the Eastern Seaboard particularly suffered quite a setback because of the boycott and the price increase. The boycott wasn't as overwhelming as it might have been because there were enough leaks and there were enough countries that didn't join it. I was at that point Governor of New York and deeply concerned, but Libya allowed oil to go to one of the British islands in the Caribbean and to be refined there and to come into New York for power and so forth. If they had really tightened down, we would have been in a much more difficult situation.

The President, as you all know, spent a lot of time discussing the economics and having the summit meetings when he first took office last fall, a year ago. One of the major subjects was this question of energy. He came out of those meetings with a clear determination to achieve energy independence as essential to this country's national security; secondly, that this should be achieved by 1985.



He then worked out the details of legislation which would encourage private enterprise to accelerate production domestically because energy has always been a private enterprise operation in this country, except for the Naval reserves. I don't think we really have recognized quite as clearly as it seems to me we should that the free market system should do this without Government intervention, except through a framework of laws which would give incentive.

The framework of laws has never been achieved. It was complicated when the United States Government controlled the price of interstate gas at a very low price so that the most desirable fuel turned out to be the cheapest fuel. It really hit the coal industry over the head, so that our greatest resource was the least developed. Gas when it was first controlled was in surplus, a byproduct of oil and being burned to get rid of it. The price was set so low that, as people shifted to gas, they were unable to get the increased production needed; or even if they could get production, -- as in the case of Texas -- they couldn't ship it on the interstate lines.

We had a meeting in this room with a group of Governors who came in, organized by Jim Rhodes of Ohio, pointing out that they had lost 600,000 man-days of work last year due to the shortages of gas. That was a warm winter -- and it is going to be worse next year. The industrial groups in his State were willing to finance production of gas at higher prices if they could just get permission to move it on interstate pipelines -- if the concept of a common carrier to be adopted rather than a regulated price. That has been very slow in coming because the Federal Power Commission was afraid that if it made such a ruling, they would be challenged in the courts by the ecologists and would then be overruled. So they wanted legislation.

Thus we see where government stepped in to regulate one phase of the energy industry, it totally disrupted the industry. This shows very clearly what can happen through government regulation. The President, as you know, has fought regulation; he has been for decontrol. He wanted an orderly decontrol on oil. He wanted 39 months. But then we go back to what has happened in Congress. He sent up a 500-plus page bill. This bill was complicated. I don't think the public has really paid attention to it since the energy crisis that they saw two years ago, when there were lines waiting for gasoline. It was really sort of personified at a meeting of the Midwestern Governors, where none other than Governor Exon asked me if there really was an energy crisis. He said, "How can there be an energy crisis when there is plenty of oil and gas around?" I said, "You have really expressed the whole thing right there. There is plenty of oil and gas around because we are importing now almost 40 percent of our consumption. The fact that we are importing is the crisis."

"Domestic consumption is going down. So as long as we import it, there isn't a crisis in the sense that you are thinking of it; but if the Middle East situation blew up again, or if for some other reason the imports were shut off, we could then find ourselves in the middle of a full-blown crisis which for certain parts of the country would be total disaster. I don't think anyone has really figured out how this country would survive a really effective boycott; we don't have transportation from the west to the east to handle the movement of energy in sufficient quantities to keep our operations going, our society going."

We have just seen a 10 percent increase take effect in the world oil prices and Congress has not taken any effective action; little pieces of action, but no comprehensive action. Finally, the management-labor committee had some concepts as to how to encourage industry through incentive to invest more domestically. That legislation hasn't gotten off the launching pad in Congress.

So we find ourselves in a free market industry, but the free market has been a world market. Now national policy expressed by the President is that we should be a self-sufficient, independent producer of energy. We have the resources -- nobody knows yet at what price. That is a national policy superseding a free market position because the free market was an international one.

A great many people have felt that this OPEC price structure would break down as production increased. Walter Levy, who is one of the most sophisticated people in the business has said right along there wasn't a chance this would happen; that they would do exactly what they did do. He predicted that six or eight months ago, or even longer, that they would not decrease the price; they would not break the price; they would hold and they would increase the price. That is what has happened.

So when people say that the use of Federal funds through a structure that is in a sense comparable to the RFC, conceptually, but not for bailouts, but for stimulating new industry or new production, and they say this is an allocation of capital and this is going to take it from a whole lot of other things, the answer on the allocation of capital is very simple. The President has said our national policy is self-sufficiency by 1985.

The estimates vary but between \$600 billion and \$800 billion will be required to achieve that objective out of about \$4 trillion \$300 billion that has been estimated as industry's capital requirements during this ten-year period for meeting needs of the American people and our responsibilities in the world.

We will fall short of that estimate by about \$600 billion.

Nobody knows ~~how~~^{if} much money will come back into investments from Arab countries where the accumulation of capital is taking place. But I would imagine that Saudi Arabia alone is up to about \$7 billion now in investment in Treasuries. These

securities, were this corporation to be passed by the Congress on the \$100 billion basis, with ten years as the life of the corporation, would probably average out to about \$10 billion a year. If this country moves towards self-sufficiency, it would take a total of \$60 billion to \$80 billion a year and so \$10 billion is 12 to 14 percent of the total capital that will be required.

The conditions determining how this money would be used are two, basically: One, that it contribute to the self-sufficiency; two, that it be used for financing through private enterprise where sufficient capital cannot be obtained by private enterprise alone.

Take a look at the utility industry. Atomic power is the great potential we have in this country for energy. The others are important, but the long-term, major producer of energy is atomic, for the time being; solar and thermal are out further in time.

Seventy percent of the atomic power plants that were planned have been cancelled. There is a complicated series of reasons as to why. One factor is local regulations of the State Public Service Commissions, where they can't get rate increases so they can't earn enough money to be able to borrow the money. You can't get the increase until you are on line with your power. These atomic power plants, the most efficient ones, cost about \$1 billion. Therefore, you would have \$1 billion tied up -- not for four years as it used to be, but now with all of the filings that you have to make on impact statements and with the local suits, it is up to between 10 and 11 years -- \$1 billion tied up for 10 or 11 years with no basis forearning. That is one very good reason.

Another is the uncertainties as to all kinds of laws and regulations from Washington. The labor-management recommendations were to encourage a greater accumulation of capital by corporations.



Of course, the bill was immediately tagged by the opposition as being just a special interest bill for big business and big industry and for capital rather than for the people -- which is an easy, cheap shot politically, but it isn't going to help the country. So that bill hasn't gotten off.

The real question has to be, first, ^{how} does government -- ✓ when it has set a national policy that cuts across a free market operation -- work with the industry involved -- in this case domestic oil production?

The first approach of the President was this very comprehensive legislation.

One has to ask whether the Congress -- going through the same evolutionary change that all of our establishment institutions have gone through -- is unable to organize itself in spite of the opposition's overwhelming majorities in both houses. ✓ Is the structure of 300 different committees, which the Congress has in both Houses, so cumbersome that when you have a comprehensive piece of legislation of this kind, it makes it impossible for the Congress to act effectively and rapidly in the national interest because of jurisdictional disputes within the House and between the Caucus and the committees?

Or does one come reluctantly to the suspicion that there would be those in Congress in the opposition party, who would just as soon have the issue -- who would just as soon see us run short of energy, have the President take off controls because they lapsed and not be able to work out an orderly extension, and then have chaotic conditions in 1976 -- and maybe this would be politically advantageous.

One hesitates to even think that anyone, for political purposes, would be willing to see the Nation run the risks which we are running and have the people suffer in a way that they might suffer very easily were such a chaotic situation to exist. But one can't eliminate that possibility entirely.

Whatever the situation is, there is no action. We are in a stalemate and the problem is getting worse. We are now close to \$30 billion a year for imported oil. Luckily, our farmers have been tremendously productive, a major new source of foreign exchange, and other areas have been also able to export, so our balance of payments is reasonable at the moment. But with consumption going up, with production going down, with the depletion allowance taken off, with the old oil still likely to be under control, nobody can afford to put the money into the secondary retrieval of oil because it falls under old oil.

So we have a situation where our production is declining and our consumption is increasing and nobody thinks there is a crisis.

Let's go to the areas that this corporation might serve. The best illustration is Rubber Reserve under Bernie Baruch in World War II, which did a great job. They contracted with six or seven private companies to develop synthetic rubber production; of that group, I think four or five came through with processes or variations of a basic process which were successful. They sold the company, the plants and the process, to private enterprise and we have a new industry in the United States. It was a self-liquidating operation.

The concept is a self-liquidating corporation to finance those risks which private enterprise cannot or will not undertake at the present time to contribute to self-sufficiency and to do it to the maximum degree possible with private capital participation and through private industry and then sell it as rapidly as possible.

Some people ask what we need this for if we have ERDA? ERDA's powers go to laboratory experiments relating to energy. But they do not have the funds or the authority to take those laboratory experiments into a full commercial production. Of course, here you move from a limited expense to a much larger expense, but the commercial production is essential to find out what the cost of energy would be.

For instance, gasification of coal is being done and so is liquefaction of coal in South Africa. It comes out between \$30 and \$40 a barrel of oil in equivalent energy, but it does produce gas. It is essential.

There are new methods which might reduce it to \$20 a barrel equivalent of oil, or even down to \$11. There is the possibility of in-situ operations, drilling a hole down into a deep coal mine, setting off an explosion, setting it on fire; the heat does the same thing underground that is done on top and you would draw up the gas that is created by the burning of the coal underground. There are those who feel that this will be a far cheaper method but an experiment like that would cost \$200 million to find out.

A surface gasification plant costs about \$1 billion. There is a need for 18 to 24 surface gasification plants to be built right now if we are to meet the demand for gas. This is what the gas industry is looking for. There, right away, is \$18 billion to \$24 billion needed to produce gas by the traditional, most expensive way.

Coal, of course, gets tied up with the whole ecological problem. I visited one of the most fascinating mines near Gillette, Wyoming, where they took off 23 feet of surface, then 70 feet of coal. They took the topsoil off first and stacked it; then took the rest off, put it behind where they are digging the hole, and then they end up by putting the topsoil back on, making six lakes on 6,000 acres. The only difference you will find is you will have lakes which you never had before, and it will be 123 feet lower than it was before. The growth is as good as before or better. I was there: The antelope were grazing still, right around the mining operation.

This mine produces 20 million tons of coal a year with 55 people. Everything is automated; it is a superb operation. In other words, it can be done. If, as a nation, we decide to produce low-sulphur coal in the west, I am confident the ecological problems can be worked out. This whole thing has got to be done so that we don't get our energy at the expense of our environment. I am confident that production and the ecological research can be done together.

But then you come to the problem that a lot of railroads can only move coal cars at the rate of ten miles an hour, because of the condition of the roadbeds. There is about \$11 billion of roadbed work to be done in this country. It is conceivable that this corporation could lend but I don't think the railroads can borrow the money. Therefore, the corporation might buy preferred stock in a railroad to give them the funds to fix up their roadbeds and those funds could then be earned out of coal -- all of this being contingent upon a conversion of eastern power plants from oil to coal. This this happens, the coal has got to be produced. It has got to be transported. You have to have the government in a position, or somebody in a position, to be the catalyst -- the fallback position where private enterprise cannot or will not finance the effort to achieve this independence.

As to oil, we have tiwice as much oil in shale in this country as the Arabs have oil in the Middle East in known reserves. The problem is to get it out. You can mine the shale. You can cook the oil out. Then you end up with what I call talcum powder, which is in a much larger volume than the shale you have mined, because it has been cooked and so it is not dissolved. There is very little water where the shale is. Therefore, what do you do with the stuff? You could fill a valley -- but if you have a heavy wind, this stuff is going to blow all over the west.

Again, you can do an experiment (for \$200 million) of trying to develop in-situ production of shale oil: drill down, put off an explosion, set it on fire, draw off the gasified oil and condense it. The Livermore Laboratories have done some work on this with Edward Teller. They feel, although nobody else is willing yet to agree with the, that this might be produced at a cost of \$7 and \$8 a barrel.

This could be one of the great bonanzas in the history of this country if that cost could be achieved. It would be fantastic.



Occidental Oil is the only company that I know of that has done any major work in the field, but they can't afford to carry through on an experiment of this magnitude.

Many companies bought over \$1 billion total in leases in Colorado for shale, but they were going to do surface mining. None of them have gone ahead because of the uncertainties and the ecological problems.

One of the standard methods of financing, is the lease-purchase operation. It is perfectly conceivable that an atomic power plant costing \$1 billion could be financed by the government under a contract with a private company for lease-purchase, and with a contract with the Public Service Commission that as and when that plant comes on line, the rates will be such that this company can earn, the funds necessary to pay back.

The President in his message to the Congress last January said we need 200 atomic power plants by 1985. We now have about 60. Of the remaining ones, 70 percent were cancelled. California will vote on proposition next June banning all atomic power plants in California. Oregon has the same issue. If this country bans atomic power plants, and we don't move in these other fields, we are going to be totally in a situation which some ecologists would like to see -- a no-growth society. A no-growth society means no jobs for the young people that are coming on. Our whole society has been geared to increased employment based on increased productivity. I happen to think that is the hallmark of America. It is our strength. It is our success. I happen to think that we can meet the ecological side of this problem as well as the development side.

Industries in 18 States are going to be in a serious condition if they don't get gas this winter. If we have a cold winter, even if the interstate pipelines are allowed to be used there is still going to be a shortage because there isn't enough gas being produced to sell.

That means that industry which depends on gas would probably buy up propane gas that the farmers depend on to dry their crops and to heat their homes. Farmers are small buyers, so the next thing you would have to have would be control of propane. This is just going to take this government, one by one, further and further into controls -- and the more government gets into controls, in my opinion, the more they distort the economy and make it difficult for us to get back on a sound basis.

Therefore, in conclusion, it seems to me that this idea of the government acting as a catalyst to help get us off dead center in becoming self-sufficient in energy as a nation, across the board, in all of these fields and on a self-liquidating basis, is essential to our national security, to our industrial growth, and to employment.

If we don't do it, in my opinion, there are elements in this country, some of them in the Congress, who would like to see industry fail -- not be able to meet the needs of the country. These elements would then say, fine, we told you the system was no good; that capitalism doesn't work; that private enterprise doesn't work. Therefore, we have got to take it over.

Then we will move as the British moved, taking over one industry after another, with all the problems that grow out of that; then they start subsidizing; then unions demand far higher wages because they say the government has unlimited capacity to pay and, therefore, you get into the most difficult situation and the most dangerous situation where you have neither a capitalist system nor a socialist system and you have the worst of both. Nobody can make an investment because they don't know what the conditions are going to be, what the regulations are going to be, what the resources are going to be. Therefore, you have higher unemployment and demands for more expenditures by the Federal Government -- which the President has had the courage to resist to a degree that is perfectly extraordinary. If he didn't, we would have even more inflation.



Fabian socialists like inflation because that is the quickest way to equalize capital. You don't have to expropriate anything. People's values are gone because inflation just wipes them out. The Germans went through that and we know what happened as a result.

The President has already said we have to have an allocation of capital when he announced the goal of energy self-sufficiency. He has asked private enterprise to do it. So it isn't a question of taking the capital from housing and all of these other areas that people talk about. There is plenty of money right now in the savings and loan associations. People haven't got enough confidence to invest in housing. So it isn't that.

Secondly, as far as the EIA's being a step towards socialism is concerned, I think it is exactly the opposite. I think it is government's showing their concern for the present system -- free enterprise and capital -- trying to help stimulate and bridge over this period.

The Energy Independence Authority would have the responsibility of acting as the clearing house for ecological and regulatory functions of government at State, Federal and local levels. It would make recommendations to simplify these structures, based on experience. A private operation which was investing in capital to achieve energy self-sufficiency could also use this corporation as the clearing house for its contacts with government. The objective is a system which would cut down on the time lost through bureaucratic delays and law suits, a very, very serious thing in terms of cost, expense and delayed production.

The way the legislation is being drafted would give the EIA's five-man board the discretion to make all of the key decisions so we can get it rolling and get action fast and decisions made the way they are made in private enterprise as distinct from the way they are done too often in government.

What makes me think it will go through Congress?

This is something that labor wants very badly. It means jobs through industry and not jobs through a dole. Therefore, I am pretty sure labor is going to give it very strong support. If industry at the same time feels it is desirable and worthwhile and gives it support, then I think its passage has got very great potential.

But if industry is opposed to it, that will nullify labor support and probably nothing would happen.

I think this is a turning point for this country and if we don't have energy we are not going to have growing industry. If we don't have a growing industry, we are not going to have jobs and we are going to have a lot of problems. We have got them, but they will be worse.

Are there any questions?

QUESTION: Mr. Vice President, could you relate this program to the \$6 billion synthetic fuel program that we read about recently? Is it part of it?

THE VICE PRESIDENT: The \$6 billion synthetic fuel program is one that Senator Jackson has proposed. It hasn't passed yet. So what we did in the thinking on this was to just make a provision that they would be complementary if that passes. The Jackson proposal would be an outright expenditure -- putting the money in the federal budget. EIA would provide a loan, or an investment, or a guarantee of a loan, all on a self-liquidating basis. That is the difference. But if the Jackson proposal passes, fine; whatever they do with that wouldn't have to be done by EIA. They would be totally complementary.

QUESTION: Mr. Vice President, you know there is a process of drafting in Washington whereby you can direct a piece of proposed legislation that will go to a standing committee. My question is addressed to where would the thrust of this legislation lie so that we could determine what the standing committee would be or is it a multiple reference to the standing committees?

THE VICE PRESIDENT: You are obviously very well aware of the whole committee structure and the sensitivity of this and of course there are the jealousies as to who gets what. That is being analyzed very carefully by experts. It could be considered as a financial question. It could be considered as an energy question. There are two or three different ways it could go. I think the effort will be to find out where it could be most expeditiously dealt with. But if you have a suggestion, I would be very grateful.

QUESTION: Mine is a negative suggestion, Mr. Vice President. Don't make it so that it is a multiple reference.

THE VICE PRESIDENT: Absolutely; on that, we are all in agreement. If you want to tell me confidentially afterwards which one of the group, I would appreciate it.

QUESTION: Mr. Vice President, you mentioned many of the traditional sources of energy but you hardly touched on solar energy. I wonder. Here is one that has few ecological problems and would it be participating in this program and how?

THE VICE PRESIDENT: Solar energy and thermal energy are very important parts. They are large scale producers of energy immediately, but they are very important parts of the program. Any group which wants to produce any new process or develop equipment or whatever it may be for solar energy would, if they can't get the funds themselves, be eligible for assistance in the way of a loan or a loan guarantee from this authority. Conservation is included here, support for the conservation of energy. Pipelines are included in this as eligible if they can't get the private financing.

Alaska could produce an awful lot more oil if they opened up more lands; five, six, seven million barrels a day. That would take four or five pipelines. So you are talking a lot of money and that has to be balanced out.

QUESTION: Mr. Vice President, you had mentioned the government-owned, contract-type of plant such as the rubber plants in World War II. Is there any way you are going to insure that this legislation is so worded that someone of a different philosophical outlook cannot turn this energy independence agency into a Federal oil and gas corporation running the same way as TVA?

THE VICE PRESIDENT: It requires that everything be sold and that it be self-liquidating and it be done through private enterprise and with private enterprise participation. I think the private enterprise participation is one of the most important aspects. For instance, if you build an atomic power plant under a lease purchase contract, with a contract with the Public Service Commission, you actually then have a contractual relationship that, the ownership is in the hands or will be in the hands of private enterprise. Nothing will be done where the government sets up some new form of TVA.

It happens that the Governor of Pennsylvania, who is a declared candidate for the Presidency, Governor Schapp, has got a program where he has been trying to get other Governors in the Eastern Seaboard to join in sponsoring which involves a TVA at the mine-heads to produce electricity at the mine heads, which would be owned by the government, mined and then distributed from there.

So I think we are on the verge. I flew to the coast Thursday night with a Senator who has introduced a bill to break up the oil business and have just producers, distributors, marketers -- each one would be in a separate company. I only mention that. This is a Republican and it shows that people are looking to Congress for ways of being responsive to the public but not, in my opinion, too clear as to what the impact would be on our system.

QUESTION: Mr. Vice President, you indicated that this authority would be able to produce hopefully about 14 percent....

THE VICE PRESIDENT: Of the capital needed to meet the self-sufficiency.

QUESTION: Is there some way this could be helpful if private industry does not come forth with the other 86? Do you think there is any problem in that other 86 being raised during that period of time?

THE VICE PRESIDENT: Let's take a case in point. Let's say they invested \$200 million in either an in-situ gasification of coal or in-situ gasification of oil project and it proved to be within, let's say, lower than the cost of present imported oil prices. I don't think you would have to worry about it because the government would not continue in the business. They would sell, either sell the process or make it available, whatever the procedure would be, whatever they did in the Rubber Reserve type of thing. I think you would find, then, a tremendous amount of private capital. Capital goes where it can get earnings. If capital can find attractive earnings in producing energy in this country for self-sufficiency, they will invest in it. If they can't, they will invest in the MacDonald Hamburger stands, not that I am against them. I am for them. (Laughter) But they are not going to solve our energy problem. We have a free capital market. They go where the returns are. The question is: Can the government help point the way to good returns?

QUESTION: Sir, you mentioned in connection with the nuclear power plants a contract between the Federal Government and the State Public Service Commission. I don't think you will get many States that will willingly enter into such contracts, but if you do you could do that right now without having to have the lease-back arrangement and the Federal Government build the plants.

THE VICE PRESIDENT: Great. Then we wouldn't have to put any Federal money in.

QUESTION: I would think that would be the place to look; is the Federal Government using its influence with the State commissions to get the rates up? That will bring the capital in and you won't have to build the plants through the government.

THE VICE PRESIDENT: There is only one flaw in your argument, if you will forgive me -- at least a political flaw; and, that is, as one who only two years ago left the Governorship and who saw the beginning of the pressures due to, first, ecology on using non-sulphur fuels and the increased cost in getting the non-sulphur coal, non-sulphur oil; then the embargo and then the world price increase of 500 percent. These poor public service commissioners have had to take double and triple the cost of electricity to consumers, if not more.

There problem right now is that they have gone through so many increases. When I got a new Chairman of the New York State Public Service Commission, who had been a strong consumer advocate, I said, "Look, in your advocacy of the protection of the consumer do you include -- (this is before I offered him the job) -- the protection of the consumers' need for additional power in the future? If so, so you visualize that that is going to take higher rates and more money in order to get the capital in?" He said, "I read you. I agree with you and you have no problem." I took him on.

He did a superb job. He was pilloried by the public. He was sued by my own Attorney General (laughter) -- it was purely political, I love him, too and he was sued by the City. In other words, these people have been in the most difficult political situations because every consumer of electricity -- I can only speak for New York, but I suppose it is very similar in other parts -- has just gone through the most unbelievable increase in cost.



So my reason for thinking what I say is that the Public Service Commissions would be so glad to see something built that will protect the needs of the community but doesn't have to raise the rates until further down the road when they may not even be on the commission. (Laughter) They would be very happy, in my opinion -- this is a political judgment -- to sign a contract for the future whereas they could not go through another major increase now, particularly as the people aren't going to get the benefit for 11 years. The alternative to this is, what is happening again in New York State, where we had an authority which was created to develop hydro-electric power on the St. Lawrence with Canada. Each of us has a power authority. We run it jointly.

This power authority now being the only one that could raise the money has already built one atomic power plant. It is now going into a second atomic power plant. It has built the grid to connect it and the first thing you know you are going to see this same thing happen -- that government is going to come into meet the demands. I just think if you believe in private enterprise, if you believe in the capitalist system, you have to stand up and see what it takes to help that system work? You have got the very simple and right answer-- if government would just get off our backs, then we wouldn't have any problem. But this is a democracy. Government is the creation of the people and it has got politicians like myself in it, and they may not always be as totally objective in their views of what is needed, because of political pressures. Therefore, I think here is a possibility. If we can do what you say, perfect. They will try. But we talked about shortcutting some of the environmental requirements. If you did that, the legislation would be killed. So we have got to live within this. Let's have a central point where we can clear all of this, and where you develop, perhaps, standard forms and so forth and to the degree we can get what you suggest, wonderful. Then no money would be needed.

QUESTION: Mr. Vice President, I am wondering about the effect of this plan on competition within the LNG industry. For example, if one small project were to be given substantial Federal help or one Alaska pipeline, what would the effect be on other applicants who didn't get help?

THE VICE PRESIDENT: There is a very interesting thought here and that is, I think -- don't hold me on this one -- but I think it will be in the legislation that no loan would be made below the rates of what a prime producer of energy can get in the open market.

In other words, the government won't come in and take a weak company -- this is not a bailout. This is not going to be for the bailing out of a defunct company. This will only be to produce energy to achieve these goals. But the rate of the loan would not be lower than what the prime rate would be for a successful company.

Most companies will not want to borrow from the government, I imagine, if they can get it from private sources.

QUESTION: What provision is made, Mr. Vice President, in the event that loan is in default?

THE VICE PRESIDENT: I think the plant, the operation, whatever it is, would be completed and the property sold. They take a loss. If you are in this business of trying to produce at risk or go into risk areas, you are going to have some major successes and some failures. I think that is why 25 percent of the capital or 25 percent of the \$100 billion will be equity and 75 percent loans.

I hope that they will make enough successes which they can sell at a profit to overcome the losses where there would be a default. But then they have just got to sell it. This is specifically stated not to become a government operation.

QUESTION: Mr. Vice President, please detail a little more of this clearing house concept. What authority would that have? Is it advisory primarily? Is it in the ecology field only? Or could it spread to other areas of agencies?

THE VICE PRESIDENT: This authority would specialize in government clearances of all types, and so if there is a project which contributes towards energy self-sufficiency, financed or not financed, partially or not by the government, they would be eligible to have all of their clearances done through this division.

This could very well lead to recommendations -- I think it will be so stated in the legislation -- as to simplification of clearances. A most interesting case: A friend of mine who is a lawyer in New York tried to set up a corporation for the seven utility companies in New York State last year, which would be a financing-construction company. The credits weren't strong enough to do it themselves so they wanted to set up a joint company.

He said there were, I have forgotten, 14, 17 different regulatory bodies, State and national, which were involved. He could not devise a corporation which could meet all of those, including antitrust, and so forth and so forth. So they finally had to give it up.

If there is a central group and you get some very able people who understand the law, the ecology, production, and so forth, I think this unit could become an extremely efficient unit.

I am not sure why in many cases these things can't be standardized. Why do you have to spend a great deal of money each time you file an impact statement, starting from scratch? The impacts can't be that different. There are certain criteria that go into them. I have a feeling this could be a very interesting and useful step.

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FOR IMMEDIATE RELEASE

OCTOBER 2 1975

OFFICE OF THE VICE PRESIDENT
(Washington, D. C.)

REMARKS OF THE VICE PRESIDENT
AT THE "CONFERENCE ON REGIONAL VERSUS
THE NATIONAL INTEREST IN ENERGY"-LUNCHEON
ARLINGTON ROOM, MADISON HOTEL
WASHINGTON, D. C.

October 2, 1975

(AT 1:15 P.M. EDT)

Thanks, Mel. You sort of challenged me. I feel I maybe really ought to speak about New York State. The only thing I can say is that Mel Laird chose to leave Washington and go to New York State. So that has got to say something. We are awfully glad you are there, Mel. And we are awfully glad that the little magazine with you is there, too. That is kind of a nice stable institution to have.

I have to say about Pat Brown, that he did agree to hold off their population growth until I got through the election the second round so I wouldn't face this kind of stuff I just got now from Mel.

I appreciate, Mel, the opportunity of being here. I am delighted to be with this distinguished group of speakers which you have. I am sorry not to be able to listen to them, Pete and Mike from the Congress and two distinguished Governors from Oklahoma and Massachusetts, Bill Baroody, whose watch I borrowed so I would not run over, and to Mrs. Clusen who is President of the League of Women Voters, an organization for which I have always had the most tremendous respect, and who still loves New York and is very active in that State.

To all of you in this National Conference, thanks for letting me be with you. Let me just briefly outline the current situation regarding the concept of the energy corporation which really grows out of the realities of the times in which we live. Very simply, this country for many years was an energy exporter, self-sufficient, dynamic.

Then as our growth increased and as our consumption of energy increased, we became importers, and then net importers, and then dependent on imports.

The other producing nations joined together a good many years ago in an organization called OPEC. They made a few attempts to raise the prices but because of the component position of the United States, they were unable to do so until we got into this very strong net importing position.

Then with the blow up in the Middle East, we acted as a catalyst to dramatic action by the OPEC countries, particularly led by the Arab countries relating to the political situation. We saw the embargo and then the 500 percent increase in the oil prices in the period of two years which changed the whole world situation, both industrial nations and the developing nations.

MORE



The President spent a great deal of time studying the situation last fall in a series of meetings on economy and energy. He then came up with a really comprehensive program for Congress which he presented in his State of the Union Message, based on the concept that this country must, for financial security reasons, for the strength and vitality of our economy, for the reactivation of economic growth, become self-sufficient in energy by 1985.

What I think has been missed by a lot of people is the fact that energy has traditionally been a free enterprise operation, a free market operation as far as the United States Government is concerned. That free market concept was not limited to the domestic area alone. The free market concept was an international free market concept. But the minute the President declared a national policy that self-sufficiency was our goal, this automatically cut across the basic free market structure and concept.

But our Government has not traditionally had the kind of relationships with private enterprise that countries like Japan has developed, where labor, industry, finance and Government have a capacity to work together.

They don't have the problem of anti-trust concepts that we do. Therefore, we have a totally different situation. Congress was posed with a very difficult problem, let us face it, of how to size up this question with international prices rising rapidly, a large domestic production which was then held to a fixed price and with a falling increase in production; and as a matter of fact, a falling net increase.

During the past eight months, nine months, ten months there has been no evident response in any dramatic form that was commensurate with the urgency and the scale of the problems we face as a nation by the Congress. Let's face it, it is difficult, complex and has many unattractive features in the sense that becoming self-sufficient involves higher costs.

That is a very unattractive thing, particularly in looking forward to an election year. So, there has been no effective action taken. Here we are now two years since the boycott. Instead of being dependent somewhat on imported oil, we are now almost 40 percent dependent. We are spending \$26 billion a year in imports, going out of this country, money that could be used for employment in the period when we have a very high unemployment, and now a 10 percent increase which will add another \$2,600,000,000, bringing us close to \$30 billion a year.

This country, on the other hand now looking at the good side of the picture, is blessed with unusual natural resources. We have in shale oil alone twice as much oil as the Mediterranean has in known reserves. We have five times as much coal as we have oil. Then there is the potential for extraordinary amounts of energy produced through atomic power plants.

Gas is another field. Gas is an area that is very important. But gas is one that the Government has

regulated years ago. The price of gas, you all know. I don't have to get into that. The result of the regulation was a by-product where gas prices were held.

It is the most desirable for all concerns, for home or industry. It is the cheapest, by Government regulation. Unfortunately, at present prices it doesn't pay to produce the quantities that are necessary. Therefore, our production is falling off. If we have a cold winter we are going to have the most serious situation which is going to result in additional high unemployment in a dozen or 18 States in this country, which depend on gas and they can't get it.

So that we have got a lot of very complex problems. There was a very interesting case during World War II of rubber. I happened to be here and was a close friend of Jesse Jones and was very active in the Western Hemisphere picture trying to preserve the ceiling to provide the flow of rubber from the Amazon Basin, which was the last place we could get it.

The Government through the RSC went into what was known as the Rubber Reserve Corporation. This corporation under the able leadership of -- what is his name? You all know him. I will think of it in a minute. A very good friend of everybody's here, who is over 50.

(Laughter.)

He contracted with private groups to develop synthetic rubber. Five or six of those processes proved to be successful. The Government sold the processes in the plants. The successful ones had been recaptured. Thereupon, it created a new industry and the Government was the catalyst. There was no expense to the Government in the process and we became self-sufficient in synthetic rubber.

Through the ERDA which is doing research in fuels, they are developing in laboratories a wide range of potential sources right across the board, fossil fuels and atomic energy. But they don't have the authorization or the funds to translate those into commercial production.

Translating laboratory work into commercial production is very expensive and it is very risky. If you don't know what the price is then you are faced with a very difficult situation and the question is, under the present regulations, free enterprise has not been willing to invest the necessary money to develop these new sources of energy production and to meet the co-equal requirements in relation to ecology. They must go hand in hand.

I am totally confident that we can meet our requirements together. It takes research, capital investment and a risk. Therefore, the concept of the corporation is to accelerate the whole experimental operation, translating scientific and technical knowledge into commercial production, accelerate the independence of this country in terms of energy supply.

To give a few illustrations of the kind of thing that can be done, for instance, if it were possible to produce a C-2 production of oil from say, oil by drilling down, putting off an explosion, setting it on fire, taking the gas then formed out by pipe, condensing it, if that could be done as is estimated at a price between \$7.00 and \$8.00 a barrel, we are home free for a long time to come in oil.

But it is a \$200 million, at least, experiment and nobody is willing -- Occidental has done work in this field -- but nobody is willing to do it on their own. The same is true for gas and oil, same process, the cost can be approximately the same range.

Where if you make gas from oil after mining the coal, the gas runs \$24 a barrel, equivalent in oil prices or liquified gas is even more. So that we have got these experiments that need to be done commercially. This is in the gas, coal and oil field.

If you move over into atomic energy, some 70 percent of the atomic plants have been cancelled. The President said in his message in January that he wanted 200 new atomic oil plants. Seventy percent of those under consideration have been cancelled. One of the reasons is the risk involved in the capital. The problem relating to that is if you invest a billion dollars, which is approximately what a big plant costs, you can't get your money and your rate base until you are on line with the new ecological requirements that are there, the filing of impact statements and so forth.

It is now an 11-year process rather than a 4-year process. Therefore, to tie up \$1 billion until you get on line with an 11-year process is an impossibility. On a lendees, lease-purchase contract with a private company, with a contract with the Public Service Commission of the State, you could bill and be ready and then sell on a lease-purchase basis over a period of years. So that ten years, nine years, eleven years from now, we will have electric energy required.

Let's face it, we can't run an economy, an industry economy without adequate energy. You can have new jobs resulting in the opportunities for employment.

This is really a stimulant to the private sector to meet the needs of the country, domestically, out of our own resources where the President is to set the goal. The capital investment estimated to achieve this goal is between \$600 billion and \$800 billion in the next 10 years out of a total capital investment requirement estimated for the nation in all areas of about four trillion two.

I think that this will act as the catalyst that is necessary to get it off dead center. If we get the energy program off dead center with ecology going hand in hand, this is going to, I think, help very importantly get the economy as a whole off dead center and really rolling, which gives the opportunity for employment, the restoration of strength, the opportunity for production of goods and services that are necessary to meet our ecological needs, to restore what nature has given us and to provide the jobs which people want and to fulfill our responsibilities of the world.

It is big, okay. But it is less than 10 percent or it is a little more than 10 percent of the total capital investment. When people talk about diverting capital from other sources through Government channels, that has already been done. The President declared that as his objective.

I don't think I have any more to say about it, except answer questions. I have got lots of figures. I think we have got to remember a great many things in order to preserve the strength and vitality of a democracy, and do for our people as free citizens or provide the opportunity for them, which is the heritage we have been so fortunate to have for the past 200 years. So we will have the vitality in the next 200 years that we have enjoyed in the past.

Without going any further on this, I think I better answer any questions you all would like to ask. So, we go to questions.

I hope I didn't overwhelm them.

(Laughter.)

QUESTION: How is this then received by the Congress? What do you think the pragmatic possibilities are?

THE VICE PRESIDENT: Of course, the bill hasn't been sent up yet.

QUESTION: But you are reading it.

THE VICE PRESIDENT: I think, frankly, that as far as the country is concerned, labor is very enthusiastic about it. That has got some relation to Congress.

(Laughter.)

Industry, I think, is getting desperate for energy, particularly those who are worried about gas. I was at a Midwestern Governors' meeting and Governor Exon, of all people, asked me, "I don't think anyone really believes there is an energy crisis." He says there is plenty of oil around. I said, "Well, you summarized it. There sure is plenty of oil around because we are importing it. But if it is cut off we have had it."

Those of us who live on the East Coast are now between 80 and 90 percent dependent on imported oil. I think we could, if another war broke out in the Middle East and things really got out of hand, which I hope to God doesn't, then I think we could see a situation that would really bring chaos to the whole eastern seaboard. We went through a taste of it, but only a very small one.

I think that in industry, there are some who are opposed on the ground that this is capital allocation by Government. There are others who are opposed for any Government intervention. There are others who say this would be a first step to a take-over by Government, socialization.

I think that the only way our system is going to work is if we keep research and development in the application of that going to meet the needs of our people. I think the risk is so great here in this interim period that private enterprise is hesitant to make the investments which are essential to our national interests.

So when President Roosevelt said in the beginning or during World War II, "We are going to have 60,000 planes," and we ended up developing 120,000 planes, this shows this country can do anything it sets its mind to. We have



the resources, the capability, technical knowledge. We have got everything. We combine them. Government's role is to see that the peoples' needs are met. This is one of the needs. This is on a self-limiting basis for under a period of 10 years. After that, no new commitments will be made.

My personal feeling is despite what one sees, I think that this is going to be well received when it is understood and when the alternatives are seen. I think that the employment facet of it is a very significant one. It doesn't add to the deficit which is the problem that the President is facing in trying to hold down inflation.

QUESTION: Mr. Vice President, you compared the situation today to the situation before and during World War II, when we found we could build 120,000 planes, for example. But before Pearl Harbor, we found we had trouble building tanks and planes. We found that the answer was something like the War Production Board.

But Pearl Harbor had to create it. Right now we have a number of energies, allotments in energy and environmental fields all competing for one another. The poor person who is constructing an energy plant is bedeviled from one side or another. What is the solution?

THE VICE PRESIDENT: Absolutely. This law or the plan, calls for this agency acting as the clearing house for all regulatory agencies, both State and local, on any project in which the Government would be a participant. They would only be a participant in private capital if private capital could not do it alone. They would only act as a clearing house for all of these Government regulations.

Then to be in a position to make recommendations for legislative changes might facilitate both the social objectives for which the regulations are created and to facilitate an acceleration of getting the job done without the delays which are now inordinate and the uncertainties which are part of the job.

One of the reasons that things are not being done is people don't know if they invest \$100 million on the basis of their present calculations and present rules and regulations, whether those are going to be changed and therefore, their ability to make a profit is declined. Therefore, their tendency is not to make the commitment. You are right on target on this subject.

QUESTION: Some economists are not as enthusiastic about your plan as apparently labor and industry are.

THE VICE PRESIDENT: Some industry isn't either.

QUESTION: Some have suggested that your off-budget financing has played an insignificant or at least not a significant role as in New York. How do you deal with this kind of criticism within this context?

THE VICE PRESIDENT: I think it depends on good management to be perfectly honest. You can't run anything



even a complicated Swiss watch unless you understand how the watch works and how to handle it. What you are referring to is the Urban Development Corporation. The Urban Development Corporation produced or is completing 30,000 units of housing in the State which desperately needed housing and did it in record speed. It had a cash flow problem which resulted from the lack of implementation of the plan which was the financial plan, when there was a change of administration between one Governor and the next, from one party to the next.

So that \$200 million of obligations were not purchased which were part of the plan. I have to think that when the new Governor came in and hadn't had much experience in New York State's problems that this was an organization of a previous administration which looked like it was going to have trouble.

He thought that might be a political plus. What I think he realizes now is this was a start of what turned out to be a very serious political minus.

UDC has now completed the sale of its long-term bonds and is in perfect shape and is back on its feet because its credit was good. So if you set up something that is complicated, you have got to have people who understand it and have the ability to manage it.

But I think Government's function is to do those things for people which they can't do for themselves, but to preserve the system.

QUESTION: Mr. Vice President, would this corporation have the authority to relax environmental restrictions on its project?

THE VICE PRESIDENT: No, sir.

QUESTION: Mr. Vice President, how would you respond to those who would charge that Government support which will in all likelihood go to many of the major energy companies who have in the past developed their domestic resources, that this kind of Governmental support to them for development is unconscionable because they are not provided with a good standing ground now?

THE VICE PRESIDENT: I understand what you are saying. Of course, it goes to the question of whether you believe in the private enterprise system. If you believe in it and you expect them to produce, and the risks are too great for them to make the investment through the production that is necessary, then the Government has got to step in and provide incentives.

If you believe in socialism, you might say, "Well, the Government should take the whole thing over." I don't think we have done too well in the management of some of the things we have taken over by Government. When it starts out, it is always going to be very simple. When you get into it, just like the railroads and other things, it becomes more complicated. So it becomes a philosophical question really. This country has chosen to buy its military equipment through private enterprise, while they are setting up a government complex.

You can make the same argument there. Why shouldn't the Government manufacture airplanes or guns or whatever it is, instead of contracting private companies? This is exactly the same thing. We are contracting private groups to accomplish an objective as a national interest.

QUESTION: Mr. Vice President, from a practical point of view, how would you go about deciding which companies actually cannot make the investment for themselves versus companies which might simply be seeking to have the Government subsidize the highest risk part of the venture?

THE VICE PRESIDENT: That is a good question. It depends on the capability of the management. There are two criteria. One is a contribution to self-sufficiency or independence in energy production. The other is, can it be financed by private capital? Both of those have to be met.

It has to be to the maximum possible self-liquidating. There is a risk in some of these. But it has to be sold afterwards, and to the highest bidder, which might be an existing company or it might be a group of private investors who joined together to buy it.

I think that that is a judgmental factor, which really if you talk to the bankers, you talk to the people who are involved, you can pretty quickly find out why something was not built. The truth of the matter is we are losing ground as far as self-sufficiency is concerned rather than gaining it. We are totally vulnerable as a nation from a security point of view. As a result of the position we are in, not only vulnerable, but also subject to blackmail because of the vulnerability which is the most subtle way of doing it.

QUESTION: Mr. Vice President, there are two phases to the shortage. One is supply. The other is demand. Do you have anything for any plan coming up for energy conservation?

THE VICE PRESIDENT: Yes. The President has sent recommendations to Congress for legislation that would encourage energy conservation by giving tax deductions to home owners who put insulation in the homes, for low-income families actually subsidizing insulation. The whole series is a very interesting complex series of legislative action.

My feeling on this particular direction is that the most important area, for instance, I mentioned both of them -- if you mine shale that has oil in it and then cook it and take the oil out, then they get what I call talcum powder. There is no water or very little water where the shale is. What do you do with talcum powder? So there is a very serious ecological and environmental problem.

However, if you grow it underground, then you have got no environmental problem. This is the kind of thing you have to take into consideration. The same is true of coal. If you go to gasified coal or liquified coal underground which would save a lot of environmental problems, I think these are discretionary questions that give great hope for things being done. But nobody is willing to take those risks yet.

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I think that is the role of government, to take some risks for the benefit of the people, in the broadest sense of the word.

I thank you all very much.

END

(AT 1:45 P.M. EDT)



FOR RELEASE UPON DELIVERY
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SEPTEMBER 22, 1975

Office of the White House Press Secretary
(San Francisco, California)

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EIA

THE WHITE HOUSE

REMARKS AT AFL-CIO
CONSTRUCTION TRADES MEETING

Last January, I went to a testimonial dinner in Washington honoring Bob Georgine. I asked Bob and the skilled construction trades to help America achieve energy independence -- and he has helped. I have just seen a copy of the September issue of the AFL-CIO "American Federationist" in which Bob Georgine again speaks out on the energy crisis. Bob, nothing could make me happier than your report that unions are still pressing so vigorously for energy growth.

I know that construction workers are among those suffering the heaviest impact of recession and the energy crisis. When you suffer, America suffers.

The mission of the skilled construction trades represented here is to build America. That is also my goal as President. Two centuries of construction enabled America to achieve its special status among the nations. I salute you as representatives of the millions of men and women who have had a part in this great building process. As America completes two hundred years of history, we face some very serious problems. But we -- you and I together -- will solve those problems. If any nation or group of nations in the world -- including those favored by nature with great oil resources -- think America is finished, that we no longer control our destiny and our finances, then they have another think coming.

The four million skilled construction workers you represent, and multitudes of other Americans will show the world that Uncle Sam isn't about to say "Uncle."

You and I know we can produce our own energy.

You and I know we can protect ourselves against arbitrary price increases by foreign nations.

You and I know we can provide more jobs.

You and I know we can bring an end to the intolerable situation in which America exports more than \$25 billion a year to pay for imported oil, while plenty of energy is potentially available at home. The money we will pay out this year for foreign oil would pay the wages for one million more American workers.

When I talk about energy I am talking about jobs -- American jobs.

Last year, about three-fourths of all planned nuclear plants, and over one-fourth of all coal plants scheduled to be built in the next 10 years were postponed or cancelled. Domestic oil production right here in the good old U.S.A. has fallen by 11 percent since early 1973. Natural gas production has declined so seriously that thousands of jobs are threatened this very winter.

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Last year the average American home paid about \$360 for foreign oil compared with only \$45 in 1970. Oil producing nations know that we are more dependent and more vulnerable than ever.

There is now a possibility that the OPEC nations' foreign oil cartel will once again raise prices. We don't have to take this lying down -- and we won't!

For starters, let's spend here at home for American jobs some of the billions we've been spending abroad for foreign oil and foreign payrolls. We can create construction jobs for workers, capital for industrial expansion, and new energy for all Americans. That's what independence is all about.

In response to those nations which would control our energy supply and prices and hence our future, I say to industry, to construction workers, and to all Americans: "Let's go into business for ourselves." Let's produce American energy in America with American workers.

Last January, I asked the Congress to act. The comprehensive program I then outlined was based upon my deep belief in America. By 1985 I envisioned:

- 200 major nuclear power plants.
- 250 major new coal mines.
- 150 major coal-fired power plants.
- 30 major new oil refineries.
- 20 major new synthetic fuel plants.
- the drilling of many thousands of new oil wells.
- the insulation of 18 million homes.
- and the manufacture and sale of millions of new automobiles, trucks and buses that use much less fuel.

I happen to believe we can do it. In another crisis -- the one in 1942 -- President Franklin D. Roosevelt said this country would build 50,000 warplanes a year. Our enemies scoffed. But by 1943, our production reached 125,000 aircraft annually. We did it then. We can do it again.

Frankly, we can't wait any longer for Congress to act on my comprehensive energy program.

Long-range security, jobs, and energy are inseparable. The time has come for action on energy independence.

Accordingly, I will shortly ask the Congress to erase all doubt about the capacity of America to respond. I will propose an entirely new \$100 billion Government corporation to work, with private enterprise and labor, to gain energy independence for the United States in ten years or less.

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This Energy Independence Authority will have the power to take any appropriate financial action -- to borrow and to lend -- in order to get energy action. It will serve as a catalyst and stimulant, working through -- not in place of -- American industry.

- It can stimulate economic growth.
- It can create new jobs.
- It can give us control over our own destiny.
- It can end runaway energy prices imposed by foreign nations.
- It can give foreign nations a new look at what Americans can do with our great resources when we stop talking and start acting.

That is my answer to those who tell us, Americans can no longer do what they set out to do.

I speak today to the great majority who believe in American capacities rather than in American incapacity. I speak to all Americans who know that this is still the same nation that made up its mind during World War II to develop synthetic rubber -- and did so; who know this is still the same nation that decided to harness the atom by the Manhattan Project and accomplished that objective; who know that this is still the same nation that said it would put the first man on the moon -- and did so. People said all these projects were impossible. But Americans have done the "impossible."

The proposed Energy Independence Authority would have a ten-year life and be self-liquidating. It is designed to achieve what many regard as impossible -- energy independence by 1985. But it is a program to secure our jobs, our standard of living, and the national interest of the United States.

This new government corporation would be an independent Federal authority reporting directly to the President. This concept is bigger than partisanship. I am determined to appoint as its directors Americans of stature without regard to partisan considerations.

The new Energy Independence Authority will seek:

- New technologies to support or directly produce or transport American energy;
- Technologies to support American nuclear development;
- Electrical power from American coal, nuclear and geothermal sources.

The Energy Independence Authority will undertake only those projects which private business cannot undertake alone. It will not replace the private enterprise system -- it will supplement it. My vision is of dramatic action to produce oil and gas from coal, safe and clean nuclear and coal-generated electric power, harness the energy of the sun and the natural heat within the earth and build numerous other energy facilities. The Energy

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Independence Authority would act to finance those projects vitally needed for America's energy independence that will not be financed even by America's great private capital resources.

We will need over \$600 billion of energy investments over the next decade to finance American energy independence. As always, most of that investment will come from private sources. But I am convinced that we cannot wait for our emerging technologies to become conventional technologies. We must act now to speed their development. We must also ensure that conventional projects with very large capital needs will have adequate access to investment resources.

The central defect of America's present energy system is that it relies most on our least plentiful domestic energy sources -- oil and natural gas -- and relies least on our most abundant energy resources -- coal and nuclear power.

My vision is of crash development -- in harmony with environmental protection -- of these abundant resources. America's oil shale resources are more vast than all the oil reserves of the Middle East. America's coal resources are ten times greater than our oil shale resources. And America's ability to harness the atom is legendary -- with the known potential of producing unlimited amounts of clear, safe energy.

Without this Energy Independence Authority, these vast treasures of America might never be developed -- or developed too late to keep America's leadership in the world. With an Energy Independence Authority, we will have the financial means to tap all this energy during the next crucial decade.

The Energy Independence Authority will be an important new element, but only one element in our total national energy independence effort.

We need dramatic action to produce synthetic fuels -- at least a million barrels a day -- floating nuclear power plants mounted on barges, new pipelines for oil and gas and vast energy parks throughout America.

My vision is of America going back to work as a chain reaction of economic activity spreads throughout all fifty States. To build energy is to create energy -- and jobs -- in all sectors of national life.

It has been estimated that for each job created directly in industry, the ripple effect throughout the economy creates at least another unrelated job. The total number of jobs generated will more than double the energy-related jobs.

Let me cite an example:

Four hundred thousand man years of labor are required to construct plants and manufacture equipment for fifty nuclear plants. This represents 650,000 man years of labor in the time frame required.

I want to see millions of new jobs in the next ten years with healthy widening ripples of growth throughout the economy. I am directing my energy and economic advisers to take all steps required, in the shortest time possible, to make this vision a reality. And I am also counting on you, the construction workers who will do the job. You have the skills. You have the courage. You have the dedication which enabled America to defend itself in times of war and to develop in times of peace.

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I am confident of your ability and that of all Americans, labor and management; Democrats and Republicans, and Independents; employed and unemployed; rich, poor, and struggling; old and young; to unite behind this bold new program.

As America's population grows, and our economy expands, we must create some eleven million more jobs by 1980. This is a big order. It cannot be filled by Government alone or by industry alone, or by unions, or by politicians acting on their own. But the problem can and will be solved if we all work together, just as you in this hall are today united to building America.

The door to the White House will remain open, as it has since I have been President, to those who champion the cause of America's working people. Nor will I ever close my heart to the millions of Americans who are now unable to find work.

I will not rest as long as any American who wants to work cannot find employment. Too many people remain without jobs. I have heard references to so-called "acceptable" rates of unemployment. I do not recognize the acceptability of any level of unemployment as long as people can't find jobs. I am determined to help create new jobs, on a sound economic basis -- good jobs, real jobs and not make-work \$2 an hour jobs.

When statistics are issued on the loss of jobs, there are some losses which are not published. I refer to the loss of hope among the young people seeking their first real job, the loss of self esteem among heads of households who are laid off, the loss of security and standards of living that people worked for years to achieve, and, most important, the loss of faith in America's future.

These are tragic losses. They are losses that the United States of America cannot and will not permit.

The need for skilled construction workers to build new energy installations and for new operators to run them will be enormous. By planning and working now, we can ensure that development is orderly and that progress is continuous.

As we enter our third century, Americans can look back with great pride upon our achievements in providing safe, healthful, stable and productive jobs. But we still have much to do. Let's go to work together.

Thank you very much.

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EIA MEETING WITH VICE PRESIDENT
Friday, October 10, 1975
9:30 a.m.

Vice President's Office



THE WHITE HOUSE
WASHINGTON

October 13, 1975

*EIA
File*

MEMORANDUM FOR THE VICE PRESIDENT

A copy of your remarks at the Energy Conference with Business Executives in Washington, D. C. on October 6, 1975 was returned in the President's outbox with the following notation:

"Excellent - Get someone to put in Congressional Record so it can be distributed."

Jim Connor

*Speak to Tim
Ann*



*Article for
Readers Digest*

The following summarizes the reactions that Bill Whyte got after the Vice President's remarks:

The general reaction was that the Vice President had done an excellent job of selling a difficult subject. Most of the businessmen that were there had opinions that were based on the bad press that the idea had been getting, but when they heard the Vice President's explanation and his answers to the many questions, they saw merit in the program. The feeling was that the Vice President or someone else has to do a selling job and an explaining job to the American people.



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REMARKS OF THE VICE PRESIDENT
AT THE ENERGY CONFERENCE
WITH BUSINESS EXECUTIVES
WASHINGTON, D. C.

October 6, 1975

This country, up to the 1960's, was the major producer and exporter of oil, and had the reserves to export additional amounts if necessary. So when on two or three occasions other nations around the world tried to raise the prices of oil substantially, we just exported more and were able to hold the price.

Then as we got into the mid-60's, OPEC had been formed and we became a net importer. We didn't have the reserves to dominate world prices and therefore, triggered by the conflict in the Middle East, the Arab countries finally moved and in two years raised prices 500 percent.

At that point, the Eastern Seaboard particularly suffered quite a setback because of the boycott and the price increase. The boycott wasn't as overwhelming as it might have been because there were enough leaks and there were enough countries that didn't join it. I was at that point Governor of New York and deeply concerned, but Libya allowed oil to go to one of the British islands in the Caribbean and to be refined there and to come into New York for power and so forth. If they had really tightened down, we would have been in a much more difficult situation.

The President, as you all know, spent a lot of time discussing the economics and having the summit meetings when he first took office last fall, a year ago. One of the major subjects was this question of energy. He came out of those meetings with a clear determination to achieve energy independence as essential to this country's national security; secondly, that this should be achieved by 1985.



He then worked out the details of legislation which would encourage private enterprise to accelerate production domestically because energy has always been a private enterprise operation in this country, except for the Naval reserves. I don't think we really have recognized quite as clearly as it seems to me we should that the free market system should do this without Government intervention, except through a framework of laws which would give incentive.

The framework of laws has never been achieved. It was complicated when the United States Government controlled the price of interstate gas at a very low price so that the most desirable fuel turned out to be the cheapest fuel. It really hit the coal industry over the head, so that our greatest resource was the least developed. Gas when it was first controlled was in surplus, a byproduct of oil and being burned to get rid of it. The price was set so low that, as people shifted to gas, they were unable to get the increased production needed; or even if they could get production, -- as in the case of Texas -- they couldn't ship it on the interstate lines.

We had a meeting in this room with a group of Governors who came in, organized by Jim Rhodes of Ohio, pointing out that they had lost 600,000 man-days of work last year due to the shortages of gas. That was a warm winter -- and it is going to be worse next year. The industrial groups in his State were willing to finance production of gas at higher prices if they could just get permission to move it on interstate pipelines -- if the concept of a common carrier to be adopted rather than a regulated price. That has been very slow in coming because the Federal Power Commission was afraid that if it made such a ruling, they would be challenged in the courts by the ecologists and would then be overruled. So they wanted legislation.

Thus we see where government stepped in to regulate one phase of the energy industry, it totally disrupted the industry. This shows very clearly what can happen through government regulation. The President, as you know, has fought regulation; he has been for decontrol. He wanted an orderly decontrol on oil. He wanted 39 months. But then we go back to what has happened in Congress. He sent up a 500-plus page bill. This bill was complicated. I don't think the public has really paid attention to it since the energy crisis that they saw two years ago, when there were lines waiting for gasoline. It was really sort of personified at a meeting of the Midwestern Governors, where none other than Governor Exon asked me if there really was an energy crisis. He said, "How can there be an energy crisis when there is plenty of oil and gas around?" I said, "You have really expressed the whole thing right there. There is plenty of oil and gas around because we are importing now almost 40 percent of our consumption. The fact that we are importing is the crisis."

"Domestic consumption is going down. So as long as we import it, there isn't a crisis in the sense that you are thinking of it; but if the Middle East situation blew up again, or if for some other reason the imports were shut off, we could then find ourselves in the middle of a full-blown crisis which for certain parts of the country would be total disaster. I don't think anyone has really figured out how this country would survive a really effective boycott; we don't have transportation from the west to the east to handle the movement of energy in sufficient quantities to keep our operations going, our society going."

We have just seen a 10 percent increase take effect in the world oil prices and Congress has not taken any effective action; little pieces of action, but no comprehensive action. Finally, the management-labor committee had some concepts as to how to encourage industry through incentive to invest more domestically. That legislation hasn't gotten off the launching pad in Congress.



So we find ourselves in a free market industry, but the free market has been a world market. Now national policy expressed by the President is that we should be a self-sufficient, independent producer of energy. We have the resources -- nobody knows yet at what price. That is a national policy superseding a free market position because the free market was an international one.

A great many people have felt that this OPEC price structure would break down as production increased. Walter Levy, who is one of the most sophisticated people in the business has said right along there wasn't a chance this would happen; that they would do exactly what they did do. He predicted that six or eight months ago, or even longer, that they would not decrease the price; they would not break the price; they would hold and they would increase the price. That is what has happened.

So when people say that the use of Federal funds through a structure that is in a sense comparable to the RFC, conceptually, but not for bailouts, but for stimulating new industry or new production, and they say this is an allocation of capital and this is going to take it from a whole lot of other things, the answer on the allocation of capital is very simple. The President has said our national policy is self-sufficiency by 1985.

The estimates vary but between \$600 billion and \$800 billion will be required to achieve that objective out of about \$4 trillion \$300 billion that has been estimated as industry's capital requirements during this ten-year period for meeting needs of the American people and our responsibilities in the world.

We will fall short of that estimate by about \$600 billion.

Nobody knows hoe much money will come back into investments from Arab countries where the accumulation of capital is taking place. But I would imagine that Saudi Arabia alone is up to about \$7 billion now in investment in Treasuries. These

securities, were this corporation to be passed by the Congress on the \$100 billion basis, with ten years as the life of the corporation, would probably average out to about \$10 billion a year. If this country moves towards self-sufficiency, it would take a total of \$60 billion to \$80 billion a year and so \$10 billion is 12 to 14 percent of the total capital that will be required.

The conditions determining how this money would be used are two, basically: One, that it contribute to the self-sufficiency; two, that it be used for financing through private enterprise where sufficient capital cannot be obtained by private enterprise alone.

Take a look at the utility industry. Atomic power is the great potential we have in this country for energy. The others are important, but the long-term, major producer of energy is atomic, for the time being; solar and thermal are out further in time.

Seventy percent of the atomic power plants that were planned have been cancelled. There is a complicated series of reasons as to why. One factor is local regulations of the State Public Service Commissions, where they can't get rate increases so they can't earn enough money to be able to borrow the money. You can't get the increase until you are on line with your power. These atomic power plants, the most efficient ones, cost about \$1 billion. Therefore, you would have \$1 billion tied up -- not for four years as it used to be, but now with all of the filings that you have to make on impact statements and with the local suits, it is up to between 10 and 11 years -- \$1 billion tied up for 10 or 11 years with no basis forearning. That is one very good reason.

Another is the uncertainties as to all kinds of laws and regulations from Washington. The labor-management recommendations were to encourage a greater accumulation of capital by corporations.

Of course, the bill was immediately tagged by the opposition as being just a special interest bill for big business and big industry and for capital rather than for the people -- which is an easy, cheap shot politically, but it isn't going to help the country. So that bill hasn't gotten off.

The real question has to be, first does government -- when it has set a national policy that cuts across a free market operation -- work with the industry involved -- in this case domestic oil production?

The first approach of the President was this very comprehensive legislation.

One has to ask whether the Congress -- going through the same evolutionary change that all of our establishment institutions have gone through -- is unable to organize itself in spite of the oppositions overwhelming majorities in both houses. Is the structure of 300 different committees, which the Congress has in both Houses, so cumbersome that when you have a comprehensive piece of legislation of this kind, it makes it impossible for the Congress to act effectively and rapidly in the national interest because of jurisdictional disputes within the House and between the Caucus and the committees?

Or does one come reluctantly to the suspicion that there would be those in Congress in the opposition party, who would just as soon have the issue -- who would just as soon see us run short of energy, have the President take off controls because they lapsed and not be able to work out an orderly extension, and then have chaotic conditions in 1976 -- and maybe this would be politically advantageous.

One hesitates to even think that anyone, for political purposes, would be willing to see the Nation run the risks which we are running and have the people suffer in a way that they might suffer very easily were such a chaotic situation to exist. But one can't eliminate that possibility entirely.

Whatever the situation is, there is no action. We are in a stalemate and the problem is getting worse. We are now close to \$30 billion a year for imported oil. Luckily, our farmers have been tremendously productive, a major new source of foreign exchange, and other areas have been also able to export, so our balance of payments is reasonable at the moment. But with consumption going up, with production going down, with the depletion allowance taken off, with the old oil still likely to be under control, nobody can afford to put the money into the secondary retrieval of oil because it falls under old oil.

So we have a situation where our production is declining and our consumption is increasing and nobody thinks there is a crisis.

Let's go to the areas that this corporation might serve. The best illustration is Rubber Reserve under Bernie Baruch in World War II, which did a great job. They contracted with six or seven private companies to develop synthetic rubber production; of that group, I think four or five came through with processes or variations of a basic process which were successful. They sold the company, the plants and the process, to private enterprise and we have a new industry in the United States. It was a self-liquidating operation.

The concept is a self-liquidating corporation to finance those risks which private enterprise cannot or will not undertake at the present time to contribute to self-sufficiency and to do it to the maximum degree possible with private capital participation and through private industry and then sell it as rapidly as possible.

Some people ask what we need this for if we have ERDA? ERDA's powers go to laboratory experiments relating to energy. But they do not have the funds or the authority to take those laboratory experiments into a full commercial production. Of course, here you move from a limited expense to a much larger expense, but the commercial production is essential to find out what the cost of energy would be.

For instance, gasification of coal is being done and so is liquefaction of coal in South Africa. It comes out between \$30 and \$40 a barrel of oil in equivalent energy, but it does produce gas. It is essential.

There are new methods which might reduce it to \$20 a barrel equivalent of oil, or even down to \$11. There is the possibility of in-situ operations, drilling a hole down into a deep coal mine, setting off an explosion, setting it on fire; the heat does the same thing underground that is done on top and you would draw up the gas that is created by the burning of the coal underground. There are those who feel that this will be a far cheaper method but an experiment like that would cost \$200 million to find out.

A surface gasification plant costs about \$1 billion. There is a need for 18 to 24 surface gasification plants to be built right now if we are to meet the demand for gas. This is what the gas industry is looking for. There, right away, is \$18 billion to \$24 billion needed to produce gas by the traditional, most expensive way.

Coal, of course, gets tied up with the whole ecological problem. I visited one of the most fascinating mines near Gillette, Wyoming, where they took off 23 feet of surface, then 70 feet of coal. They took the topsoil off first and stacked it; then took the rest off, put it behind where they are digging the hole, and then they end up by putting the topsoil back on, making six lakes on 6,000 acres. The only difference you will find is you will have lakes which you never had before, and it will be 123 feet lower than it was before. The growth is as good as before or better. I was there: The antelope were grazing still, right around the mining operation.

This mine produces 20 million tons of coal a year with 55 people. Everything is automated; it is a superb operation. In other words, it can be done. If, as a nation, we decide to produce low-sulphur coal in the west, I am confident the ecological problems can be worked out. This whole thing has got to be done so that we don't get our energy at the expense of our environment. I am confident that production and the ecological research can be done together.

But then you come to the problem that a lot of railroads can only move coal cars at the rate of ten miles an hour, because of the condition of the roadbeds. There is about \$11 billion of roadbed work to be done in this country. It is conceivable that this corporation could lend but I don't think the railroads can borrow the money. Therefore, the corporation might buy preferred stock in a railroad to give them the funds to fix up their roadbeds and those funds could then be earned out of coal -- all of this being contingent upon a conversion of eastern power plants from oil to coal. This this happens, the coal has got to be produced. It has got to be transported. You have to have the government in a position, or somebody in a position, to be the catalyst -- the fallback position where private enterprise cannot or will not finance the effort to achieve this independence.

As to oil, we have tiwice as much oil in shale in this country as the Arabs have oil in the Middle East in known reserves. The problem is to get it out. You can mine the shale. You can cook the oil out. Then you end up with what I call talcum powder, which is in a much larger volume than the shale you have mined, because it has been cooked and so it is not dissolved. There is very little water where the shale is. Therefore, what do you do with the stuff? You could fill a valley -- but if you have a heavy wind, this stuff is going to blow all over the west.

Again, you can do an experiment (for \$200 million) of trying to develop in-situ production of shale oil: drill down, put off an explosion, set it on fire, draw off the gasified oil and condense it. The Livermore Laboratories have done some work on this with Edward Teller. They feel, although nobody else is willing yet to agree with the, that this might be produced at a cost of \$7 and \$8 a barrel.

This could be one of the great bonanzas in the history of this country if that cost could be achieved. It would be fantastic.



Occidental Oil is the only company that I know of that has done any major work in the field, but they can't afford to carry through on an experiment of this magnitude.

Many companies bought over \$1 billion total in leases in Colorado for shale, but they were going to do surface mining. None of them have gone ahead because of the uncertainties and the ecological problems.

One of the standard methods of financing, is the lease-purchase operation. It is perfectly conceivable that an atomic power plant costing \$1 billion could be financed by the government under a contract with a private company for lease-purchase, and with a contract with the Public Service Commission that as and when that plant comes on line, the rates will be such that this company can earn, the funds necessary to pay back.

The President in his message to the Congress last January said we need 200 atomic power plants by 1985. We now have about 60. Of the remaining ones, 70 percent were cancelled. California will vote on proposition next June banning all atomic power plants in California. Oregon has the same issue. If this country bans atomic power plants, and we don't move in these other fields, we are going to be totally in a situation which some ecologists would like to see -- a no-growth society. A no-growth society means no jobs for the young people that are coming on. Our whole society has been geared to increased employment based on increased productivity. I happen to think that is the hallmark of America. It is our strength. It is our success. I happen to think that we can meet the ecological side of this problem as well as the development side.

Industries in 18 States are going to be in a serious condition if they don't get gas this winter. If we have a cold winter, even if the interstate pipelines are allowed to be used there is still going to be a shortage because there isn't enough gas being produced to sell.

That means that industry which depends on gas would probably buy up propane gas that the farmers depend on to dry their crops and to heat their homes. Farmers are small buyers, so the next thing you would have to have would be control of propane. This is just going to take this government, one by one, further and further into controls -- and the more government gets into controls, in my opinion, the more they distort the economy and make it difficult for us to get back on a sound basis.

Therefore, in conclusion, it seems to me that this idea of the government acting as a catalyst to help get us off dead center in becoming self-sufficient in energy as a nation, across the board, in all of these fields and on a self-liquidating basis, is essential to our national security, to our industrial growth, and to employment.

If we don't do it, in my opinion, there are elements in this country, some of them in the Congress, who would like to see industry fail -- not be able to meet the needs of the country. These elements would then say, fine, we told you the system was no good; that capitalism doesn't work; that private enterprise doesn't work. Therefore, we have got to take it over.

Then we will move as the British moved, taking over one industry after another, with all the problems that grow out of that; then they start subsidizing; then unions demand far higher wages because they say the government has unlimited capacity to pay and, therefore, you get into the most difficult situation and the most dangerous situation where you have neither a capitalist system nor a socialist system and you have the worst of both. Nobody can make an investment because they don't know what the conditions are going to be, what the regulations are going to be, what the resources are going to be. Therefore, you have higher unemployment and demands for more expenditures by the Federal Government -- which the President has had the courage to resist to a degree that is perfectly extraordinary. If he didn't, we would have even more inflation.

Fabian socialists like inflation because that is the quickest way to equalize capital. You don't have to expropriate anything. People's values are gone because inflation just wipes them out. The Germans went through that and we know what happened as a result.

The President has already said we have to have an allocation of capital when he announced the goal of energy self-sufficiency. He has asked private enterprise to do it. So it isn't a question of taking the capital from housing and all of these other areas that people talk about. There is plenty of money right now in the savings and loan associations. People haven't got enough confidence to invest in housing. So it isn't that.

Secondly, as far as the EIA's being a step towards socialism is concerned, I think it is exactly the opposite. I think it is government's showing their concern for the present system -- free enterprise and capital -- trying to help stimulate and bridge over this period.

The Energy Independence Authority would have the responsibility of acting as the clearing house for ecological and regulatory functions of government at State, Federal and local levels. It would make recommendations to simplify these structures, based on experience. A private operation which was investing in capital to achieve energy self-sufficiency could also use this corporation as the clearing house for its contacts with government. The objective is a system which would cut down on the time lost through bureaucratic delays and law suits, a very, very serious thing in terms of cost, expense and delayed production.

The way the legislation is being drafted would give the EIA's five-man board the discretion to make all of the key decisions so we can get it rolling and get action fast and decisions made the way they are made in private enterprise as distinct from the way they are done too often in government.

What makes me think it will go through Congress?

This is something that labor wants very badly. It means jobs through industry and not jobs through a dole. Therefore, I am pretty sure labor is going to give it very strong support. If industry at the same time feels it is desirable and worthwhile and gives it support, then I think its passage has got very great potential.

But if industry is opposed to it, that will nullify labor support and probably nothing would happen.

I think this is a turning point for this country and if we don't have enrgy we are not going to have growing industry. If we don't have a growing industry, we are not going to have jobs and we are going to have a lot of problems. We have got them, but they will be worse.

Are there any questions?

QUESTION: Mr. Vice President, could you relate this program to the \$6 billion synthetic fuel program that we read about recently? Is it part of it?

THE VICE PRESIDENT: The \$6 billion synthetic fuel program is one that Senator Jackson has proposed. It hasn't passed yet. So what we did in the thinking on this was to just make a provision that they would be complementary if that passes. The Jackson proposal would be an outright expenditure -- putting the money in the federal budget. EIA would provide a loan, or an investment, or a guarantee of a loan, all on a self-liquidating basis. That is the difference. But if the Jackson proposal passes, fine; whatever they do with that wouldn't have to be done by EIA. They would be totally complementary.

QUESTION: Mr. Vice President, you know there is a process of drafting in Washington whereby you can direct a piece of proposed legislation that will go to a standing committee. My question is addressed to where would the thrust of this legislation lie so that we could determine what the standing committee would be or is it a multiple reference to the standing committees?

THE VICE PRESIDENT: You are obviously very well aware of the whole committee structure and the sensitivity of this and of course there are the jealousies as to who gets what. That is being analyzed very carefully by experts. It could be considered as a financial question. It could be considered as an energy question. There are two or three different ways it could go. I think the effort will be to find out where it could be most expeditiously dealt with. But if you have a suggestion, I would be very grateful.

QUESTION: Mine is a negative suggestion, Mr. Vice President. Don't make it so that it is a multiple reference.

THE VICE PRESIDENT: Absolutely; on that, we are all in agreement. If you want to tell me confidentially afterwards which one of the group, I would appreciate it.

QUESTION: Mr. Vice President, you mentioned many of the traditional sources of energy but you hardly touched on solar energy. I wonder. Here is one that has few ecological problems and would it be participating in this program and how?

THE VICE PRESIDENT: Solar energy and thermal energy are very important parts. They are large scale producers of energy immediately, but they are very important parts of the program. Any group which wants to produce any new process or develop equipment or whatever it may be for solar energy would, if they can't get the funds themselves, be eligible for assistance in the way of a loan or a loan guarantee from this authority. Conservation is included here, support for the conservation of energy. Pipelines are included in this as eligible if they can't get the private financing.

Alaska could produce an awful lot more oil if they opened up more lands; five, six, seven million barrels a day. That would take four or five pipelines. So you are talking a lot of money and that has to be balanced out.

QUESTION: Mr. Vice President, you had mentioned the government-owned, contract-type of plant such as the rubber plants in World War II. Is there any way you are going to insure that this legislation is so worded that someone of a different philosophical outlook cannot turn this energy independence agency into a Federal oil and gas corporation running the same way as TVA?

THE VICE PRESIDENT: It requires that everything be sold and that it be self-liquidating and it be done through private enterprise and with private enterprise participation. I think the private enterprise participation is one of the most important aspects. For instance, if you build an atomic power plant under a lease purchase contract, with a contract with the Public Service Commission, you actually then have a contractual relationship that, the ownership is in the hands or will be in the hands of private enterprise. Nothing will be done where the government sets up some new form of TVA.

It happens that the Governor of Pennsylvania, who is a declared candidate for the Presidency, Governor Schapp, has got a program where he has been trying to get other Governors in the Eastern Seaboard to join in sponsoring which involves a TVA at the mine-heads to produce electricity at the mine heads, which would be owned by the government, mined and then distributed from there.

So I think we are on the verge. I flew to the coast Thursday night with a Senator who has introduced a bill to break up the oil business and have just producers, distributors, marketers -- each one would be in a separate company. I only mention that. This is a Republican and it shows that people are looking to Congress for ways of being responsive to the public but not, in my opinion, too clear as to what the impact would be on our system.

QUESTION: Mr. Vice President, you indicated that this authority would be able to produce hopefully about 14 percent....

THE VICE PRESIDENT: Of the capital needed to meet the self-sufficiency.

QUESTION: Is there some way this could be helpful if private industry does not come forth with the other 86? Do you think there is any problem in that other 86 being raised during that period of time?

THE VICE PRESIDENT: Let's take a case in point. Let's say they invested \$200 million in either an in-situ gasification of coal or in-situ gasification of oil project and it proved to be within, let's say, lower than the cost of present imported oil prices. I don't think you would have to worry about it because the government would not continue in the business. They would sell, either sell the process or make it available, whatever the procedure would be, whatever they did in the Rubber Reserve type of thing. I think you would find, then, a tremendous amount of private capital. Capital goes where it can get earnings. If capital can find attractive earnings in producing energy in this country for self-sufficiency, they will invest in it. If they can't, they will invest in the MacDonald Hamburger stands, not that I am against them. I am for them. (Laughter) But they are not going to solve our energy problem. We have a free capital market. They go where the returns are. The question is: Can the government help point the way to good returns?

QUESTION: Sir, you mentioned in connection with the nuclear power plants a contract between the Federal Government and the State Public Service Commission. I don't think you will get many States that will willingly enter into such contracts, but if you do you could do that right now without having to have the lease-back arrangement and the Federal Government build the plants.

THE VICE PRESIDENT: Great. Then we wouldn't have to put any Federal money in.

QUESTION: I would think that would be the place to look; is the Federal Government using its influence with the State commissions to get the rates up? That will bring the capital in and you won't have to build the plants through the government.

THE VICE PRESIDENT: There is only one flaw in your argument, if you will forgive me -- at least a political flaw; and, that is, as one who only two years ago left the Governorship and who saw the beginning of the pressures due to, first, ecology on using non-sulphur fuels and the increased cost in getting the non-sulphur coal, non-sulphur oil; then the embargo and then the world price increase of 500 percent. These poor public service commissioners have had to take double and triple the cost of electricity to consumers, if not more.

There problem right now is that they have gone through so many increases. When I got a new Chairman of the New York State Public Service Commission, who had been a strong consumer advocate, I said, "Look, in your advocacy of the protection of the consumer do you include -- (this is before I offered him the job) -- the protection of the consumers' need for additional power in the future? If so, so you visualize that that is going to take higher rates and more money in order to get the capital in?" He said, "I read you. I agree with you and you have no problem." I took him on.

He did a superb job. He was pilloried by the public. He was sued by my own Attorney General (laughter) -- it was purely political, I love him, too and he was sued by the City. In other words, these people have been in the most difficult political situations because every consumer of electricity -- I can only speak for New York, but I suppose it is very similar in other parts -- has just gone through the most unbelievable increase in cost.

So my reason for thinking what I say is that the Public Service Commissions would be so glad to see something built that will protect the needs of the community but doesn't have to raise the rates until further down the road when they may not even be on the commission. (Laughter) They would be very happy, in my opinion -- this is a political judgment -- to sign a contract for the future whereas they could not go through another major increase now, particularly as the people aren't going to get the benefit for 11 years. The alternative to this is, what is happening again in New York State, where we had an authority which was created to develop hydro-electric power on the St. Lawrence with Canada. Each of us has a power authority. We run it jointly.

This power authority now being the only one that could raise the money has already built one atomic power plant. It is now going into a second atomic power plant. It has built the grid to connect it and the first thing you know you are going to see this same thing happen -- that government is going to come into meet the demands. I just think if you believe in private enterprise, if you believe in the capitalist system, you have to stand up and see what it takes to help that system work? You have got the very simple and right answer-- if government would just get off our backs, then we wouldn't have any problem. But this is a democracy. Government is the creation of the people and it has got politicians like myself in it, and they may not always be as totally objective in their views of what is needed, because of political pressures. Therefore, I think here is a possibility. If we can do what you say, perfect. They will try. But we talked about shortcutting some of the environmental requirements. If you did that, the legislation would be killed. So we have got to live within this. Let's have a central point where we can clear all of this, and where you develop, perhaps, standard forms and so forth and to the degree we can get what you suggest, wonderful. Then no money would be needed.

QUESTION: Mr. Vice President, I am wondering about the effect of this plan on competition within the LNG industry. For example, if one small project were to be given substantial Federal help or one Alaska pipeline, what would the effect be on other applicants who didn't get help?

THE VICE PRESIDENT: There is a very interesting thought here and that is, I think -- don't hold me on this one -- but I think it will be in the legislation that no loan would be made below the rates of what a prime producer of energy can get in the open market.

In other words, the government won't come in and take a weak company -- this is not a bailout. This is not going to be for the bailing out of a defunct company. This will only be to produce energy to achieve these goals. But the rate of the loan would not be lower than what the prime rate would be for a successful company.

Most companies will not want to borrow from the government, I imagine, if they can get it from private sources.

QUESTION: What provision is made, Mr. Vice President, in the event that loan is in default?

THE VICE PRESIDENT: I think the plant, the operation, whatever it is, would be completed and the property sold. They take a loss. If you are in this business of trying to produce at risk or go into risk areas, you are going to have some major successes and some failures. I think that is why 25 percent of the capital or 25 percent of the \$100 billion will be equity and 75 percent loans.

I hope that they will make enough successes which they can sell at a profit to overcome the losses where there would be a default. But then they have just got to sell it. This is specifically stated not to become a government operation.

QUESTION: Mr. Vice President, please detail a little more of this clearing house concept. What authority would that have? Is it advisory primarily? Is it in the ecology field only? Or could it spread to other areas of agencies?

THE VICE PRESIDENT: This authority would specialize in government clearances of all types, and so if there is a project which contributes towards energy self-sufficiency, financed or not financed, partially or not by the government, they would be eligible to have all of their clearances done through this division.

This could very well lead to recommendations -- I think it will be so stated in the legislation -- as to simplification of clearances. A most interesting case: A friend of mine who is a lawyer in New York tried to set up a corporation for the seven utility companies in New York State last year, which would be a financing-construction company. The credits weren't strong enough to do it themselves so they wanted to set up a joint company.

He said there were, I have forgotten, 14, 17 different regulatory bodies, State and national, which were involved. He could not devise a corporation which could meet all of those, including antitrust, and so forth and so forth. So they finally had to give it up.

If there is a central group and you get some very able people who understand the law, the ecology, production, and so forth, I think this unit could become an extremely efficient unit.

I am not sure why in many cases these things can't be standardized. Why do you have to spend a great deal of money each time you file an impact statement, starting from scratch? The impacts can't be that different. There are certain criteria that go into them. I have a feeling this could be a very interesting and useful step.

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October 6, 1975

Office of the Vice President
(Washington, D. C.)

REMARKS OF THE VICE PRESIDENT
AT THE ENERGY CONFERENCE
WITH BUSINESS EXECUTIVIES

AT 10:40 A.M. EDT

THE VICE PRESIDENT: I apologize for being late. I was on the phone raising money for the Capitol Hill Club. It is a worthy cause. I just got a prospect. They called in. So I had to stay for that call. If the Capitol Hill Club was foreclosed just as the President got going for next year, it would be kind of tough. Well, that is another subject. (Laughter)

I want to thank all of you very much for coming here today and for giving me a chance to visit with you, try to outline first briefly the conceptual thinking in back of this program and then answer or at least discuss your questions. I will do my best to answer them.

I think the legislation will go up this week. The subject is a complicated one and there have been varying points of view as you all know by reading the press. Therefore, it has caused some difficulty in trying to get the thing worked out so that it could be put in detailed language for the legislation and the message.

I hesitate to talk about the whole subject because I know everybody in this room is totally familiar with the subject, but let me just for the record give you a brief outline of the past and how it came about as to where we are now.

This country of course up to the 1960's was the major producer and exporter and had the reserves to export additional amounts if necessary and so when on two or three occasions other nations around the world tried to raise the prices of oil substantially, we just exported more and were able to hold the price.

Then as we got into the mid-60's OPEC had been formed and we became a net importer, didn't have the reserves to dominate world prices and therefore triggered by the conflict in the Middle East, the Arab countries finally moved and in two years raised prices 500 percent.

At that point, particularly the Eastern Seaboard of this country suffered quite a setback because of the boycott and the price increase. The boycott, let's face it, there were enough leaks and there were enough countries that didn't join it so that it really wasn't as overwhelming as it might have been.

I was at that point Governor of New York deeply concerned; but Libya allowed oil to go to one of the British Islands in the Caribbean and be refined there and come into New York for power and so forth which if they had really tightened down we would have been in a much more difficult situation.

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The President, as you all know, spent a lot of time discussing the economics and having the summit meetings when he first took office last fall a year ago. One of the major subjects was this question of energy. He came out of those with a clear determination for energy independence as being essential for this country's national security; secondly, that this should be achieved by 1985.

He then worked out the details of legislation which would encourage private enterprise because energy has always been a private enterprise operation in this country except for Naval reserves, which would encourage private enterprise to accelerate production domestically.

I don't think we really have recognized quite as clearly as it seems to me the fact exists that this -- because there is a great deal of talk about the free market system -- that the free market system should do this and that they should be the ones that without Government intervention except through a framework of laws which would give incentive.

Allright. The framework of laws has never been achieved because one can speculate here -- but first it is a complicated subject and it was complicated when -- I have to again go back a second. It was complicated when the United States Government controlled the price of interstate gas at a very low price so that the most desirable fuel turns out to be the cheapest fuel. What it did was of course it really hit the coal industry over the head so that our greatest resource was least developed and had more problems and while gas when it was first controlled was a byproduct of oil and was being burned and therefore was in surplus. The price that was set was so low that as people shifted to gas they were unable to get the production, the increased production or even if they could get production -- like in the case of Texas -- they couldn't ship it on the interstate lines.

Now as you know --we had a meeting in this room, as a matter of fact, with a group of Governors who came in organized by Jim Rhodes of Ohio pointing out that they had lost 600,000 man days of work last year due to the shortages of gas and it was going to be a lot -- that was a warm winter -- worse next year and his people, the industrial groups in his State were willing to finance production of gas at higher prices if they could just get permission to move it on interstate pipelines and the concept of a common carrier be adopted rather than a regulated price.

That has been very slow in coming because the Federal Power Commission was afraid that if they made such a ruling that they would be challenged in the courts by the ecologists and that they would then be overruled. So they wanted legislation.

I only mention this because where government stepped in to regulate one phase of the energy industry it totally disrupted the industry and shows very clearly what can happen through government regulation. The President, as you know, has fought regulation and he has been for decontrol. He wanted an orderly decontrol on oil. He wanted 39 months. But then we go back to what has happened in Congress. He sent up a 500 and some-page bill.

This bill was complicated and the public I don't think has really since the energy crisis that they saw two years ago when there were lines waiting for gasoline -- has eased off. It was really sort of personified at a meeting of the Midwestern

Governors' where none other than Governor Exon asked me if there really was an energy crisis. He said, "How can there be an energy crisis when there is plenty of oil and gas around?" I said, "You have really expressed the whole thing right there. There is plenty of oil and gas around because we are importing now almost 40 percent of our consumption."

Domestic consumption is going down. So as long as we import it there isn't a crisis in the sense that you are thinking of it, but if the Middle East situation blew up again or if for some other reason other than price or through a boycott we could then find ourselves in the middle of a full-blown crisis which for certain parts of the country would be total...disaster. And I don't think anyone has really figured out how this country would survive a really effective boycott because we don't have transportation from the west to the east to handle the movement of energy in sufficient quantities to keep our operations going; our society going.

We just have seen a 10 percent increase take effect in the world oil prices and as I say Congress has not taken any effective action; little pieces of action, but no comprehensive action. Finally, the management-labor committee had some concepts as to how to encourage through incentive industry to invest more domestically.

That legislation hasn't gotten off the launching pad in Congress.

So as I view the situation we find ourselves in a free market industry, but the free market has been a world market. Now national policy expressed by the President is that we should be a self-sufficient, independent producer of energy. We have the resources. Nobody knows yet at what price. That is a national policy superceding a free market position because the free market was an international one. Then a great many people have felt that this OPEC price structure would break down as production increased.

Walter Levy, who is one of the most sophisticated people in the business and many of you know him, has said right along there wasn't a chance; that they would do exactly what they did do. He predicted that six or eight months ago, or even longer maybe, that they would not decrease the price; they would not break the price; they would hold and they would increase the price. That is what has happened.

So when people say that the use of Federal funds through a structure that is in a sense comparable to the RFC conceptually, but not for bailouts, but for stimulating new industry or new production, and they say this is an allocation of capital and this is going to take it from a whole lot of other things, the answer on the allocation of capital is very simple. The President has said our national policy is self-sufficiency by 1985.

The estimates vary between \$600 billion and \$800 billion will be required to achieve that object. That is out of about \$4 trillion \$300 billion that has been estimated as industry's capital requirements during this ten-year period for meeting needs of the American people and our responsibilities in the world.

We will fall short of that as estimated -- again these are all estimates; therefore, they are just guesstimates -- fall

short by about \$600 billion.

So there is going to be a shortage. Nobody knows how much money will come back into investments from Arab countries where the accumulation of capital is taking place. But I would imagine that Saudi Arabia alone is up to about \$7 billion now in investment in treasuries. These securities, were this corporation to be passed by the Congress on the \$100 billion basis over ten years because that is the life of the corporation, would probably average out to about \$10 billion a year. If this country moves towards self-sufficiency it would take \$60 billion to \$80 billion a year and so \$10 billion is 12, 14 percent of the total that is required.

What would the conditions be in determining how this money would be used? The conditions are simply two basically: One, that it contributes to the self-sufficiency; two, that it would be used for financing through private enterprise just as the Military buys its equipment through private enterprise where those objectives, those investments cannot be obtained by private enterprise themselves; in other words, where they either can't get the money or for some reason are unwilling to; primarily can't get it, can't get it because they can't earn.

If you take a look at the utility industry -- what, 70 percent of the atomic power plants? -- and of course atomic power is the great potential we have in this country for energy. The others are important, but the long-term, major producer of energy is atomic for the time being; solar and thermal, out further.

I will come back to gas, coal and oil in a minute. But let's say these 70 percent or 70 percent of the atomic power plants that were planned were cancelled. There is a whole very complicated series of reasons as to why. Local regulations of the State Public Service Commissions where they can't get rate increases so they can't earn enough money to be able to borrow the money is one factor. Also you can't get the increase you are on line with your power. These atomic power plants, most efficient ones, cost about \$1 billion. Therefore, you would have \$1 billion up not for four years as it used to be, but now with all of the filings that you have to make on impact statements, the local suits, it is up to between 10 and 11 years. So you have \$1 billion tied up for 10 or 11 years with no basis for earning. That is one very good reason.

Also uncertainties are another and all kinds of regulations from Washington. The labor-management recommendations were to encourage and allow for a greater accumulation of capital by corporations.

Of course, the bill was immediately tagged by the opposition as being just a special interest bill for big business and big industry and for capital rather than for the people which is an easy, cheap shot politically, but it isn't going to help the country.

So that bill hasn't gotten off. The real question has to be first how does government when it has set a national policy that cuts across a free market operation work with the industry in trying to work that out; in this case domestic production?

The first approach the President has was this very comprehensive legislation.

One has to ask is it that the Congress going through this evolutionary change that all of our establishment institutions have gone through is unable with such an overwhelming majority by the opposition to the Executive Branch -- in other words, the Democratic Party as distinct from the Republican Party -- is it unable to organize itself and does the committee structure of 300 different committees which the Congress has in both Houses, is it so cumbersome and does it involve so many committees when you have a comprehensive piece of legislation of this kind, does this make it impossible for the Congress to act effectively and rapidly in the national interest through jurisdictional disputes, et cetera, et cetera and within the House the Caucus which is in conflict with the committees?

Or does one come to the conclusion reluctantly or just as a suspicion even -- not a conclusion -- that there would be those in Congress in the opposition party who would just as soon have the issue or would just as soon see us run short of energy, have the President take off controls because they lapsed and not be able to work out an orderly extension and then have perhaps chaotic conditions in 1976 and maybe this would be politically advantageous?

One hesitates to even think that anyone for political purposes would be willing to see the Nation run the risks which we are running and have the people suffer in a way that they might suffer very easily were such a chaotic situation exist. But one can eliminate that possibility entirely.

But whatever the situation is, there is no action. Therefore, we are in a stalemate. The problem is getting worse and we are up to now close to \$30 billion with a 10 percent increase in foreign exchange imports. Luckily our farmers have been tremendously productive. So they are producing a major new source of foreign exchange. Other areas have been able to export. So our balance of payments is reasonable at the moment, but with consumption going up, with production going down, with the depletion allowance taken off, with the old oil still under control -- it is not under control at the moment but possibly under control -- nobody can afford to put the money into the secondary retrieval of oil because it falls under old oil.

So that we have the situation where as I say our production is declining and our consumption is increasing and nobody thinks there is a crisis.

Let's go to the areas that this corporation might serve. The best illustration is rubber reserve under Bernie Baruch in World War II which did a heck of a job. They contracted with six or seven private companies to develop synthetic rubber production and of that group I think four or five came through with processes or variations of a basic process which were successful. They sold the company, the plants and the process and we have a new industry in the United States. It was a self-liquidating operation.

This corporation, the concept of this corporation is a self-liquidating corporation to finance those risks, which private enterprise cannot or will not undertake at the present time to contribute to self-sufficiency and do it to the maximum degree possible with private capital participation and through private industry and then sell it as rapidly as possible.

Let me take three or four different areas. First,

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we have ERDA. Some people say what do you need this for if you have ERDA? ERDA's powers go to laboratory experiments relating to energy. But they do not have the funds or the authority to take those laboratory experiments and take them out onto a full commercial production. Of course, here you move from a limited expense to a much larger expense. The commercial production is essential in order to find out what the cost of energy would be.

For instance, gasification of coal is being done and so is liquefaction of coal in South Africa. It comes out between \$30 and \$40 a barrel equivalent energy. But it does produce gas. It is essential.

There are new methods that can come up that would take a little longer to go down the line which might reduce it to \$20 a barrel equivalent of oil or even down to \$11, plus the fact that there is then the possibility of In-Situ, drilling a hole down in the deep coal mine, setting off an explosion, setting it on fire; the heat does the same thing underground that is done on top and you would draw up the gas that is created by the burning of the coal underground.

There are those who feel that this will be a far cheaper method but an experiment like that would cost \$200 million to find out.

A gasification plant, surface plant is about \$1 billion. There is a need for 18 to 24 surface gasification plants, traditional, known, proven style right now for the next -- having to be built right now if we are going to meet the gas supplies and this is what the gas industry is looking for. There right away is \$18 billion to \$24 billion to produce gas the most expensive way.

Some may have to be produced. Laws change. We can get them changed so that gas can be purchased in another area, surplus gas and piped through the interstate gas system. It is complicated. But that is one area.

Coal, of course, gets tied up with the whole ecological problem. I visited out in Wyoming, Gillette, one of the most fascinating mines where they took off 23 feet of surface, then 70 feet of coal, clay underneath; they took the topsoil off first, stacked it; then took the rest off, put it behind where they are digging the hole and then end up by putting the topsoil back on, making six lakes, 6,000 acres. The only difference you will find is you will have lakes which you never had before.

The growth will be as good if not better and the only other difference is it will be 123 feet lower than it was before. But I was there. The antelope were grazing still right around where the mining operation was going on. This whole mine which produces 20,000 -- I guess 20 million tons a year, has 55 people. Everything is automated, the whole thing. It is a superb operation. In other words, it can be done. But they had to build their own railroad to get it to the main line. They are servicing midwestern cities. If you want -- let's say if as a nation we decide or it proves to be feasible -- to produce low-sulphur coal in the west and the ecological problems are worked out and this whole thing has got to be done so that we don't get our energy at the expense of our environment. I am confident we can do both together and the research can be done together.

But then you come to the problem that a lot of railroads

can only move coal cars at the rate of ten miles an hour because of the condition of the roadbeds. There is about \$11 billion of roadbed work to be done in this country.

It is also conceivable that this corporation could loan, but I don't think the railroads can borrow money. Therefore, they might buy preferred stock in a railroad to give them the funds or to invest the funds to fix up their roadbeds which could then be earned out of coal; all of this being contingent upon a conversion of eastern power plants from oil to coal.

If they do, they have got to have coal. The coal has got to be produced. It has got to be transported so that you have got to have the government in a position or somebody in a position to be the catalyst, the fallback position where private enterprise cannot or will not finance the effort to achieve this independence.

All of it then could be sold. No loans are made after; no commitments made after ten years.

Oil, we have got twice as much oil in shale as you all know in this country as the Arabs have oil in the Middle East in known reserves. The problem is to get it out. You can mine the shale. You can cook the oil out. Then you end up with what I call talcum powder which is in a much larger volume than the shale you have mined because it has been cooked and so it is not dissolved. There is very little water where the shale is. Therefore, what do you do with the stuff? You could fill a valley but if you have a heavy wind, this stuff is going to blow all over the west.

Again, you can do an experiment for \$200 million of trying to develop In-Situ production of shale oil, drill down, put off an explosion, set it on fire, draw off the gas, the gasified oil and recondense it..

The Livermore Laboratories have done some work on this with Edward Teller and they feel, although nobody else is willing yet to agree with them, that this might be produced at the rate of between the cost of \$7 and \$8 a barrel.

If it were that, this would be one of the great bonanzas that has happened to this country. It would be fantastic.

The Occidental company is the only company that I know that has done any major work in the field but they can't afford this kind of an experiment.

Many of the companies bought I think over \$1 billion in leases out in Colorado for shale, but they were going to do surface mining. None of them have gone ahead because of the uncertainties and the ecological problems. So that is another area.

Then you come down -- I have covered the coal, oil, gas; not covered it but mentioned them -- to the question of electricity through atomic.

One of the standard methods of financing, whether it is airplanes or a lot of other things in this country, is the lease purchase operation where somebody finances an airplane and the company purchases it. It is perfectly conceivable that an

atomic power plant costing \$1 billion could be financed by the government under a contract with a private company for lease purchase with a contract with the Public Service Commission that as and when it comes on line the rates will be such that this company can earn whatever is necessary to pay back.

The President in his message to the Congress in January said we need 200 atomic power plants by 1985. We now have maybe 60. The remaining ones, 70 percent were cancelled. California has the proposition next June banning all atomic power plants in California; and Oregon on Friday; they have got one of the same.

If this country bans atomic power plants and we don't move in these other fields, we are going to be totally in a situation which there are some ecologists who would like to see a no-growth society. A no-growth society means no jobs for the young people that are coming on because our whole society has been geared to increased employment based on increased productivity.

I happen to think that that is the hallmark of America. It is our strength. It is our success and that we can do the ecological side of this problem plus the development side.

You come to industry itself and energy. I don't know. There are close to 18 States that are going to be in a serious condition -- industries in 18 States -- if they don't get gas this winter. But here is how complicated this gets. If we have a cold winter, even if the interstate pipelines are allowed to be used, there is going to still be a shortage because there isn't enough gas being produced to sell.

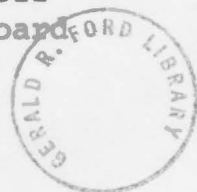
That means that industry which depends on gas and gas is a small percentage, whether it is textiles in South Carolina or glass in Pennsylvania or what not,, they all need it, but it is a small percentage of their cost.

So they would then go in and probably buy up propane because they could come in and buy propane. But propane gas is what the farmers depend on to dry their crops and to heat their homes and they are small buyers. They are not big buyers. So the next thing you would have to have would be control of propane and it is just going to take this government one by one further and further into controls and the more government gets into controls in my opinion the more they distort the economy and make it difficult for us to get back on a sound basis.

Therefore, in conclusion, it seems to me that this idea of the government acting as a catalyst to get or to help get us off dead center in becoming self-sufficient as a nation across the board in all of these fields on a self-liquidating basis, that this is essential for our national security, to our industrial growth, to employment. That is a pretty good combination of the three.

If we don't do it, in my opinion, there are elements in this country and some of them in the Congress who would like to see industry fail and not be able to meet the needs of the country and then say, fine, we told you the system was no good; that capitalism doesn't work; that private enterprise doesn't work. Therefore, we have got to take it over. Then we will move as the British moved taking over one industry after another and of course the problems that grow out of that; then they start subsidizing; then unions demand far higher wages because they say the government has unlimited capacity to pay and, therefore, you get into the

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most difficult situation and the most dangerous situation where you have neither a capitalist system nor a socialist system and you have the worst of both and nobody can make an investment because they don't know what the conditions are going to be, what the regulations are going to be, what the resources are going to be. Therefore, you have a plurality and we have higher unemployment and demand for more expenditures by the Federal Government which the President has had the courage to resist to a degree that is perfectly extraordinary and if he didn't, we would have more inflation.

This is then also I would say to you, those who study this question, that Fabian socialists like inflation because that is the quickest way to equalize capital that you can do in any country. You don't have to expropriate anything. Just people's values are gone because inflation just wipes them out and the Germans went through that and we know what happened from that.

So I would just like to say that while this has been opposed and we all know that because you all read it in the papers; because of allocation of capital it has been opposed because it says it would be a first step towards government takeover.

The President has already said we have to have an allocation of capital. He has asked private enterprise to do it. So it isn't a question of taking the capital from housing and all of these other areas that people talk about. There is plenty of money right now in the savings and loan associations. People haven't got enough confidence to invest in housing. So it isn't that.

Secondly, as far as a step towards socialism, I think it is exactly the opposite. I think it is government's showing their concern for the present system, free enterprise and capital and that they are trying to help stimulate and bridge over this period.

There is one other thing I forgot to say and then I will stop; that is, that this corporation -- it's an authority -- would have the responsibility of acting as the clearing house for all of the ecological and regulatory functions that government has at State and Federal levels, State, Federal and local levels.

So all of them would be cleared through this. They would then make recommendations to simplify these structures based on their experience. Any private operation which was investing in capital to achieve energy self-sufficiency could also use this corporation as the clearing house for all of its contacts with government.

So that they could get a system which would accelerate and maybe cut down on the time because with a loss of time due to the delays and the suits that take place. This is a very, very serious thing in terms of cost and expense.

I would also say the way the legislation is being drafted it would give the board the discretion, a five-man board the discretion so that there wouldn't be a basis for suits. In other words, you couldn't sue the corporation for a decision because all of the key decisions are left to the judgment of the board. Therefore, there aren't criteria and

therefore hopefully we can keep this from getting another -- I hope too many of you aren't lawyers because I don't want to cut down on the business -- but hopefully we can get this thing so that we can get it rolling and get action fast and decisions made the way they are done in private enterprise as distinct from the way they are done too often in government.

That I think is the summary. Any questions we can get into would develop details of the situation, but that in essence is the summary.

I should say perhaps what makes me think it will go through Congress. This is something that labor wants very badly. It is jobs through industry and not jobs through dole.

Therefore, I am pretty sure labor is going to give it very strong support. If industry at the same time feels it is desirable and worthwhile and gives it support, then I think its passage has got very great potential.

If industry is opposed to it, that will nullify labor support and probably nothing would happen. But I think it is a turning point for this country and if we don't have energy we are not going to have growing industry; if we don't have a growing industry, we are not going to have jobs and we are going to have a lot of problems. We have got them, but they will be worse.

Thank you.

Are there any questions?

QUESTION: Mr. Vice President, could you relate this program to the \$6 billion synthetic fuel program that we read about recently? Is it part of it?

THE VICE PRESIDENT: The \$6 billion synthetic fuel program is one that Senator Jackson has proposed. It hasn't passed yet. So what we did in the thinking on this was to just make a provision that they would be complimentary if that passes. In other words, of course, that is an outright expenditure. In other words, that is government putting the money in the budget expenditure. This other one is a loan or an investment or a guarantee of a loan and on a self-liquidating basis. So that is the difference. But if that one passes, fine. Whatever they do that wouldn't have to be done here.

So that they will be totally complimentary.

QUESTION: Mr. Vice President, you know there is a process of drafting in Washington whereby you can direct a piece of proposed legislation that will go to a standing committee.

THE VICE PRESIDENT: Yes, sir.

QUESTION: My question is addressed to where would the thrust of this legislation lie so that we could determine what the standing committee would be or is it a multiple reference to the standing committees?

THE VICE PRESIDENT: You are obviously very well aware with the whole committee structure and the sensitivity of this

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and of course there are the jealousies as to who gets what. So that is being analyzed very carefully by experts.

I don't personally know enough about the committees to know where this would be most effectively dealt with. It could be considered as a financial question. It could be considered as an energy question. There are two or three different ways it could go. I think the effort will be to find out where it could be most expeditiously dealt with. But if you had a suggestion, I would be very grateful.

QUESTION: Mine is a negative suggestion, Mr. Vice President. Don't make it so that it is a multiple reference.

THE VICE PRESIDENT: Absolutely; that we are all in agreement. If you want to tell me confidentially afterwards which one of the group, I would appreciate it.

Sir?

QUESTION: Mr. Vice President, you mentioned many of the traditional sources of energy but you hardly touched on solar energy. I wonder. Here is one that has few ecological problems and would it be participating in this program and how?

THE VICE PRESIDENT: Again, solar energy and thermal energy are very important parts. They are large scale producers of energy immediately, but they are very important parts of the program. Any group who has something, who wants to produce any new process or develop equipment or whatever it may be for solar energy would, if they can't get the funds themselves, be eligible for assistance in the way of a loan, a loan guarantee from this authority.

I should mention also that conservation is included in here. In other words, support for the conservation of energy if that can't get its own financing because you can save a lot of energy which would reduce the need to produce it; and that that is part of this, too. Pipelines are included in this as eligible if they can't get the financing.

Alaska could produce an awful lot more oil if they opened up more lands; five, six, seven million barrels a day. That would take four or five pipelines. So you are talking a lot of money and that has to be balanced out.

Sir:

QUESTION: Mr. Vice President, you had mentioned the government-owned, contract-type of plant such as the rubber plants in World War II. Is there any way you are going to insure that this legislation is so worded that someone of a different philosophical outlook cannot turn this energy independence agency into a Federal oil and gas corporation running the same way as TVA?

THE VICE PRESIDENT: It requires that everything be sold and that it be self-liquidating and it be done through private enterprise and with private enterprise participation. I think the private enterprise participation is one of the most important. For instance, if you build a power plant, atomic power plant under lease purchase contract with a contract with the Public Service Commission, you actually then have a contractual relationship so that the ownership, unless somebody abrogates the contract, is in the hands or will be in the hands of the

private enterprise. Nothing will be done where the government sets up some new form of TVA.

It happens that the Governor of Pennsylvania who is a declared candidate for the Presidency, Governor Schapp, has got a program he has been trying to get -- I don't know whether it has surfaced yet -- other Governors in the Eastern Seaboard to join in sponsoring which involves a TVA at the mine heads to produce electricity at the mine heads which would be owned by the government, mined and then distributed from there.

So that I think that we are on the verge. I flew to the coast Thursday night with a Senator who has introduced a bill to break up the oil business and have just producers, distributors, marketers, each one would be in a separate company. I only mention that. This is a Republican and it shows that people are looking in Congress for ways -- or political in political life -- of being responsive to the public but not, in my opinion, too clear as to what the impact would be on our system.

Sir:

QUESTION: Mr. Vice President, you indicated that this authority would be able to produce hopefully about 14 percent, I believe you said, of the energy needed?

THE VICE PRESIDENT: Capital.

QUESTION: Of the capital.

THE VICE PRESIDENT: Of the capital needed to meet the self-sufficiency.

QUESTION: Is there some way this could be helpful if private industry does not come forth with the other 86? Do you think there is any problem in that other 86 being raised during that period of time?

THE VICE PRESIDENT: Let's take a case in point. Let's say they invested \$200 million in either an In-Situ gasification of coal or In-Situ gasification of oil project and it proved to be within let's say lower cost of present imported oil prices. I don't think you would have to worry about it because the government would not continue. They would sell, either sell the process or make it available, whatever the procedure would be, whatever they did in the rubber research type of thing. I think you would find then a tremendous amount of capital. Capital goes where it can get earnings. If capital can find attractive earnings in producing energy in this country for self-sufficiency, they will invest in it. If they can't, they will invest in the McDonald Hamburger stands, not that I am against them. I am for them. (Laughter) But they are not going to solve our energy problem. We have a free capital market. They go where the returns are. The question is can the government help point the way to good returns?

QUESTION: Sir, you mentioned in connection with the nuclear power plants a contract between the Federal Government and the State Public Service Commission. I don't think you will get many States that will willingly enter into such contracts, but if you do you could do that right now without having to have the lease-back arrangement and the Federal Government build the plants.

THE VICE PRESIDENT: Great. Then we wouldn't have to put

any Federal money in.

QUESTION: I would think that would be the place to look; is the Federal Government using its influence with the State commissions to get the rates up? That will bring the capital in and you won't have to build the plants through the government.

THE VICE PRESIDENT: There is only one flaw in your argument, if you will forgive me -- at least a political flaw; and, that is, as one who only two years ago left Governorship and who saw the beginning of the pressures due to, first, ecology on using non-sulphur fuels and the increased cost in getting the non-sulphur coal, non-sulphur oil; then the embargo and then the world price increase of 500 percent. These poor public service commissioners have had to take double and triple the cost of electricity to consumers, if not more.

Their problem is right now that they have gone through so many increases -- this is true because I was very close to the commission there and when I got a new commissioner, Chairman of the Commission, who had been a strong consumer advocate, I said, "Look, in your advocacy of the protection of the consumer do you include -- this is before I offered him the job -- the protection of the consumers' need for additional power in the future? If so, do you visualize that that is going to take higher rates and more money in order to get the capital in?" He said, "I read you. I agree with you and you have no problem." I took him on.

He did a superb job. He was pilloried by the public. He was sued by my own attorney general (Laughter) It was purely political. I love him, too, and he was sued by the city. In other words, these people have been in the most difficult political situations because every consumer of electricity -- I can only speak for New York, but I suppose it is very similar in other parts -- has just gone through the most unbelievable increase in cost.

So my reason for thinking what I say is they would be so glad to see something built that will protect the needs of the community but doesn't have to raise the rates until further down the road when they may not even be on the commission. (Laughter) They would be very happy, in my opinion -- this is a political judgment -- to sign a contract for the future whereas they could not go through another major increase now particularly as the people aren't going to get the benefit for 11 years. The alternative to this is, what is happening again in New York State where we had an authority which was created to develop hydro-electric power on the St. Lawrence with Canada. Each of us has a power authority. We run it jointly.

This power authority now being the only one that could raise the money has already built one atomic power plant. It is now going into a second atomic power plant. It has built the grid to connect it and the first thing you know you are going to see this same thing happen that government is going to come in to meet the demands. I just think if you believe in private enterprise, if you believe in the capitalist system, you have to stand up and see what does it take to help that system work? You have got the very simple and right answer. If government would just get off their backs, then we wouldn't have any problem. But this is a democracy. Government is the creation of the people and it has got politicians like myself in it and they may not be always as totally objective in their views of what is needed because of these political pressures. Therefore, I think here is a possibility

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If we can do what you say, perfect. They will try. But we talked about shortcutting some of the environmental requirements. If you did that, the legislation would be killed. So we have got to live within this, but let's have a central point where we can clear all of this stuff and where you develop perhaps standard forms and so forth and to the degree we can get what you suggest, wonderful. Then no money would be needed.

Thank you.

Sir; way in the back?

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QUESTION: Mr. Vice President, I am wondering about the effect of this plan on competition within the LNG industry. For example, if one small project were to be given substantial Federal help or one Alaska pipeline, what would the effect be on other applicants who didn't get help?

THE VICE PRESIDENT: There is a very interesting thought here and that is I think -- don't hold me on this one -- but I think it will be in the legislation that no loan would be made below the rates of what a prime producer of energy can get in the open market.

In other words, the government won't come in and take a weak company -- this is not a bailout. This is not going to be for the bailing out of a defunct company. This will only be to produce energy to achieve these goals. But the rate of the loan would not be lower than what the prime rate would be for a successful company.

Most companies will not want to borrow from the government, I imagine, if they can get it from private.

Sir?

QUESTION: What provision is made, Mr. Vice President, in the event that loan is in default?

THE VICE PRESIDENT: I think the plant, the operation, whatever it is, would be completed and the property sold. They take a loss. If you are in this business of trying to produce risk or go into risk areas, you are going to have some major successes and some failures. I think that is why 25 percent of the capital or 25 percent of the \$100 billion will be equity and 75 percent loans.

I hope that they will make enough successes which they can sell at a profit to overcome the losses which would be at a loss, you know, where there would be a default. But then they have just got to sell it. This is specifically stated not to become a government operation.

Sir?

QUESTION: Mr. Vice President, please detail a little more of this clearing house concept. What authority would that have? Is it advisory primarily? Is it in the ecology field only? Or could it spread to other areas of agencies?

THE VICE PRESIDENT: Any clearances that would be a division of this authority which would specialize in government clearances, of all types, and so if there is a project which contributes towards energy self-sufficiency, financed or not financed, partially or not by the government, they would be eligible to have all of their clearances done through this division.

This could very well lead to recommendations -- I think it will be so stated in the legislation -- as to simplification of clearances. To me the most interesting case, a friend of mine who is a lawyer in New York tried to set up a corporation for the seven utility companies in New York State last year, which

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would be a financing construction company. The credits weren't strong enough to do it themselves so they wanted to set up a joint company.

He said there were, I have forgotten, 14, 17 different regulatory bodies, State and national, which were involved. He could not devise a corporation which could meet all of those, including Antitrust, and so forth and so forth. So they finally had to give it up.

If there is a central group and you get some very able people who understand the law, the ecology, production, and so forth, I think this unit could become an extremely efficient unit.

I am not sure why in many cases these things can't be standardized. Why do you have to spend a great deal of money each time you file an impact statement, starting from scratch? The impacts can't be that different. There are certain criteria that go into them. I have a feeling, I don't know, I have a feeling this could be a very interesting and useful step.

Thank you very much. I apologize for having to go, but I go to open the Senate and I am not allowed to speak there. That is why perhaps I talk so long here. I can't speak up there without unanimous consent, which I don't get very often.

I would love to follow up. If any of you have questions as time goes by on this, of course, you get the legislation shortly, but I would be delighted to see them because to me this has got to be the heart of our future strength and vitality as a nation; our ability to meet our people's needs; to provide employment; to be secure and to meet our responsibilities around the world.

I think we have got to get rolling as far as this economy is concerned if we are going to stay the leader of the free world or if the free world is going to have a leader. Let me put it that way.

Thank you very much, indeed.

END (AT 11:35 A.M. EDT)





OFFICE OF THE VICE PRESIDENT
WASHINGTON

EIA

October 13, 1975

MEMORANDUM FOR THE VICE PRESIDENT

FROM: JACK VENEMAN

[Handwritten signature/initials]

The attached letter was routed through me because Claude Hobbs is a friend and wants to help promote the Energy Independence Authority. He makes three primary suggestions:

1. The President take the initiative and make a direct, straightforward message to the people.
2. He calls for the mobilization of the chief executives of major corporations throughout the United States.
3. He suggests that a special Select Committee in the House and Senate be established to consider the EIA proposal. The Select Committee would include the Chairmen and ranking Minority members of the Committees that would have jurisdiction over various parts of the legislation.



This is a strong endorsement of EIA and it might be productive if Westinghouse could take the lead in mobilizing the business community.

Westinghouse Electric Corporation

C E Hobbs
Vice President
Government Relations



1801 K Street NW
Washington DC 20006

October 8, 1975

The Vice President
Washington, D. C.



Dear Mr. Vice President:

At the Briefing Session in the Executive Office Building October 6 you invited suggestions to facilitate enactment of legislation to create the proposed Energy Independence Authority.

Westinghouse is vitally interested in the Energy Independence Authority and wants to contribute as fully as possible to its realization.

I am convinced that a majority of the American public lacks understanding of the energy shortage we confront. During the past year or so I have heard many people, including taxi drivers and others in service jobs say there is no fuel shortage; that gasoline is readily available, and that any seeming shortages are the result of oil company conspiracy to hold back supplies and jack up prices. Householders complain about the increasing costs of heating oil and electricity, seeming blithely to think fuel and electricity should be readily available at historic low prices. They display unawareness or disbelief of the inevitable shortages to come and of the impact of OPEC.

Your reference to Democratic politicians, especially aspirants to the Presidency, demagoging this issue and confusing the public about the difficult conditions we will experience in a few years is most relevant to the national problem.

Congress can hardly be expected to take effective action in the face of such public confusion and ignorance.

Therefore, I believe there must be a loud, clear unambiguous voice of leadership to the whole American public, candidly stating the facts about energy, its price, and what must be done now to

ensure adequate supplies of it in the United States in the future. To overcome the misinformation and lack of comprehension on the part of the public I think we need a new, direct, straightforward message from the President to all the people. The message must be specific, simple, thorough, and in conclusory terms. It must be presented in a nonpartisan spirit and asserted to be nonpolitical. Obviously, these assertions will not stop the opposition's efforts to confuse the issue further and to attack oil companies and big business; but we need one clear authoritative voice telling it like it is. Frankly, I see no other way to get the national dialogue back on the track.

On Monday you indicated the difficulty of selling this proposal to Congress, and stated the need for strong business support. Business support should be mobilized by unequivocal communication to the chief executives of major and other corporations of the United States, calling on them to support this proposal, and not to indulge in divisive assertions of each company's view of self interest.

In addition to business support, I believe a new, imaginative approach to Congress will be required to save this proposal from the same fate which has ensnared other White House energy proposals.

One of the questions on Monday related to committee jurisdiction. Referral of legislative proposals to congressional committees is prescribed by the rules and precedents of the House and the Senate, and it is difficult to deviate from the routine.

While it will not be easy to achieve, I suggest that an effort be made to have this legislation referred to a Select Committee of the House especially constituted for considering this legislative proposal. This would have to be undertaken with Speaker Albert, Tip O'Neill and Phil Burton, with the concurrence of John Rhodes and Bob Michel. A similar approach would need to be made separately to the Senate--to Senators Mansfield and Scott and other key Senators. The Select Committees should probably include the chairmen and ranking minority members of the committees which would have jurisdiction over the



various portions of the legislation. In the House this would probably include the Ways and Means, Commerce, Banking and perhaps other Committees, and, in the Senate, counterpart Committees. Such an appeal to the House and Senate leadership should be undertaken privately, with a plea for nonpolitics. The effort should be to enlist congressional cooperation on the basis of "Let's unite, at least on this issue, to get this important job done, putting partisanship and politics aside."

Such careful advocacy, subordinating all self-interest on the part of the President and the Congress, ought to have a sobering effect on the minds of the voters. Articulation by the President of the critical nature of our national energy dilemma to enhance public awareness, accompanied by sponsorship of a new bold remedy would be a demonstration of effective leadership.

Sincerely yours,

Claude E. Hobbs

Claude E. Hobbs

