



a report from

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2nd congressional district of arizona

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Energy: An 'Instant Replay'

"If we accept unbridled consumer demand for energy as a fact of life, we can count on buying \$14 billion worth of Mideast oil by 1975 and some \$30 billion a year by 1980. What will these kinds of purchases do to the dollar and where will we find the American exports to pay for them?"

--Morris K. Udall, in
["The Energy Binge Is Over"](#) 1973



There is no general agreement on facts in the energy business, but there are a couple of facts that everyone ought to accept.

One is that our oil production peaked in 1971 (at 9.4 million barrels a day) and we will never produce more oil than we produced in that year. Today, despite three times as many drilling rigs working full-time, domestic oil production has dropped to 8.7

million barrels daily. We are producing less domestic oil, importing more and using too much.

The second fact is that events are now in motion which will force us to hit our peak in foreign oil imports (8 million barrels a day) this year and next.

Recognizing these hard constraints, there is no way on earth we can keep on burning more and more oil, year after year. Yet, we now have 5 percent more cars on the road than a year ago, and people want to travel more than in the past.

So, for the second time in this decade, and only six years since the Arabs threw an embargo at us in 1973, we have another shortage of oil -- an "instant replay," if you will, *despite the fact that we have increased our imported crude oil purchases by 91 percent since then!*

All of us have witnessed it to some extent lately: In Washington, I have sat in gas lines for more than an hour, waiting for a fill-up. There have been reduced operating hours for some neighborhood service stations, weekend closings, maximum or minimum purchase rules, farmers and ranchers wondering where their fuel will come from, truckers angered over the price of diesel fuel.

This time, there is no embargo. And the shortage we are experiencing today may be with us for a long time.

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In the past few weeks, my mail has been heavy with letters about this latest energy crisis, and some offer explanations of the problem using one or more of the following themes:

- * government is to blame.
- * government and the oil companies are in collusion together.
- * the energy crisis is a hoax.

I'll admit to being dismayed by this kind of mail. It seems to say that we learned nothing six years ago -- back when a lot of us made solemn promises to buy smaller cars, to become more energy conscious, to never again let a foreign oil cartel hold a gun to our heads.

One question I am frequently asked is, "Are the oil companies just taking advantage of us, or is the shortage real?" My answer is yes -- to both of the above.

It would make no sense, however, for the government to join in this sort of thing, pushing our economy to the brink, risking jobs, a serious recession and the very health of our country.

The truth is that the United States -- the world, in fact -- is using too much oil.

We have come full circle. Even I was more than a little shocked when I dug back through my files to a 1973 newsletter, titled, "[The Energy Binge Is Over.](#)" Six years ago, we were discussing almost the same situation -- a shortage was looming (it came faster than expected with the Arab oil embargo) and I did not conceal my concern. One paragraph from the 1973 report rang more true than expected:

"If we accept unbridled consumer demand for energy as a fact of life, we can count on buying \$14 billion worth of Mideast oil by 1975 and some \$30 billion a year by 1980. What will these kinds of purchases do to the dollar and where will we find the American exports, to pay for them?"

As things developed, my estimates turned out to be too conservative. Today, we're already buying *\$40 billion* worth of foreign oil, and 1980 isn't even here yet.

In the meantime, we haven't found the exports to pay for all that oil, we have *increased* our consumption and we all know what has happened to the dollar -- we are plagued with serious inflation.

* * *

If our current oil shortage is not a hoax and not the result of a conspiracy by the oil companies or by government (or both), what then is the reason?

As I mentioned earlier, too little oil is the fundamental reason, although this time around there were other factors at work.

First, our dependence on foreign oil put us at the mercy of not one or two or three countries, but a string of a dozen or more. While we hear most about Saudi Arabia and other Middle East nations, we also rely on countries like Venezuela, Nigeria and Iran for our daily shipments of oil.

Our increasingly heavy demand already has stretched this international pipeline to the limit. When one piece falls out of place, as happened in Iran, we feel the impact hard.

Second, the other oil-producing countries failed to pick up the slack left by production cutbacks in the wake of the Iranian revolution.

Third, there were some confusing signals to the oil companies from our own government, some oil company misjudgments and production cutbacks, a dangerous depletion of crude oil reserves and some shifts in production priorities at refineries.

The system, already strained and overloaded, couldn't stand the juggling. There were too many demands on too little oil. Something had to give. We have built a delicate dependence that has become our Achilles heel.

* * *

Where does all of this leave our energy future? As someone once said, "I'm afraid the future ain't what it used to be."

Nuclear power, for example, once was viewed as our energy savior. When our oil began to run out, uranium would pick up much of the slack; we had found the source of eternal -- and eternally cheap -- energy.

Today, that promise is clouded. The events at Three Mile Island have caused us to reassess nuclear power, primarily from a safety standpoint. But before these new safety questions arose, nuclear already faced other problems: one is the economics of nuclear power plant construction.

Nuclear power plants are incredibly expensive pieces of equipment requiring enormous amounts of capital. Already, some utility companies and some financial experts are wondering if nuclear is worth the price, if it really is the economical way to go.

And we still have made no progress toward solving the nuclear waste problem. No state wants nuclear waste dumped within its borders, we can't shoot it into space and recycling is a whole separate nightmare.

This doesn't mean we should rush out tomorrow and close down our existing nuclear power plants. I'm afraid we can't do that. What it does mean is that nuclear power now seems likely to play a transitional role in the 80s at least. It will provide some of our power in the years ahead, and it can give us the time we need to vigorously research

and develop alternative power sources. But it surely will never be able to replace much of our oil, as we once believed.

Expect no favors from the Organization of Petroleum Exporting Countries (OPEC). The smiling sheiks of the Mideast have already told us to expect no stabilization of oil prices until we cut consumption. Period. OPEC is now in a position to do heavy damage to our economy without resorting to an embargo. They can cause inflation, put people out of work -- simply by refusing to sell us *additional* increased supplies. (Saudi Arabia has agreed to boost production by 1 million barrels a day, but the Saudis cautioned that this boost would only be for "a specific period." This, too, may give us more breathing time, but it won't solve the problem, for our history shows that we have done pretty well at matching consumption to supply.)

From the OPEC point of view, it makes good economic sense not to increase production, but to hold it down and hold prices up. OPEC has a lucrative operation and plans to make it last as long as possible.

What of our own domestic production? As I mentioned earlier, we have three times as many drilling rigs working full-time as we had in 1971, and yet our production of oil has declined, from 9.4 million barrels a day eight years ago to about 8.7 million barrels a day, today.

And for every 20 barrels of oil we have burned, we have put 11 in reserve. It's sort of a turn on the old line about getting too much of a good thing -- except in this case, we can't get enough of a good thing. And we can't keep that up forever.

* * *

If a country is measured by how it reacts to adversity, then our energy problems seem to have triggered a secondary and perhaps more serious crisis -- a crisis of our national character. This secondary crisis finds many of us divided, cynical and suspicious. It's troubling, because it isn't like us and it runs completely counter to our past.

On Dec. 8, 1941, no one argued that some oil companies were really hiding our fleet and that it really was afloat. We knew it lay at the bottom of Pearl Harbor and we had to go to work.

One of the more remarkable stories of World War II was how Americans came to grips with a lack of raw rubber.

As the Japanese gradually gained control of the Pacific in the early days of the war, U.S. rubber imports came to a halt. The Allied war effort was seriously imperiled. A global conflict could not be waged without the vital raw material.

But there was no casting about for blame. The government created a crash program to find a synthetic rubber formula, and in a matter of months, we had one. Our tire companies went to work at top speed.

That technological breakthrough was an important turning point. Without it, the duration and even the outcome of the war might have been different.

American history is heavy with accomplishments that are marvels of the 20th Century: the invention of the airplane, the telephone and the development of electricity; the first transatlantic flight; the eradication of polio; the first man to orbit the earth.

When President Kennedy vowed to put an American on the moon before the end of the 60s, Americans cheered, got to work, and we did the job. We even marveled a bit at our own ability to make the impossible possible.

But three Presidents -- Nixon, Ford and Carter -- have tried to move us toward solving our energy problems, and none has succeeded.

Our energy crisis is complex, but our history tells us that we have the resolve, as a people, to fight back.

* * *

There are two ways to get the attention of OPEC -- and to show them we mean business:

- * one is for each of us, today and now, to begin to conserve as much as we can.
- * the other is for the United States to begin a real, no-nonsense effort to produce alternative sources of power.

Watch for Congress to enact new legislation this year and next dealing with the first point -- conservation. It's not clear at this writing what form the final program will take, but surely there will be new incentives and perhaps even tax credits for homeowners and business to encourage a wide range of energy-saving measures.

Congress has already addressed the second point, and can be expected to add to the drive for synthetic fuels:

* The House has approved, by a lopsided 368-25 vote, a multibillion dollar package to encourage the manufacture of synthetic fuels to replace imported oil. (The technology already exists. Germany, for example, powered its war machine on synthetic fuel toward the end of World War II.)

This legislation extends the Defense Production Act of 1950, originally enacted at the height of the Korean War, and includes presidential authority over energy and grants the president wide powers to deal with the energy crisis.

Specifically, the bill gives loan guarantees of \$38 million or direct loans of up to \$48 million for any synthetic fuels project, without congressional approval.

Basically, the money can be used to manufacture oil and gas from coal, oil from shale or waste products and other domestic products, including peat.

But none of our efforts are any good unless we can move fast:

* I have introduced the Priority Energy Project Act in this session of Congress. This bill is sometimes referred to as "fast-track legislation," because it establishes deadlines to approve or disapprove major energy proposals.

The time taken for agency decision-making seems to grow with the size of the projects. These delays cause great uncertainty, which can be a businessman's greatest enemy. Better that permission is speedily refused, so capital may be invested in a more promising venture.

The Priority Energy Project Act should give us decisions within a year, and if an agency has not ruled by then, the President must. Up to six projects a year, those with real promise of developing alternative power sources, will be designated "priority" energy projects, and in this way, the most important will be handled quickly.

All of these steps can be an important beginning -- and a signal to OPEC that one country doesn't plan to wait to be overtaken by events, or to knuckle under to a Mideast oil cartel.

There *are* alternatives, aside from those already mentioned. And we have the technology to make them work for us. They include:

- * **Solar.** Solar technology is still in its infancy, but there have been promising breakthroughs like photovoltaic cells -- which convert sunlight directly to electricity. The cost is still high, but advances are being made. Large-scale application of solar power is being examined, and Southern California Edison Co. is to begin building a solar power plant later this year. Eventually, the plant is to generate enough power for several thousand homes.
- * **Biomass.** This movement has a slogan -- if it grows, burn it. Biomass deals with the development of energy by using everything from garbage to plants for fuel. The most popular, of course, is wood. But in Hempstead, N.Y., a multimillion dollar power plant will consume 2,000 tons of waste a day and generate 40 Mw, enough electricity for 15 percent of the city's 860,000 residents.
- * **Geothermal.** Existing in volcanoes, geysers and hot springs, geothermal provides much of the power for the entire nation of Iceland. Union Oil Co. already has a geothermal power station on line in California, and it generates enough electricity for 500,000 homes.
- * **Hydroelectric.** In our era of cheap oil, much of America's hydroelectric plants, which once provided a third of our power, were abandoned. This is a proven and efficient source of power that now is coming back into fashion.
- * **Others.** There are other possibilities -- wind power, ocean current power and tidal power (the latter two still in the experimental stage.) But we should take a look at all of them.

* * *

None of these ideas are borrowed from "Star Wars." They are real and with us today -- some new and some old, some merely in need of resurrection and others in need of further research and refined technology.

I think we are beginning to take steps down the right road -- not just to meet our immediate problem, but to insure that it doesn't happen again. It will take time, and work and money, but this time, we need a solution and not just a quick fix.

Europe met the problem of expensive energy decades ago. The continent adjusted to it, and thrived. We can do the same.

I believe we can beat our energy crisis. I don't like being pushed around by OPEC. Given our country's history of meeting past challenges, I don't see why we have to put up with it.

Let's get to work.



We're Moving

The 2nd Congressional District Office for Southern Arizona, located in Tucson, will move during the month of August.

Our address will change from 301 W. Congress Street to 300 N. Main Avenue. Office hours (9 a.m. to 6 p.m., Monday through Friday) will remain the same, as will our telephone numbers, 792-6404 and 792-6405.

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