FROM: Fred Halpern



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# Mobil news release



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## MOBIL PRESIDENT ATTACKS FORD FOUNDATION ENERGY PROJECT REPORT AND OFFERS ALTERNATE STRATEGY FOR FUTURE

WASHINGTON, D.C., SEPT. 12 -- The forthcoming final report of the Ford Foundation's Energy Policy Project was sharply attacked today "as a conspiracy of delay" by one of the project's advisory board members, William P. Tavoulareas, president of Mobil Oil Corporation.

Speaking at the National Press Club here, Mr. Tavoulareas directed his comments primarily at the preliminary report of the $4 million Energy Policy Project but indicated that he had read a draft of the final report which he termed "equally biased and dangerous."

Dissociating himself from the recommendations of the project, which was initiated by the Ford Foundation in May, 1972, Mr. Tavoulareas said the report would encourage a prolonged public debate on how best to develop additional energy supplies while at the same time arbitrarily limiting consumption. His approach would be to start immediately to develop additional supplies while continuing debate on what level of consumption is acceptable to the American people.

If we take the course recommended by the report, he said, "our alternatives are gone. We will have no additional supplies and therefore be forced to limit consumption. If we take my approach, Americans will be able to choose between using available supplies or limiting their consumption," he added.

"This is why I feel the report is a complex conspiracy of delay to compel us all to enter a world of scarcity from which there may be no return," he said.

Mr. Tavoulareas objected strongly to the report's recommendations favoring "zero energy growth" -- or actually "negative growth" from the mid-Eighties on. "And this, the report claims, will be possible without causing stagnation in economic activity or significant changes in our life styles. I disagree. Our society runs on energy, and a reduction of the magnitude called for in the report cannot help but have an immense impact on all our lives," he added.

Mr. Tavoulareas enumerated some of the changes in American's life styles that could result from adoption of the Energy Project's recommendations. These include, extensive substitution of bicycles and walking for automobiles; permanent acceptance of cooler indoor temperatures in winter and warmer indoor temperatures in summer; vacationing exclusively close to home; living primarily in multi-family housing, and perhaps moving to one of the 20 new communities of 55,000 people each, which the report recommends establishing every year.

While agreeing that the nation may be ready to make these sacrifices when required to do so, Mr. Tavoulareas denied that the need for such sacrifices had yet been established.

The oil executive offered an alternative strategy which he maintained could lead to the creation of energy surpluses. He urged that America "continue the national dialogue with respect to the desirable level of consumption" and declared that "we must

make every effort to squeeze waste energy usage out of the system." But, he added, "to postpone resource development until after the demand situation has been worked out involves too great a risk... We should go forward immediately with the orderly development of supplies."

Mr. Tavoulareas declared that contrary to the Ford Foundation Energy Project report's recommendations, government controls which unnecessarily interfere with the development of additional energy supplies should be eliminated. "And the timetable on environmental objectives should be carefully reviewed in relation to energy needs...and...we must encourage energy research now so that the problems we have experienced in the Seventies will not again become problems in the Eighties and Nineties," he added.

If we start now, he said, this strategy would help keep prices down, preserve environmental objectives and will result in greater economic activity.

Contrasting his approach with the Energy Policy Project's recommendations, Mr. Tavoulareas asked, "Which course carries the greater risk? If the assumptions behind the Energy Policy Project's low-growth cases are wrong, the result will be energy scarcity, high energy prices, unemployment, and other economic and social dislocations. If the assumptions supporting the case for increased supplies are wrong, we will have energy surplus and low prices.

"Which would you choose?" he concluded.

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Offered in 4/3/74 OP-ED on Energy Policy

ELIMINARY REPORT
OULAREAS
ORPORATION

**Mobil**

April 5, 1974

You may have received a copy of the recently released preliminary report of the Ford Foundation Energy Policy Project. In view of the economic implications of the report and your interest in a healthy American economy, we would like to call your particular attention to the dissenting opinion of the report by William P. Tavoulareas, president of Mobil, who served on the Advisory Board to the project.

H. J. Schmidt

Herman J. Schmidt
Vice Chairman

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Recognizing the uncertainties that always exist in attempts to understand the future, especially in a subject that reaches into so many aspects of society, the Project has constructed three alternative energy consumption case studies (scenarios). It is important to understand the implications of the rather complex data which formed the basis for the three scenarios. Although the report avoids making specific recommendations, it is clear that there is little enthusiasm for the "historical growth" scenario. The scenario involving lower levels of growth is called the "technical fix." The report makes the point that the technical fix scenario "still provides a quality of life... that, to our minds, at least, differs little from the historical growth scenario." It is virtually impossible for the reader to reach a judgment as to whether or not this is true, based on information given in the report. It is therefore important to see what is meant by the "historical growth" scenario, in relation to present living conditions in the United States, and then to see how "technical fix" involves further changes.

# THE ENERGY POLICY PROJECT PRELIMINARY REPORT
## COMMENTS BY W. P. TAVOULAREAS
## PRESIDENT, MOBIL OIL CORPORATION

The Energy Policy Project was established by the Ford Foundation in May, 1972, with the purpose expressed at that time as that of "shedding light on the total energy problem... to help prepare an informed and reasoned base for a national energy policy."

The preliminary report cannot be expected to provide the full answer which a final report hopefully would. It may therefore appear to be unfair to comment on this report, recognizing that much work remains to be done. We agree with the other members of the Advisory Board that detailed comments should await the final report. However, the interim report deals with many important issues that are being sharply debated before the public at the present time. Many of these issues involve the oil industry. The alternatives examined by the report make express or implied judgments with respect to the oil industry that will necessarily receive a good deal of public attention. Indeed, the major impact of the Project on the oil industry may occur before a final report is issued. Since I am the only member of the Advisory Board from an operating oil company, it seemed not only desirable but necessary for me to make some comments at this time, despite my reluctance to prejudge the final results of the study some months hence.

It seems to me that the clear implication of the report is that we should delay the development of additional energy supplies on the assumption that they will not be needed because we can reduce our use of energy. The alternative is, of course, to accelerate the development of supplies while we examine the various possibilities for reducing consumption to see whether such reductions are consistent with the way of life we want and with expectations for improving the way of life of many poorer members of our society.

Recognizing the uncertainties that always exist in attempts to understand the future, especially in a subject that reaches into so many aspects of society, the Project has constructed three alternative energy consumption case studies (scenarios). It is important to understand the implications of the rather complex data which formed the basis for the three scenarios. Although the report avoids making specific recommendations, it is clear that there is little enthusiasm for the "historical growth" scenario. The scenario involving lower levels of growth is called the "technical fix." The report makes the point that the technical fix scenario "still provides a quality of life... that, to our minds, at least, differs little from the historical growth scenario." It is virtually impossible for the reader to reach a judgment as to whether or not this is true, based on information given in the report. It is therefore important to see what is meant by the "historical growth" scenario, in relation to present living conditions in the United States, and then to see how "technical fix" involves further changes.

"Historical growth" is described simply as continuation of the rate of growth that prevailed in the period 1950 through 1972 -- 3.4% per year. Elsewhere in the report it is acknowledged that energy consumption has in fact accelerated in the last half of the period just mentioned. Unfortunately, the only history from which consumption in the 1980's can be judged is the pattern which has been more recently established in the latter half of the 60's and thus far in the 70's. Indeed, forecasts of energy consumption which were prepared by others before the current crisis generally reflected higher consumption levels. As the report indicates, the current consumption growth rates are running a full percentage point higher than in the 50's and early 60's. While such a difference sounds small, the continuation of the current trends through 1985 would produce a very much higher consumption level than contemplated in the "historical growth" scenario. The differences are significant.

If we look at the year 1985, we see that the "historical growth" scenario has a 5.4 quadrillion BTU's lower level of residential and commercial energy consumption than results from extending current trends. This is equivalent to the current space heating requirements of the 25 million households in the states of the East Coast, together with that of their related shopping and business areas. In industrial and raw materials usage, the variance by which the historical growth case falls below current trends is equivalent to the combined usage of the paper, printing, and furniture industries, which together employ more than 2 million workers. In transportation, the difference is equivalent to more than the fuel requirements of 10 million vehicles. Thus, the so-called historical growth scenario is in no sense a reflection of current trends, but in fact involves a sharp reduction from recent historical growth.

Further reductions associated with the technical fix scenario are also of a very major nature. These reductions amount to a further 19 quadrillion BTU's. To give some perspective to the size of that number, it should be noted that if the reduction in U.S. imports resulting from the oil embargo is taken at about 2 million barrels per day, that reduction is equivalent to 4.2 quadrillion BTU's. Consequently, the technical fix scenario reduces demand by the amount we have just discussed for the "historical growth" scenario, plus a further amount equivalent to more than four Arab embargoes. (Quite apart from the lifestyle implications of the substantial reductions in both scenarios, the report also implies that energy not used in one sector can be readily applied to another. In the relatively short period of time we are dealing with, this assumption is, at best, questionable.) It is therefore little wonder that the report notes that consumer education alone may not be sufficient to reduce consumption levels to the point contemplated in the technical fix scenario, that is, direct governmental controls would be required.

The report is not explicit in terms of all of the governmental controls that would be necessary to achieve such a major reduction in consumption, but some are implied. A few examples are the following:

- Utility rates should not be based upon the cost of service but instead should increase according to the size of the customer's requirements. The idea, of course, is to "discourage" industry from using energy (on the apparent assumption that the cost of the energy in industrial products is not passed on to consumers).

- Taxes are mentioned at various points as a means of reducing usage of energy below the level determined by the forces of the marketplace.

- There is reference to "performance standards," which apparently means that a customer should not be permitted to purchase an energy-consuming appliance if the government feels it does not meet "performance standards."

- There is reference to the possiblility of "encouraging" multi-family housing rather than single-family housing.

- The use of automobiles and airplanes would be "discouraged."

Implicit in the report is the assumption that we will deal with the problems of the poor in a way that will not increase their energy consumption. Because of the wide disparity in standard of living in the United States, bringing the lower one-third of the population up to the average will require very large additional consumption of energy in the form of energy-using appliances and products. The only alternative method for improving standards of living for this sector is through some sort of redistribution among the population. Indeed, such a redistribution may be implied in the report. If automobiles, airplanes, and single-family housing are to be restricted by the government, we will ultimately be allocating these "luxuries" across the population on some basis that is not made clear.

Even beyond the suggestion for a multiplicity of controls, the report also stresses alternatives which require detailed government planning. While there is a legitimate role for government in many aspects of our social and economic system, we must question whether making the government the operator of a commerical activity will produce an efficient result. The experience of the last few months with price controls and various allocation schemes points up the weakness of such a government role. We continue to believe that the marketplace under a freely competitive system is the most efficient means of allocating resources. A businessman with a profit motive has the incentive to reduce costs. The oil industry has a record it need not be ashamed of in providing energy at low cost. For example, in the period 1967-1973 the price of gasoline increased less than 19%, while all consumer prices increased more than 33%. Thus, in terms of buying power of the 1967 dollar, the price of gasoline actually declined. It was only when the government regulations -- much of it well intentioned -- began to impact on the industry that it had difficulty in making available the necessary supplies.

No one today would seriously suggest a return to laissez-faire. Indeed, the oil industry was already subject to a network of controls, even before the current crisis. But during the last several years, increased controls have progressively worsened the energy supply situation.

- In 1959 the mandatory import program was installed; modifications up through 1972 progressively discouraged the growth of U.S. refining capacity.

- The pipeline from the North Slope of Alaska was treated as a political football for more than five years while the industry marked time waiting for approval. (There are still hundreds of permits to be issued on the line.) This delay has also brought exploration in Alaska to a virtual standstill.

- The virtual government moratorium on federal offshore leasing from 1969 through 1972 sharply reduced the amount of acreage available for exploration in the United States.

- The suspension of operations on the leases in the Santa Barbara channel prevented exploration of leases that had already been purchased, and prevented the full development of discoveries already made. Some of the known reserves in that area are still not on production.

- The regulation of natural gas at a price lower than its heating value created enormous demand for the use of this fuel, while at the same time reducing the incentive to search for new gas supplies.

- The telescoping of the timetable for achieving low automotive emission levels effectively required the manufacture of automobiles with low efficiency, rather than permitting the orderly development of technology which would retain efficiency and meet the emission requirements at the same time.

Without these governmental restrictions there would have been no U.S. supply shortage in 1974.

There are also points of factual distortion in the report, two of which are the following:

- The reference to "windfall" profits of the oil industry is made without a corresponding recognition that these profits are only 2¢ per gallon or less and therefore are a minor component of increasing energy costs.

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- The report is particularly unsound where it deals with the foreign tax credit. (Repeating inaccurate statements made by others does not make them true!) In point of fact, the tax credit does not permit the American companies operating abroad to pay any less income tax to the United States than they would if they had no foreign operations. Thus, the nub of the controversy on the tax credit comes down to the question as to whether U.S. companies should operate abroad, not whether they enjoy a reduction of their U.S. taxes by reason of such operations. We continue to believe that the U.S. has benefited from the foreign operations of the U.S. oil industry through enormous dividend remittances and through the import of the oil itself. To argue that these operations should lose foreign tax credit means in effect that they will be lost to foreign competitors; this is, in our mind, a curious position at the very time when the United States needs to import large amounts of foreign crude oil.

- The report implies that the foreign tax credit created an incentive for the oil companies to explore overseas rather than in the United States. The actual reason for foreign exploration overseas is very simple: First, the oil potential overseas was very great -- since World War II, oil industry foreign discoveries amounted to more than 10 times total U.S. reserves. Secondly, there was at the same time limited acreage available for exploration in the United States, as we have already indicated above. Finally, if a company were to choose between the foreign area and the U.S. <u>solely</u> on the basis of the amount of taxes paid in a given exploration venture, the clear choice would have to favor the U.S., since total taxes paid on a foreign operation would be equal or greater in every case.

There is considerable emphasis in the report on public participation in decisions to locate new energy facilities. We would like to suggest an additional element of public participation. The public should have the right to judge -- through the mechanism of the marketplace -- whether additional energy supplies are desirable or not. This judgment, of course, should be based upon the full cost (including environmental costs) of the additional supplies; and those costs should not be arbitrarily reduced so as to create a fictitious appearance of a cheap product. We believe strongly that the U.S. is suffering from an energy supply problem. We agree that waste of energy should be eliminated; but even when wastage is taken out of the system, the average consumer in this growing economy will continue to need more energy tomorrow than he does today.

The energy resources of the earth are virtually unlimited if one includes geothermal, nuclear, solar, wind and tidal energy, etc. As for oil, the potential there is also still very large. For example, we have not really begun to explore the continental margins. In just one such area, the North Sea, it is evident that Norway and the United Kingdom -- both substantial importers of energy -- will become self-sufficient within a few years. The same possibility exists for a number of other nations, with obvious implications for the world oil supply. Decisions to limit our future use of energy must therefore involve considerations other than ultimate supply.

We firmly believe the safest course for the U.S. will be to encourage the development of additional energy supplies while continuing the national dialogue with respect to the desirable level of consumption -- whether it be "historical growth" or otherwise. In all likelihood, the correct answer will not be as simple as any of the scenarios suggested; a mixed strategy will most likely be called for. We would like to suggest some elements of such a strategy.

- First, we should have the objective to eliminate government controls which interfere with the development of additional supplies.

- Secondly, we should go forward with the orderly development of supplies, even to the point of creating an energy surplus again. If it appears desirable, the entire development scheme can later be modified at any stage in its implementation. We should recognize that all the decisions will not be taken at one time. Coal mines will be opened one at a time. Oil wells offshore will be drilled one at a time. Refineries will be built one at a time.

- Thirdly, the timetable on environmental objectives should be carefully reviewed in relation to the energy needs. Here we particularly emphasize we are referring to the timetable and not to the objectives themselves. We continue to believe that the advance of technology and the development of clean energy sources will permit us to realize our environmental objectives. We only ask that the two programs be viewed as part of a single problem, allowing for the tradeoffs between them.

- Fourthly, we must encourage energy research so that the problems that we have experienced in the 70's will not again become problems in the 80's and 90's. Energy resources are abundant; and if we have the technology to utilize them in an optimal fashion, we need have no concern for future energy growth.

- Finally, we must deal with the social costs of higher-priced energy. The appearance of higher energy costs in the economy will create dislocations. The extent of these dislocations is at present unclear. However, to the extent that there is an adverse impact on the lower income segments of the economy, we must deal with that problem and not turn our backs on it. To deal directly with it (e.g., by subsidy), rather than through a general distortion of price levels in the economy, will in the end be the most effective and least expensive solution. Arbitrary controls which delay the development of additional supplies only aggravate the problem of the poor.

This solution to the energy problem would involve less controls than the report implies; would involve a return to a surplus of energy as a means of keeping prices down; would involve reasonable preservation of our environmental objectives; and would involve explicit attention to the problems of the poor.

In summary:

- The "historical growth" scenario reduces energy growth substantially below current levels; the technical fix scenario involves further very drastic reductions. The statement that the technical fix scenario involves no significant change in lifestlye is a conclusion, not a factual statement; it is not based upon detailed examination of the energy consumption changes which would be required.

- While no one denies the need for government planning and intervention in business affairs, the pervasive regulatory framework implicit in the report would involve government even more deeply than today in areas where it has been a notable failure: in directing the search for new energy supplies at reasonable cost to the consumer.

There are essentially two alternatives in dealing with the energy problem. The first would delay the development of new supplies on the assumption that energy usage can easily be reduced enough to bring supply and demand into balance. This is the case which the report implicitly adopts. The second alternative, not covered in the report, would increase supplies, eliminate waste usage, and examine all implications of further energy reductions which may have an impact on lifestyles. We should ask ourselves which course carries the greater risk. If the assumptions behind the low growth cases are wrong, the result will be energy scarcity, high energy prices, unemployment, and other economic and social dislocations. On the other hand, if the assumptions supporting the case for increased supplies are wrong, we will have energy surplus and low prices. It seems clear to us that this latter risk is the more tolerable one.

March 12, 1974

Background

When the Energy Policy Project was first organized in 1972, I was assured that the purpose of the Project was to achieve a balanced view of the future of energy supply and demand through the use of research by numerous consultants, augmented by that of the Project staff, in order to provide information to facilitate a discussion of this vital area of national concern.

I was attracted to the concept of a study which would draw on all sides of opinion and expertise to bring together a balanced treatment of this very complicated topic. It was primarily for this reason that I accepted a position on the Advisory Board. It was made clear to all of us on the Board that the Director was responsible for the content of the report, and that the Board's function was only one of advice. Nevertheless, I accepted the position on the Board upon assurance from the Foundation that my own point of view could be made available at the same time as the report was issued.

By the fall of 1972 it became apparent that the great majority of the consultants retained by the Project had already taken well-known positions with respect to controversial aspects of the energy problem and that these positions were not evenly distributed with regard to these controversial aspects but were extremely biased to one side. In fact one of the first consulting grants was for the purpose of assessing energy decision-making in the U.S. government. This grant was made to an organization which had just sued the U.S. government to prevent the continued leasing of offshore acreage in the Gulf of Mexico. The fact that many of the consultants had already adopted positions on the subject was of particular importance in light of the fact that many of the individual consulting grants were not

funded to a degree which would permit any amount of meaningful original research; therefore the best that could be expected in many cases would be a search of the existing literature on the subject or a reassembly of previously completed research. (I do not by any means want to say that every grant should be characterized in this fashion, and indeed some have done a good deal of creditable research.)

While I expected and fully accepted that the Advisory Board should represent a wide range of opinion, I did expect and, in fact, was assured by the Foundation that the Director was approaching the subject with an open mind. I was therefore shocked to learn of a major policy speech which the Director made on January 25, 1973, in which he stated in a public forum the broad outline of the program which is now embodied in the final report of the Project. These conclusions were expressed before a single one of the consultants had given the Project the benefit of their advice, and without any advice from the Advisory Board. (Indeed, the Advisory Board was not even informed of the pendency of the speech.)

Despite my consistent comments to the Project and the Foundation that the results were largely preordained by the Director's public statements and by the sources of the advice being received, efforts to obtain research in areas affecting the other side of these controversial issues were almost totally absent. In those few cases where such advice was received, it has been largely ignored. It is therefore no surprise that a lack of balance is evident in the final report. The basic thesis of the Project becomes: "The search for energy and the use of energy is bad while energy conservation is good." On this base all else rests. There has been no effort to deal with the advantages of energy use in the same social and economic areas where the disadvantages arising from the search for and use of energy - both real and imaginary - are so meticulously catalogued.

earlier in 1974) have produced almost no change in the direction of the final report. Although longer than the earlier report, its views are basically the same. I had hoped for a better result. We are thus left at the end of two years with a result that was predictable almost from the beginning, and in which the only significant added ingredient is the expenditure of time and over $4 million.

Specific Comments

At the last meeting of the Advisory Board, the Board decided to impose restrictions on the length of separate comments by Board members, even though the Ford Foundation has assured me that I would retain my right for comment and dissent. It was never mentioned or even hinted that this right could in effect be frustrated by unreasonably curtailing the length of the space I would be allowed. The Chairman of the Advisory Board has kindly undertaken to relax this restriction somewhat; but it still remains a particular burden to me. Over three-fourths of the energy in the United States is being supplied by oil and gas; and it is therefore no surprise that the bulk of the report deals directly or indirectly with the oil and gas industry. Since I am the only oil company executive on the Advisory Board, it is incumbent on me to attempt to answer at least the most important distortions in the report. In the space available to me there is no way that I can deal even with the most important of these distortions. Indeed, a serious consideration of Chapter IX would involve the entire space available to me, and yet there are other points which also require treatment. I must therefore comment briefly at the risk that points will not be fully developed, and at the further risk that some may falsely assume that I have agreed with statements which are omitted merely by reason of space limitations.

[illegible] should be adopted to remove the oil industry's disproportionate political strength. Campaign financing reform is, if anything, a larger subject than energy policy. This conclusion of the Project is a perfect example not only of the imbalance of the report but of the superficiality of its treatment of the most complex subjects. Finally, on a personal note, I should say that if the oil industry has disproportionate political strength today, one might well conclude, in the face of the punitive anti-oil legislation now pending in Congress, that the disproportion is on the low rather than the high side.

- Building codes would be updated to make energy conservation a priority objective. This assumption, which is very briefly stated, ignores the well-known difficulties in coordinating even relatively [illegible] the building codes administered by over 8,000

support its objective of slowing down the development of additional energy resources; but when it comes to the report's prime objective of a drastic curtailment in energy use, public participation is ignored. A governmental imposed change in life styles is the solution offered.

- Revamp the railroad tariff regulations to provide for flexible rate making. Anyone familiar with the labyrinth of railroad tariffs cannot be sanguine that this subject can be attacked with dispatch.

- Policy could include specific subsidies to the poor. This recommendation provides a good example of the way in which the really difficult problems are dealt with in the report. Because of the great uncertainty that the consumer will use less energy even if he is paying the full cost of it (including social costs), the report recommends that a gradually increasing energy tax be enacted. Naturally this tax would be regressive. The regressivity problem is deftly solved by the simple assumption that income could be redistributed through subsidy programs for the poor. Considering our lack of success in dealing with welfare programs and such problems in this country involving more than energy use, it is startling that the authors of the report would consciously recommend increasing the financial burdens of the poor, and then assume that these added burdens could be readily alleviated.

- Establishing new communities of 55,000 population at the rate of 20 per year. These 200 new communities per decade involve enormous commitments for new infrastructure (and energy use), none of which is costed out in the study. Jobs and services have to be relocated if the new cities are to be viable economic entities. Considering

one of several involving mandatory technological change. We have had painful experience with the efforts of Congress to set technological standards for automobiles which go beyond what can be accomplished with existing technology. But even assuming that there will be new technological developments, the efficiency standards will in essence mandate the size, weight, and relative safety of the automobile. Again, the image is one of regimentation rather than free choice. More importantly, it will deny a person the choice of a larger, more comfortable and safer automobile, which might even be driven fewer miles (because of the cost), rather than the model which was mandated by law.

- Create a federal "yardstick" corporation as a benchmark for costs and

This recommendation is made without an understanding of the need fo U.S. corporations to be competitive abroad. If a discriminatory ac tion taken by the U.S. government against its own corporations op- erating abroad causes them to lose their competitive posture, versu the corporations of other consuming nations, the result will not be additional revenue for the U.S. Treasury. Instead it will constitu a gift of these foreign businesses to competitors in the various foreign countries. These competitors are willing and able to pick u any portion of the foreign oil business which the U.S. is preparing to relinquish.

The Final Report Characterized

There are basically four key assumptions which underlie the report recommendations that the United States adopt a policy of low energy growth -- and ultimately no energy growth. These assumptions are:

1. It will be technically, economically and socially feasible to reduce energy consumption drastically and quickly to a level (that is, approximately zero growth) consumption pattern.

2. It will be possible to set up a sophisticated workable government control mechanism to direct public consumption and living patterns in a way consistent with the national policy and to redistribute wealth so as to overcome inequities to the poor created by the economic distortions caused by the policy.

3. Increased energy supplies will always be "expensive" (in a total sense) and environmentally unsatisfactory; the use of more energy will yield no advantages which will offset those disadvantages.

4. Our experience with the private sector is such that we must as a policy matter replace the use of market mechanisms by explicit, highly tuned government controls.

The report places great emphasis on the need for public participation in policy decisions. Yet, if the recommendations of the report are followed, the decisions in which the public could participate are sharply hemmed in. The report expresses great fear that the public would not make a "right" decision with respect to energy use if the supplies were available at a cost the consumer was prepared to pay. As a consequence, the report really involves a complex plan of delay in the development of new supplies. Each decision to force reduced consumption is to be taken early and without public debate. Each decision to develop additional supplies is to receive the most careful consideration, with every level of the public to be afforded the opportunity of a veto. While masquerading under the banner of public participation, the report, in essence, advocates just the reverse since it carefully manipulates the result and then asks for a public rubber stamp of approval. In short, the report does not contribute to a debate of all aspects of the issues. Instead, it is an unabashed primer for regimentation.

The report justifies a number of its sweeping assumptions by asserting that no real change in life style is involved. But is this really so? Is it really not a change of life style if we require the American public to

permanent accommodation to cooler indoor temperatures in winter and warmer temperatures in summer? Is it really not a change to require multifamily housing even where a preference exists today for single family housing? Will the American public really agree that if they are forced to take vacations near home, this is not a change of life style?

The report does acknowledge that its goals will be unattainable without a certain degree of government control. Thus certain government measures are suggested in the achievement of these goals. Again, it is assumed that the suggested government action can and will be taken readily and without public resistance.

Yet, there is no way to guarantee that energy conservation would rank quite so high in the public view of national priorities, unless national policy -- or the lack of it -- artificially limits available supplies. Moreover, the enactment of that part of the recommended legislation which falls within state and local governmental jurisdiction would be most difficult to achieve.

Throughout the report, the low/zero growth scenarios are based on energy scarcity and high energy prices. The recommended supply policies are designed to keep energy scarce and therefore expensive. Yet, the report admits (on the basis of its own consultants' studies) that the physical energy resources of all types are adequate to support much higher growth rates. Indeed, it accepts the need ultimately, to develop these resources, since even a zero-growth case requires considerable energy consumption. It is at this point that the report most grievously fails in its obligation to inform the public. Having roundly criticized every energy source which is available to us in quantity today, while at the same time admitting the need for energy production, the report then

steers clear of any indication of priority among sources in terms of the total impact on the environment and the economic system.

The reader of the report is left with the uncomfortable feeling that he must have energy. But all the Energy Policy Project can tell him is that all of the sources are bad, and he can nowhere find any guidance as to which alternative he should at least temporarily select among those available.

Since I believe many energy sources including oil can be developed with acceptable risk to the environment, I would actively pursue the development of a variety of sources so as to meet the needs of continued economic growth and less dependency on foreign sources. (See Viable Alternative below.)

A Viable Alternative

In contrast to strategy in the report, I would not want to be so sanguine that all of the assumptions in the report will develop into reality. Let me at the outset agree that we should continue the national dialogue with respect to the desirable level of consumption. Let me also agree that we must make every effort to squeeze waste energy usage out of the system. But to postpone resource development until after the demand situation has been worked out involves too great a risk. I would like to suggest some elements of a viable alternative strategy.

- First, we should have the objective to eliminate government controls which unnecessarily interfere with the development of additional supplies.

- Secondly, we should go forward with the orderly development of

supplies, even to the point of creating an energy surplus again. If it appears desirable the entire development scheme can later be modified at any stage in its implementation. We should recognize that all the decisions will not be taken at one time. Coal mines will be opened one at a time. Oil wells offshore will be drilled one at a time. Refineries will be built one at a time.

- Thirdly, the timetable on environmental objectives should be carefully reviewed in relation to the energy needs. Here I particularly emphasize I am referring to the timetable and not to the objectives themselves. I continue to believe that the advance of technology and the development of clean energy sources will permit us to realize our environmental objectives. I ask only that the two programs be viewed as part of a single problem allowing for the trade-offs between them.

- Fourthly, we must encourage energy research so that the problems that we have experienced in the 1970's will not again become problems in the 1980's and 1990's. Energy resources are abundant; and if we have the technology to utilize them in an optimal fashion, we need have no concern for future energy growth.

- Finally, we must deal with the social costs of higher-priced energy. The appearance of higher energy costs in the economy will create dislocations. The extent of these dislocations is at present unclear. However, arbitrary controls which delay the development of additional supplies only aggravate the problems of the poor.

This solution to the energy problem would involve less controls than the report implies; would involve a return to a surplus of energy as a

means of keeping prices down; would involve reasonable preservation of our environmental objectives; and would involve explicit attention to the problems of the poor.

The issue of public participation in decision-making is one which we have mentioned a number of times in these comments. If we are to have an honest and consistent presentation to the public, we must recognize that the decisions we are facing are not easy, nor will we find unanimity in reaching them. It is entirely possible that we will have to take the very difficult decision to sacrifice the comfort and esthetic sensitivities (but not the health) of the few for the advantages to be gained by the many. To me this is the essence of the democratic process as it is practiced in the United States. Not everyone can have a veto; otherwise public policy could never go forward.

Again, as I stated in my remarks on the preliminary report, there are essentially two alternatives in dealing with the energy problem. The first would delay the development of new supplies on the assumption that energy usage can easily be reduced enough to bring supply and demand into balance. This is the case which the report implicitly adopts. The second alternative, not covered in the report, would increase supplies, eliminate waste usage, and examine all implications of further energy reductions which may have an impact on life styles. We should ask ourselves which course carries the greater risk. If the assumptions behind the low growth cases are wrong the result will be energy scarcity, high energy prices, unemployment, and other economic and social dislocations. On the other hand, if the assumptions supporting the case for increased supplies are wrong we will have energy surplus and low prices. It seems clear to me that this latter risk is the more tolerable one.