

Schlesinger Strategy On Energy

Bludgeon Opposition Into 'Compromise'

In what was widely misreported in the U.S. press as a "conciliatory" speech to the oil industry, Energy Secretary James Schlesinger told 3,000 executives at the American Petroleum Institute's (API) annual conference in Houston Nov. 15 that their opposition to the Carter Administration's energy program was "paranoid" and full of "myths" — including the belief that "all the folks up in Washington have it in for the industry."

ENERGY

His National Energy Plan, Schlesinger insisted, would provide a "golden age" for the oil and gas industries, but widespread skepticism and hostility in the audience were evidenced by numerous walkouts during the speech. John Swearingen of Standard Oil (Indiana), incoming chairman of API, correctly characterized the speech as presenting "nothing new" in its rehash of familiar warnings about the danger of relying on imported oil, and its insistence that "all conservation and no production" charges against the program were untrue. Schlesinger's basic message to the oilmen: take the best "depression deal" you can get; otherwise, expect a full-scale assault from the federal bureaucracy.

Despite the bitter hatred for Schlesinger, however, his "carrot and stick" strategy so far appears successful: all signs in Washington now point to the emergence of a compromise between the House and Senate versions of the Administration bill sometime during December. One clear signal of the developing deal was the Republican Party's official nationally televised reply to President Carter's previous speech to the nation on energy. Republicans Robert Packwood and John Anderson "attacked" the Administration program as "too weak," failing to achieve *both* sufficient production and conservation. "We are willing to sacrifice," Packwood advertised, and Anderson, although focusing on the economic dislocations for workers and farmers caused by the Administration plan, is making no secret of his willingness to strike a bargain. Another top Republican Senator privately confirmed to *NSIPS* that the package outlined by Anderson's office was likely to pass both Houses.

A second important indicator was a White House meeting early last week attended by President Carter, Schlesinger, and Democratic Representatives Ashley, Ullman, and Staggers, all three key House members of the House-Senate conference committee trying to reconcile the conflicting versions of the bill. Carter told the Congressmen, who urged him to compromise with the

Senate on the key issues of the crude oil tax and natural gas pricing, that he was no longer "locked in" to support of the House bill, essentially the original Administration program. Administration officials and Congressional staff members are now collaborating to draft "options" for a compromise.

In addition, Democratic liberals in the House, for months the most vocal opposition to a compromise on the grounds that it would inevitably result in an "oil and gas ripoff," are starting to admit openly that their outcries are merely part of the horsetrading. The admission by Rep. Edward Markey's office that some of those loudly protesting an increase in natural gas prices over the proposed \$1.75 per unit ceiling in the Administration proposal are privately willing to see the price rise to \$2.00 per unit should be seen in that light.

Finally, there is the mood of the U.S. energy industry itself, which is apparently resigned to a "high prices—high taxes" deal which, despite the deletion of some of the worst features of the original bill, will accelerate the destruction of the American economy. The appended remarks by participants at a recent energy seminar at Southern Methodist University in Dallas, Texas show both the broad sense of outrage at the Schlesinger program, and the psychological weaknesses, particularly the belief that "private enterprise" measures like deregulation of oil prices represent a cure-all, that Schlesinger has used to manipulate the opposition away from a comprehensive plan to massively expand oil-gas-coal-nuclear energy production, the kind of plan which could rapidly make the U.S. a major energy exporter.

EXCLUSIVE

Energy Debate: A Sample

The following remarks are taken from an account of an energy seminar held at Southern Methodist University published in the Dallas Morning News Nov. 6. The panelists included:

Harrison Schmitt, *Republican Senator from New Mexico, former astronaut, and one of the most forthright defenders of nuclear power production in the Congress.*

E.O. Vetter, *former undersecretary of Commerce*
William P. Clements, *former deputy secretary of Defense under Gerald Ford, who announced last week he would seek the Republican Party nomination to campaign for Governor of Texas.*

Frank N. Ikard, *president of the American Petroleum Institute, a major spokesman for the U.S. oil industry.*

Robert Strauss, *the Carter Administration's special*

trade negotiator and unofficially the man in charge of putting together a Congressional compromise on the battered national energy bill authored by James Schlesinger.

Clements: The administration bill as presented is inadequate and will not solve the problem. It's a bureaucratic approach with more government always the answer. Conservation must be stressed. But conservation in itself is certainly no answer to the problem. Industry is the real answer... We are not using resources under the President's plan as presented by the Administration. And until we take that great resource that is represented by our industrial base and give that industrial base the momentum it needs and the incentive that it needs, and the kind of encouragement from the government that it needs, we're not going to solve that problem. And so far, it's almost as though if you know anything about the problem, you can't have anything to do with it.

Ikard: In my view the nation does have ample reserves of petroleum — much of it still waiting to be found and developed. And I believe that if we are to reduce our dependence on imported oil — a goal that nearly everyone perceives as being in the national interest — we need to develop policies that will help energy companies find that oil and natural gas and get it to consumers... If we spend the money and effort on exploration and development of proven reserves and economically recoverable resources, we can reasonably expect to maintain U.S. oil and natural gas production at current levels for about 46

Anderson: "Trying To Work Out The Best Package"

Following a televised speech on Nov. 15 in which he condemned the Carter Administration's energy package as not being "production oriented," an aide to Rep. John Anderson (R-Ill.) made the following remarks:

Q: *Is Congressman Anderson actively opposing the energy legislation now being hammered out in conference?*

A: He wants to see a package but he is trying to work out the best package....

Q: *What would he like it to look like?*

A: His views are much closer to the Senate program. He would accept some rebates but only if there are plow-backs into the oil industry. Consumer interests should be protected by some kind of excess profits tax. He'll accept taxes — well-head, users, etc. — if the tax revenues go into a trust fund to be used for mass transit, road construction, and funds for coal conversion.

Q: *Will he fight to include expanded nuclear energy in the legislation?*

S: Although he believes in nuclear energy, he sees it as a long-term solution, and he doesn't think an energy program dominated by nuclear energy is feasible in terms of cost and environmental impact.

House Liberals Threaten Veto—Sort of

Sixty-seven congressmen, mostly liberal Democrats, recently sent a letter to President Carter saying that if the finished energy package amounts to "a bonanza for the oil and gas industry, they won't be voting for it." They insisted that the price of natural gas be held at the limit set by the House; that utility rates be consumer-oriented; and that plowbacks for the oil companies, via the well-head tax, be held to a minimum. The following interview took place with an aide to Rep. Edward Markey (D-Mass.) who organized the letter:

Q: *When the signees of the letter say they won't vote for it if it doesn't meet their conditions, does that mean there is no room for compromise?*

A: Not at all. A decision will be made in conjunction with the whole package. When we talk about the natural gas price, for example, we stress that we won't accept any significantly higher price. Some of the letter's cosigners might go as high as \$4.00 a unit, but we won't accept decontrol.

years... The oil companies will need to generate some \$20 billion a year, on average, over the next decade to find and tap those resources. I would observe in a general way that the present structure of price controls doesn't improve the investment climate at all.

Strauss: This nation is very slowly coming out of a recession that started in 1973 with the shock of the OPEC embargo and the subsequent rise in prices increases... In my opinion this Congress is going to pass a good energy bill. This President... is going to sign this bill. This President has shown courage... to take the political scars that others have failed to over the years. And as Bob Strauss, I'm going to be with him, ride or walk.

Schmitt: There's no question in my mind, with my experience in research and development, technology, that in the long term we can achieve not only full realization of alternative sources of energy for this country — solar energy, fusion energy, the use of hydrogen as a portable fuel — but we can again become an exporter of energy. Our principal means of buying time for the next two decades will come from the use of coal and nuclear fission power.

Vetter: We must recognize that oil and gas are the bridging resources... All experts agree that we will exhaust them domestically and overseas long before other energy supply sources run out. However oil and gas are most readily usable in our present economic system; thus our domestic supply must be maximized early in the remainder of this century. Words like ripoff, windfall, narrow special interests have been coupled with anyone whose point of view differs with that of the Administration. Tragically, a fortress mentality has developed within the executive branch toward any changes to the plan — as if it were delivered from Mt. Sinai and chiseled in stone, the Gospel according to St. James — Schlesinger that is.

U.S. Press Differs On Administration Energy Policy

Dallas Times Herald, *editorial, "Retreat from Reality,"* Nov. 8:

"...The United States already lags in development of new nuclear technology and the President's refusal to approve continued research is an unwise attempt to cordon off a broad area of knowledge which could be of vital importance to the United States in the years ahead.

"We urge the House and the Senate to override the veto sending the President a signal that this nation is not ready for a no growth policy nor prepared to accept the pessimism about future energy supplies that dominates the thinking of Mr. Carter and his energy aides."

Wall Street Journal, *"A Cosmetic Veto,"* Nov. 15:

"We have supported a strong policy to curb nuclear proliferation, and additionally think the Clinch River Breeder Reactor is the biggest economic turkey since the SST. So we were happy to see President Carter veto the breeder authorization bill. But we are disturbed that he left so many people with the mistaken impression that the veto stops the project. This only adds to our worry that his much-touted antiproliferation policy is merely cosmetic."

Baltimore Sun, *"U.S. Policy Delays Hurt Nuclear Sales Abroad,"* by Henry Trehwitt, Nov. 12:

"Developing countries are turning increasingly to non-American equipment for nuclear power production while the Carter administration and Congress debate the conditions of American sales.

"Iran has committed more than \$11 billion of a \$30 billion nuclear program to other suppliers without waiting for an American decision.

"Industry sources expressed fear this week that Spain, which so far has bought American for the most part, will turn to Germany for its next important purchase."

Chicago Sun-Times, *"Freeway Fallout? Odds Assessed,"* by Bruce Ingersoll Nov. 14:

"They (drivers who ship nuclear waste-ed.) haul everything from faintly contaminated clothing to deadly plutonium, but the few drivers who would talk seem almost blithe about their jobs or given to gallows humor. Said one off-duty driver in a Sheffield bar, 'I'm still living, ain't I?'" Within 25 miles of Interstate 80, ten nuclear power reactors are generating electricity and 14 more are under construction or planned."

Newsday, *"Scientists See Atomic Reactor Deaths,"* by Stuart Diamond, Nov. 17:

"A group of scientists critical of nuclear power (the Union of Concerned Scientists) released a two-year study this morning concluding that the United States should expect 15,000 deaths from atomic reactor accidents by the end of the century if 500 reactors are built..."

Shah's Nuclear Offer Heats U.S. Energy Fight

In Washington, D.C. this week, the Shah of Iran put the Carter Administration's conservation antinuclear policy to the sword by demanding a transfer of nuclear technology and reactors from the United States in trade for an Iranian commitment not to push for higher oil prices at the upcoming meeting of OPEC. The Shah correctly predicted that unless the Carter Administration changes its policy "your present civilization is going to die," both as a result of inadequate energy growth at home and from curtailment of U.S. engagement in international trade.

Responding immediately to this pressure from the Shah, who billed himself as "a spokesman for the international community," the U.S. State Department today announced that it was recommending approval of a nuclear fuel export license to allow U.S. uranium to be shipped to Brazil. Also announced Nov. 17 by the Administration was progress toward a long-stalemated joint U.S.-Canadian export agreement that would result in ending the embargo of Canadian uranium supplies to the EEC and Japan.

The major remaining hitch in significant progress toward U.S. nuclear technology exports are the conditions relating to nuclear 'nonproliferation' which the Administration is apparently still demanding. The

Brazilians have already stated that they would reject any such condition, which involved U.S. control over actual nuclear processing in the receptor countries. The Shah has likewise made it clear that Iran will go elsewhere for its nuclear imports if the U.S. insists on imposing an antinuclear program on Iran.

Senator Hits White House Sabotage Of Iran Deal

Republican Senator James A. McClure of Idaho issued the following statement on Nov. 12:

The Carter Administration antinuclear policy is directly responsible for the United States' loss of a \$5 billion contract to build four nuclear plants in Iran... President Carter's attacks on the breeder reactor and spent fuel reprocessing have been correctly interpreted by foreign governments, and as a result those governments will go elsewhere to purchase nuclear technologies...

The President's strong stand against nuclear develop-