

## Energy Insider by William Engdahl

### An alternative to the strategic reserve

*A cost-effective way to cut through the current impasse on the oil stockpile idea—with a different kind of reserve.*

I have a serious proposal to transform the present debate over the future of a white elephant known as the Strategic Petroleum Reserve (SPR). It is worth the attention of the administration and members of Congress. Certain New York and London banks and their friends at certain major oil companies, however, may be unhappy.

The unfortunate 1975 bill, Energy Policy and Conservation Act, the brainchild of Sen. Scoop Jackson during the Ford administration, mandated creation of a government-owned stockpile of petroleum of 1 billion barrels. This would be approximately a 90-day supply, theoretically to see our nation through any possible Middle East supply disruption.

Domestic oil and gas producers rightly argued that a further guaranteed purchase of world oil of that scale would only help OPEC, London, and New York banks, and hurt domestic energy production. The storage sites, in Texas and Louisiana salt domes, had leakage and pumping problems. In short, the spectacle of the U.S. government buying crude on world markets in sizable amounts strikes many domestic producers as a foot in the door for British-style nationalization of the oil industry.

Right now, the Reagan administration is in a quandary between the national-security argument and pressures to save an immediate \$3 billion of tax money, as the Senate

has recommended, by scrapping the program and having industry privately fill the stocks.

The SPR is currently dumping a sizable 300-400,00 barrels (about 10 percent of current imports) every day into salt caverns in Louisiana, maintaining upward pressures on oil prices by, in effect, burying it. The major oil multinationals, especially the BP-Shell group, whose "C-stream" grade crude oil from Libya, Nigeria, and the North Sea has comprised nearly all the SPR purchases so far, hope to keep the stockpiling up, along with prices.

Here is one alternative proposal suggested by Dr. George Hazelrigg, director of Systems Engineering at ECON Inc. in Princeton, N.J.: take the same approximate \$50 billion of tax revenues needed to buy 1 billion barrels of oil, and use it to create what we can call a Strategic Nuclear Reserve (SNR). Instead of spending tax dollars to keep oil prices and inflation artificially high, invest in a government-funded effort to build fifty 1,000 megawatt nuclear power plants. Further, let's concentrate them in the Northeast and regions where oil-fired power generation is creating the nation's greatest supply vulnerability. Now, anticipating howls from the well-financed antinuclear hysterics we, of course, will not make the nuclear plants operational—we will only use them as a backup in event of crisis in our expensive oil-fired plants. But should we,

Lord forbid, ever have to then use our SNR we would not have a 90-day backup. No, we would have a 30-year backup (average nuclear plant life), equivalent to 1.5 to 1.7 million barrels of oil/day, or 30 percent of our present imports.

Of course, the fact that spending \$50 billion over a 10-year period will use about \$10 billion per annum of tax dollars, funneled to our ailing steel industry, construction, and skilled labor markets, further helps take people off unemployment and into the mainstream of the economy—the true opposite of Keynesian economics. And, if we figure a "multiplier" of spinoff jobs into the economy of such a construction boom, aside from the fact that it may save the single most valuable industry—our nuclear industry—Hazelrigg calculates real costs to taxpayers over the decade would only be about \$10 to 15 billion net of tax revenues generated by the program itself.

Certainly, you may say, this would require us to stockpile an emergency uranium reserve to fuel our SNR should we ever have to use it in an emergency.

Well, this too is not all to the bad. Such a demand could easily be purchased from domestic uranium companies who are presently being bankrupted and taken over by foreign-based conglomerates. It could help save our domestic uranium industry. And, if some clever person in the administration seriously thought about tax incentives, and reversion of ownership after a certain point, someone might even demand we turn on these 50 nuclear plants and begin using our new 30-year Strategic Nuclear Reserve today. I, for one, would hardly protest.