Energy Insider by William Engdahl

Aspen's projects scrapped

The high-cost, low-efficiency synfuel boondoggles in the West are now blatantly uneconomical.

On May 2 Exxon announced abruptly that it was canceling its share of the Colony Oil Shale Project near Parachute, Colorado. Tosco, Exxon's 40 percent partner, was forced to follow suit, killing the $5.5 billion project, which originally also included Robert O. Anderson's Atlantic Richfield Company. It would have been the largest commercial oil-shale project in the nation, producing 47,000 barrels of oil per day.

The Colony Project was considered the most secure of the synfuels projects because it was backed by the financial resources of Exxon, which said it did not even need any of the $20 billion in federal loan guarantees available for the projects. WyCoal Gas, a $2.7 billion coal gasification project in Wyoming, and SRC II in West Virginia, a $1.6 billion coal liquefaction venture among Gulf, Japan, and West Germany, had already been canceled. Occidental Petroleum has indefinitely postponed its $3 billion Cathedral Bluff shale oil project in Colorado. And the list will grow.

Ironically, what is falling victim to high-interest rates, lower crude oil prices, a relative supply glut, and soaring long-term construction costs, is the entire high-cost energy strategy of Exxon, Anderson, and their friends at Chase Manhattan. That strategy (see *EIR*, Feb. 16, 1982) was to lock the entire U.S. economy into astronomically priced synthetic liquid fuels, natural gas from Robert O. Anderson's Beaufort Sea, and coal slurried by pipeline over thousands of miles, wasting vast amounts of water.

Twenty-four months ago Exxon was publicly predicting a 30-year trillion-dollar investment in a domestic synthetic fuel industry. Robert O. Anderson's personal energy aide from Anderson's Aspen Institute, John Sawhill, left his job at Carter's Energy Department to head the newly created U.S. Synthetic Fuels Corporation, immediately voting himself and his cronies from Wall Street the highest salaries in the history of government and reveling in the prospect of commanding potentially $88 billion for synfuel subsidies.

Today, Sawhill, kicked out by Mr. Reagan, is nibbling sour grapes: "I really expected this would happen. The economics just aren't there." Sawhill is now pushing for an accelerated fill-up of the U.S. Strategic Petroleum Reserve (SPR), a move beneficial to old friends like Robert O. Anderson, because it helps soak up the world oil glut at taxpayers' expense and sinks it into salt domes somewhere in Louisiana. (Sawhill does not explain that, even assuming the oil can be recovered, it diverts billions of dollars which should be funneled into some form of strategic *nuclear* energy reserve. Right now the SPR is funneling millions to the terrorist regime of Ayatollah Khomeini.)

A second component of the high-cost energy strategy is falling apart as well. The Alaska Natural Gas Transportation System, or ANGTS, an Arco-Exxon-British Petroleum project which, at last estimate, will cost more than $43 billion to complete, sought to lock more than 60 percent of U.S. gas customers into natural-gas prices estimated 1,000 percent higher than present. The project's backers are reported to be postponing the project "indefinitely," a euphemism for killing it.

The heavily backed political porkbarrel had gained a congressional waiver package through some "capital-intensive" Capitol Hill lobbying by John MacMillian, Robert Strauss, Walter Mondale and the firm of Democratic National Chairman Charles T. Manatt. They gained unprecedented permission for a pipeline company and gas producers to jointly hold equity in ANGTS, which would otherwise have been a gross violaton of antitrust laws. But at present interest costs, even Chase Manhattan is forced to walk away from this legalized swindle.

While it is fortunate for the country that this boondoggle is collapsing, the danger is that Americans will insufficiently appreciate the lesson. The administration and Congress must redirect the resources originally assigned to these destructive areas into a fundamental buildup of the nation's nuclear power grid. A new report circulating in the Department of Energy estimates that national electricity supply sufficiency "could be at risk in much of the country as early as 1990," warning of "long-term economic losses through a weakened energy infrastructure" and drastically increased oil imports.