

# The President's impossible program

The energy program for the United States, as President Carter and his administration have formulated it over the past four months, is a grab bag of proposals ranging from antitechnology, high-priced production boondoggles to plans for synthetic fuel production emulating the Nazi war economy.

The basic assumptions of the Carter program are as follows:

1. The single stated purpose of Carter's energy strategy to the year 2,000 is to decrease the dependence of the United States on oil imports from member nations of the Organization of Petroleum Exporting Countries.

2. This independence from OPEC will be achieved without regard to the costs to the economy in terms of cost of energy, cost of capital investment to build alternate energy sources, or cost of unreliability of decentralized energy systems.

3. Nuclear energy is basically unsafe and advanced nuclear technologies, such as the fast breeder reactor, are not necessary since, under the Carter program, light water reactor-produced energy will undergo only a minimal growth rate.

4. Instead of investing capital to produce energy, capital will be spent to save energy at whatever cost.

5. The growth rate for primary energy and electricity until the turn of the century will be approximately half the rate of growth seen in the U.S. since World War II.

The cost to Americans of this program alone will be \$150 billion.

## Conservation

On July 15 and 16, President Carter proposed to the nation not an energy program, but an *import reduction program* to reduce U.S. consumption of OPEC oil. On April 5, the President had outlined these programs in his energy message on conservation and solar energy. At that time, he proposed that immediate conservation steps be taken including congressional approval of mandatory conservation measures to impose limits on thermostats for heat and air conditioning, "saving" between 195-390,000 barrels of oil per day, voluntary state plans to reduce gasoline consumption which could be federally enforced; mandatory weekend closings of gasoline stations, saving 120-270,000 barrels per day; and the curtailment of oil-produced electric power to

be replaced by coal-produced electricity brought in through voluntary or federally forced wheeling of power, saving 100-200,000 barrels per day.

Later in his July 16 message, the President announced the allocation of about **\$2 billion** to subsidize conservation in homes and commercial buildings to save approximately a half million barrels of oil per day. The total direct cost of this conservation, however, is **over \$11 billion**. This includes \$1.14 billion lost in federal taxes through the \$300 tax credit to families spending \$2,000 for home conservation investment, and approximately \$8 billion that the 4 million projects families would spend on this equipment.

This \$11 billion cost does not include the wasted energy that will go into producing insulation, storm windows, etc., which must be subtracted from the investable surplus of the economy. This cost, which is supposed to save a half million barrels of oil per day, also does not include the millions of dollars utilities are supposed to lend to customers to insulate and convert from both oil and electric to natural gas heating.

For \$11 billion, it is projected that over a decade about 1.8 billion barrels of oil will be "saved." For that same cost, over 10 gigawatts of nuclear-generated electrical power could be installed.

## Conversion to coal

After the 1973 oil embargo, the then Federal Energy Administration issued orders for the voluntary conversion from oil and gas to coal for 105 existing electrical power plants. *Not one* utility voluntarily converted to coal because of the combined physical impossibility and economic consequences of such a program. In 1977, the orders were made mandatory and a series of still continuing court cases were initiated by utilities and industrial users who estimate the cost of production would increase close to 2 percent if the conversion orders were followed.

The second part of the National Energy Plan submitted by Energy Secretary Schlesinger and the Department of Energy in April of this year, set targets of reducing oil imports by 300,000-450,000 barrels per day by 1985, in the most ambitious conversion program put forward by the administration. The President, in his July 16 energy speech, upped the conversion ante to save 750,000 barrels per day by 1990.

It is known by the utilities and the National Coal

Association that most oil-burning utilities in the Northeast could not possibly stockpile millions of tons of coal at their urban plants. The boilers themselves would have to be torn down and rebuilt, according to the American Boiler Manufacturers Association; and investment in pollution control devices would drain **hundreds of millions of dollars** out of utility investment funds.

The Edison Electric Institute estimated in 1977 that the cost of conversion of existing plants and the guidelines for future coal-burning plants would add **\$50 billion** to the construction and operating costs of the utilities, making the entire program "financially disastrous." Furthermore, the diversion of these funds from the building of larger and technically more efficient new plants represents an absolute tax on the electrical industry and consumers.

Since all experts agree that the utilities cannot financially or physically comply with this 50 per cent reduction in the use of oil by 1985, 1990, or at any time, the only *real* effect of this policy will be to *shut down* approximately half of the existing oil burning capacity or force the electrical utilities to burn synthetic liquid fuels which will *double* the cost of delivered electric power to their customers.

### New supply initiatives

The hallmark of the Carter program for the past two years has been to pour federal research and development tax money down the sinkhole of developing "new" energy supplies, all of which at least *double* the cost of present energy supplies. The fast breeder has been put on ice; the Energy Department put in a fiscal year 1979 budget request that did not include the high temperature gas cooled reactor; the thermonuclear fusion budget is not keeping up with inflation; and the coal MHD (magnetohydrodynamic) program is under the threat of shutdown.

Instead, the administration proposes what New York Senator Moynihan accurately called a "crash program for 19th century technology," including coal synthetics, solar-biomass energy (including gasohol), and marginal fossil fuel reserves (shale oil, Devonian shale for gas, etc.). In the National Energy Plan, part II, submitted in late April, the perspective was laid out of having these "backstop" technologies ready to be commercially deployed in the 1990s if the price of

## The cost of Carter's energy programs

### A. Import reduction program-1980-1990

Program	\$ billion
1. Energy Security Corporation	88.0
2. Oil Shale Tax Credit	1.0
3. Unconventional Gas Tax Credit	1.0
4. Utility Use Reduction	5.0
5. Conservation	2.0
6. Transportation Efficiency	16.5
7. Low-Income Assistance	24.0
8. Solar Bank and Tax Credits	<u>3.5</u>
	141.0
9. Additional Conservation Programs	<u>1.2</u>
April 5	<b>142.2</b>
Average cost per year	\$14.2 billion

### B. FY80 budget allocation in nonproductive energy technology expenditures

1. Solar energy	.845
2. Conservation	.963
3. Coal synthetics	<u>.291</u>
	<b>2.099</b>

### C. Grand Total—Expenditures for FY80 (A + B)

\$16.299 billion

imported oil made them competitive. In Carter's July 16 program, cost became no consideration.

The President is now proposing the formation of an Energy Security Corporation, funded to the tune of **\$88 billion**, which would produce 2.5 million barrels per day of oil equivalent by 1990. This money is supposed to come from the windfall profits tax on the oil companies after a phased decontrol of oil prices by 1981. In addition to financing the **\$88 billion** energy supply program, the taxes looted from the higher prices paid by U.S. tax payers and industry are supposed to pay for the added **\$2 billion** conservation program, the **\$24 billion** over 10 years to low-income families, the **\$5 billion** to utilities for coal conversion, the **\$1 billion** oil shale tax credit, the **\$1 billion** for unconventional natural gas development, the **\$16.5 billion** for mass transportation, and the **\$3.5 billion** for the solar bank proposed by the President in his April 5 energy speech.

This adds up to a **\$144 billion** tax on the standard of living of every U.S. citizen which will go into income subsidies and supply development subsidies to produce energy that most people will not be able to afford. All this by 1990.

Since the enactment of the first National Energy

Act last year, liquid fuel from biomass, or gasohol, has enjoyed a 4 cent per gallon federal tax exemption. On April 5, the President recommended that the exemption be extended beyond the Oct. 1, 1984 cut-off in the act. On July 16, he proposed that this exemption be permanent and that tax money be used to subsidize gasohol production to the tune of \$16.80 per barrel. The optimistic production estimates for gasohol, set as the national goal, is 120,000 barrels by 1990. This will cost the taxpayer about **\$200 million**.

Though virtually no one takes the stated goal of producing 20 percent of U.S. energy consumption from solar as a serious proposal, the DOE FY80 budget request to Congress plans on spending over **\$800 million** in R&D money and tax credits and loans for passive solar heating, research into direct electricity conversion from the sun, industrial process heat from solar, and various other possibilities. None will or can be implemented without massive subsidies to residential consumers and other end users.

The President also proposes to replace about 2.5 billion barrels of oil per day with various "backstop" technologies by 1990. This includes: about 400,000 barrels per day from oil shale, using a **\$1 billion** tax credit; 500,000 from unconventional gas with another **\$1 billion** tax credit; 100,000 from biomass, and 1.5 million from coal liquids and gas. This coal synthetics program would require mining at least an additional *150 million tons* of coal each year. This synthetics program would soak up most of the \$88 billion in the Energy Security Corporation, between now and 1990.

Leaving aside for a moment the physical effects such as a program would have on labor productivity and plant and equipment, just consider what we would be getting for *our* money.

Schlesinger's second National Energy Plan estimates that the replacement of 1 million barrels per day oil equivalent with synthetics entails building 20 synthetics conversion plants at a cost of about **\$32 billion**. The fuel that will be produced will sell for at least **\$40 a barrel** of oil equivalent. This means that the price of energy "independence" which is supposed to lower our oil bill and the cost of energy throughout the economy will double as "domestic" synthetic oil is substituted for the oil being sold to the U.S. by OPEC.

The Schlesinger plan, written three months ago, concludes, therefore, that coal synthetics should be brought on line in the 1990's only as the world price of oil makes them competitive. Carter has since decided that regardless of the cost to the economy, the 1990 goal of 1.5 million barrels per day will be met.

## How the alternate

The following report of a computer-generated analysis of alternative energy scenarios for the United States is drawn from a larger body of work in preparation under the direction of 1980 presidential candidate Lyndon H. LaRouche, Jr., a contributing editor of *Executive Intelligence Review*. Reproduced below are the graphic analyses of two energy scenarios: first, a crash commitment to synthetic fuels production as proposed by the Carter administration, and second, a crash commitment to nuclear power at the rate sufficient to generate an additional 7 percent of capacity per year.

As the graphs indicate, the *EIR*'s Riemannian economic model, as programmed by the journal's economics staff, shows that the proposed synthetic fuels scenario would produce a form of economic breakdown by late in the 1980's, while the commitment to nuclear energy production would produce an economic growth rate exceeding—after 10 years—any previous postwar growth rate.

The data employed for the comparison are detailed exhaustively in the following section. In brief, the Riemannian model was programmed according to these specifications:

For each scenario, the capital costs of construction of new energy-producing facilities were added to the basic capital costs of the economy. The change in the price of energy produced was added or deducted from this incremental capital cost.

The cost of the two scenarios was then compared, and the difference—a massive difference in the case of the synthetic fuels production plan—was treated as a nonproductive expenditure in the final modeling.

In addition, for the synthetic fuels scenario, the productivity ratio was held constant through the entire period of the projection. In the case of the nuclear scenario, productivity was held constant for the first three years, and then increased by 5 percent per year for the remaining years of the projection. The basis for the different treatment of productivity under the two scenarios was a linear correlation of the change in energy prices with the annual change in productivity in manufacturing industries for the U.S. economy during the postwar period. There is a precise correlation between lower energy prices, measured in kilowatt-hours per dollar, and the rise in manufacturing productivity, measured in output per manhour, over the period examined, within any five-year period.