

HARRISON SCHMITT  
NEW MEXICO

## United States Senate

WASHINGTON, D.C. 20510

May 16, 1977

Mr. Eliot Porter  
Route 4, Box 33  
Santa Fe, New Mexico 87501

Dear Eliot:

Thank you for letting me know your reaction to President Carter's energy policy and national efforts to deal with this most important issue.

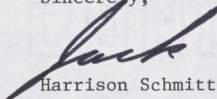
The Administration's proposal should be commended for its emphasis on long-term shifting from oil and gas, immediate conservation, decreasing dependence on foreign energy supplies, and development of renewable energy sources such as solar power.

There are several features of the President's program which I believe are wrong, however, and which the majority of New Mexicans will find less than acceptable. The program calls for massive amounts of money to end up in the federal treasury in Washington. The result is not more energy so that our economy can grow to provide jobs for the millions of unemployed, but increased inflation and a reduction in the opportunity of the disadvantaged to help themselves. I object to several aspects of the Administration's policy, including proposed taxes on gasoline and large cars and the forced conversion to the burning of coal, which falls heaviest on those of us in the West. Finally, and most importantly, I object to the new, and in large part, unnecessary intrusion of the federal government into our private lives.

You may be interested in the attached statement to the Senate expressing my detailed views on several aspects of the energy program as outlined by President Carter.

Your comments on this timely issue are most helpful as the Congress continues to study the future of our energy needs.

Sincerely,

  
Harrison Schmitt

HS:lp  
Enclosure





# Congressional Record

PROCEEDINGS AND DEBATES OF THE 95<sup>th</sup> CONGRESS, FIRST SESSION

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## THE NATIONAL ENERGY PLAN

Mr. SCHMITT. Mr. President, today I wish to discuss further the nature of our national energy challenge and in particular some aspects of the President's program as proposed to us late in April.

Most Americans feel better, I believe, making positive efforts to meet national challenges, whatever they may be. Personally, I also feel much better in so doing. The national energy challenge is no exception.

In addition to Senate Joint Resolution 45, the National Energy Policy Act proposal, which I introduced some weeks ago, I will try to continue to offer positive suggestions as this debate on national energy policy continues.

I will also join my fellow Republicans and others in offering a comprehensive view of the needs of our energy future that will in some ways contrast with the President's proposals.

I realize that there is strong general approval for many aspects of the President's proposals that we have heard of to date with respect to the energy question. However, I feel obligated, as a geologist and as a Senator from the energy State of New Mexico, to offer constructive criticisms of the President's proposals.

Mr. President, the national energy plan sent to us by President Carter on April 29 of this year is extremely disturbing. In analyzing this plan, several inescapable conclusions must be drawn: First, it is a plan of increasing regulation and taxation and of the loss of personal freedom hurting those most who can least afford it.

Second, it is a plan that is negative about American ability to solve problems through personal initiative and national growth.

Third, it is a plan whose underlying assumptions of resources and economic factors are in part erroneous and very dangerous.

Fourth, it is a plan which will increase inflation, reduce productivity and real wages, and increase unemployment.

It would be a disservice to Mr. Carter for us to fail to recognize the moral leadership he has shown; to fail to give sincere credit to the effectiveness of his presentations to the American people about the reality and crisis proportions of our energy challenge. He has succeeded where many of us have failed. The Senate must take advantage of the opportunity he has provided in creating this environment for action.

But that action must be positive action. It must be deliberate in substance and in swiftness. Most of all, the foundation upon which we stand to act must be real and secure. That foundation must not be, as the President's plan appears to be, as wishful as "the Emperor's new clothes."

First of all, there has been the assumption that our oil and gas resources are very low. In fact, the evidence available to date, to most people in the profession from which I came, is that the resource base is at least two times, if not three times, higher than estimated by Mr. Schlesinger in his testimony of a few days ago.

It is also assumed that new oil and gas production can be defined by geometric measurements, in particular that it only exists 2.5 miles from the nearest existing well or 1,000 feet below existing well depths. Mr. President, as a geologist, I can assure the Senate that oil and gas occurs as a consequence of much more complex factors than this. New gas or new oil may occur a few feet from previously discovered gas or oil.

The administration's plan assumes that the regulatory environment presently envisioned to exist for the next decade will allow coal production to increase from 600 million to 1 billion tons annually. This is inconsistent with the general pattern of influence of Federal regulations on production in the mining industry during the last decade or so.

The administration plan assumes very high uranium resources relative to those that experts in the field would themselves optimistically forecast. They are high by factors of three or four compared to what will be required in the next few decades. It is possible and highly likely that, if the present conditions continue, in the latter part of this century we will have shortages of 10 percent to 20 percent of the requirements of nuclear plants that will be existing in this country at that time.

The administration's plan assumes that research and development of alternative energy sources and more efficient energy systems will have little effect on our current crisis. Coming from a research and development world, I cannot accept that estimation.

According to Dr. Schlesinger, the administration's plan anticipates a national economic growth rate of 5.2 percent per year on a continuing basis. Over the next decade it is much more likely that the long term growth rate will be closer to 3.5 percent, provided the Congress holds down Federal taxes and spending.

The administration's plan assumes that there will be sufficient incentive for private individuals and institutions to finance the massive number of new energy projects and energy conversion programs. But there is good reason to believe that there will be substantial shortages of investment capital, particularly in view of the plan's proposed taxation policies which would redistribute \$50 to \$70 billion a year by 1985.

According to Dr. Schlesinger, the administration's plan assumes that unemployment and inflation will be virtually unaffected by an artificial restriction of energy growth rate to 2 percent annually. The combined assumptions of a 5.2 percent annual economic growth rate and a taxation induced 2 percent energy growth rate are startling, to say the least. Our annual economic growth rate since 1950 has been about 3.5 percent. Our energy growth rate since 1950 has been about 3.5 percent. To expect such a large divergence in economic growth rate and energy growth rate to occur in the near future is highly unlikely.

Finally, the administration's plan assumes as its first principle that only government can solve the energy crisis.

On the contrary, our recent history is laced by examples of the Federal Government's inability to solve domestic crises.

Mr. President, the subject of energy will and should dominate this Congress. It should dominate this Congress until our present and future problems are addressed fully. The 95th Congress should be remembered as the first, and most importantly, the last "Energy Congress."

As Senators are aware, Senate Joint Resolution 45 was introduced on April 6, 1977. This resolution would establish specific goals and objectives for a National Energy Policy Act. Soon after its introduction, in his energy speech before Congress, President Carter also suggested a joint resolution as a mechanism to formalize our energy goals and through which our progress in reaching such goals could be measured. I join the President in again recommending this action as the first positive energy step the Congress should take.

Once we have decided where we want to be and what material and economic resources we have at our disposal, it will be much easier to decide how to get there. In this way, we can determine what is substance and what is illusion in the various legislative proposals that the President and others put before us.

Mr. President, I shall now continue with the complete text of my prepared remarks.



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Second, it is a plan that is negative about American ability to solve problems through personal initiative and national growth.

Third, it is a plan whose underlying assumptions of resources and economic factors are in part erroneous and very dangerous.

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But that action must be positive action. It must be deliberate in substance and in swiftness. Most of all, the foundation upon which we stand to act must be real and secure. That foundation must not be, as the President's plan appears to be, as wishful as "the Emperor's new clothes."

#### LOW OIL AND GAS RESERVES

According to Dr. Schlesinger's testimony before the Energy and Natural Resources Committee, the administration's plan assumes that the total domestic resource base of crude oil and natural gas is 120 to 150 billion barrels of oil and 800 to 800 trillion cubic feet of natural gas. It further assumes that this amount is either too small to rely upon, too hard to get at or should be saved for posterity.

On the contrary, there is every reason to believe that the domestic resource base is at least twice as large as assumed. It is probably larger than 300 billion barrels of oil and 1,500 trillion cubic feet of natural gas. These much larger estimates come logically from a general understanding of the onshore and offshore volumes of rock which have yet to be explored and from the great potential of secondary and tertiary recovery techniques. Given the proper price and regulatory environment, sufficient productive capacity can be developed to fully utilize these resources until other energy sources are available and oil and gas can actually be saved for posterity.

#### "NEW" OIL AND GAS DEFINITION

The administration's plan assumes that for price regulation purposes new oil and gas reserves can be defined by fixed dimensions; namely, 2.5 miles from the nearest existing well or 1,000 feet below existing well depths.

On the contrary, oil and gas are found in irregular rock formations governed by complex geologic conditions. It is little short of ludicrous to attempt to use geometry—2.5 miles and 1,000 feet—to define the difference between new and old production. In addition to the uncertainties of position, the rocks in which oil and gas accumulate must be open

enough that the oil or gas can flow into wells at economical rates. The production of previously undiscovered or inaccessible oil and gas is dependent entirely on the science and art of geology, the price someone will pay for what you find, and the risk someone is willing to take to look for it. It is not dependent on some bureaucrat's measuring stick.

#### INCREASING REGULATIONS

The administration's plan assumes that the regulatory environment presently envisioned to exist for the next decade will allow coal production to increase from 600 million to 1 billion tons annually.

On the contrary, a consistent pattern of Federal regulations has restricted the productivity of the mining industry. It is unlikely that the plan's goals can be met when the normal problems of mining are coupled with bureaucratic regulatory enforcement, general regulatory uncertainty, self-defeating OSHA and MESA regulation, indefinite Federal land leasing policy, and monumental transportation problems, all of which we are making worse, not better. Federal Energy Administration and National Coal Association figures indicate that the coal shortages within this regulatory environment will be about 200 million tons annually by 1985, an amount equivalent to stopping the flow of about 2 million barrels of oil per day.

#### HIGH URANIUM RESOURCES

According to the administration, the plan assumes that the potential resources of uranium are 1.8 to 3.7 million tons of uranium oxide and that this is large enough to fuel all existing and planned conventional nuclear plants for 75 years, perhaps much more. Also, the plan assumes that there is no need to rapidly develop the technology necessary to safely reprocess nuclear fuel in order to recover unused fuel. Nor does the plan see the need to totally examine the economics of breeder reactor systems.

On the contrary, informed and optimistic geologic estimate of domestic uranium potential resources rarely exceed one-third of the maximum amount assumed by the administration. It is estimated that shortages in uranium production will be 10 to 20 percent of the requirements for 250 conventional nuclear reactors by the 1990 to 2000 time period. In addition, our scientific understanding of uranium ore deposits and how to find them is woefully behind our needs; nothing like our understanding of oil, gas, and coal deposits. It, therefore, seems prudent to continue to develop appropriate uranium and thorium based breeder reactor systems and nuclear fuel reprocessing, at least until such time as sufficient uranium reserves are verified and enough cost information is available to warrant a different decision.

#### LIMITED RESEARCH AND DEVELOPMENT

The administration's plan assumes that research and development of alternative energy sources and more efficient energy systems will have little effect on our current crisis.

On the contrary, most observers, including the administration, agree the most serious consequences of our energy situation will begin some 10 to 15 years from now if we do little or nothing to change our situation. Intensive effort on

perhaps five or six carefully focused energy research and development projects can make a major difference in that period of time and will insure energy abundance for our children while protecting their Earth. Accelerated research and development is what Americans do best; we simply cannot afford will do any good until the year 2000 and therefore we can postpone action. Had we taken this attitude during the 1960's, we would never have become the leading spacefaring nation in the world.

#### HIGH ECONOMIC GROWTH

According to Dr. Schlesinger, the administration's plan anticipates a national economic growth rate of 5.2 percent per year on a continuing basis. The plan depends on such a growth rate so that Americans can afford higher energy prices because their incomes will be higher.

On the contrary, there are virtually no major economists in the country, including Milton Friedman and Arthur Burns, who would agree that a 5.2 percent growth rate can be sustained. Over the next decade it is much more likely that the long-term growth rate will be closer to 3.5 percent, provided the Congress holds down Federal taxes and spending. The average growth rate since 1950 is 3.5 percent. Unfortunately, it is becoming even harder to maintain even this growth rate because of continued inflation and decreased productivity.

#### INVESTMENT IN ENERGY PRODUCTION

The administration's plan assumes that there will be sufficient incentive for private individuals and institutions to finance the massive number of new energy projects and energy conversion programs.

On the contrary, there is good reason to believe that there will be substantial shortages of investment capital, particularly in view of the plan's proposed taxation policies which would redistribute \$50 to \$70 billion a year by 1985. Government has kept energy prices low for 25 years so that the burden of the real cost of energy could be avoided. At the same time, these low prices have discouraged investment. Now, through taxes, the administration proposes to give Americans the necessary pain of higher energy prices without the benefits of private investment in new energy production which can eventually reduce those prices.

If current investment in nonenergy projects remains level the total investment required will be about 20 percent of GNP over the next several decades. This is an extraordinary jump from the 15 percent of GNP figure which has prevailed for many years; we would need equally extraordinary incentives for private investment.

#### LOW ENERGY GROWTH RATE

According to Dr. Schlesinger, the administration's plan assumes that unemployment and inflation will be virtually unaffected by an artificial restriction of energy growth rate of 2 percent annually. The combined assumptions of a 5.2 percent annual economic growth rate and a taxation induced 2 percent energy growth rate are startling.

On the contrary, it is particularly dangerous to assume that it is possible to rapidly alter the long term, very close relationship between energy growth rate—average of 3.5 percent since 1950—and GNP growth rate. If, as seems likely, there is a reduction in GNP growth rate



following a precipitous reduction in energy growth rate, strong pressures toward increased unemployment will develop. In addition, the scale of the plan's proposed taxes and rebates is so large that it cannot be predicted in spite of claims to the contrary. This fact also was noted recently by Chairman Burns.

GOVERNMENT CONTROL

Finally, the administration's plan assumes as its first principle that only Government can solve the energy crisis.

On the contrary, our recent history is laced by examples of the Federal Government's inability to solve domestic crises. The President's recent and successful political campaign was based on Americans' dissatisfaction with big government. Unnecessary or inefficient Government intervention in the private affairs of its citizens and businesses has eroded personal freedom and at the same time, resulted in counterproductive regulations. Federal controls introduced 25 years ago have been successful only in increasing our dependence on foreign oil.

Mr. President, the subject of energy will and should dominate this Congress. It should dominate this Congress until our present and future problems are addressed fully. The 95th Congress should be remembered as the first, and most importantly, the last "Energy Congress."

As you are aware, Senate Joint Resolution 45 was introduced on April 6, 1977. This resolution would establish specific goals and objectives for a national energy policy. Soon after its introduction, in his energy speech before Congress, President Carter also suggested a joint resolution as a mechanism to formalize our energy goals and through which our progress in reaching such goals could be measured. I join with the President in again recommending this action as the first positive energy step the Congress should take.

Once we have decided where we want to be and what material and economic resources we have at our disposal, it will be much easier to decide how to get there. In this way, we can determine what is substance and what is illusion in the various legislative proposals that the President and others put before us.

Mr. President, I yield the remainder of my time to the Senator from California.