NEW WORLD

Energy Crisis, Home and Abroad

by our Special Correspondent

THE great energy crisis promises powerfully to galvanize the new Congress, due to assemble for the first time in January, and several agencies of the Administration are busily preparing for the fray, but the reality of the phenomenon remains at least a little in doubt. Now that the summer has passed with fewer brown-outs than there might have been, dark hints are circulating that crisis talk may be a plot by oil and gas interests to win favour for price increases or by the nuclear power industry to win approval for the next round of nuclear power stations. And there is certainly a chance that the air of crisis is no more than a recognition that the time has come for the United States to be dependent on external supplies of petroleum and reconciled to the kinds of prices which are already current in Europe.

The ramifications of the problem have been dramatized by the trade agreement between the United States and the Soviet Union, signed in Washington on October 18, which among other things provides a framework within which the two countries may work out means for exploiting the natural gas in Siberia for the benefit of the United States fuel economy. The idea, apparently welcomed in Moscow, is that Western (but not necessarily American) capital would be used to finance the exploitation of the Siberian fields (with declared reserves of 565×10^{12} cubic feet of gas and estimated resources of six times as much) against long-term contracts with United States importers.

The sub-committee on Economic Policy of the House Foreign Affairs Committee has already heard several witnesses shake their heads over the prospect of economic dependence on the Soviet Union (which could nevertheless supply only about 5 per cent of the needs of the United States for natural gas in the early 1980s, when exploitation might begin). The Senate Interior and Insular Affairs Committee will take another bite at this hot potato before Christmas. Representative Wilbur Mills thinks there are risks, and the president of the National Coal Association has described the project, which private companies are now being asked to investigate in detail, as a "reckless gamble". Mr Peter M. Flanigan, President Nixon's advisor on international economic affairs, has asked judiciously for a careful consideration of all the alternative external sources of natural gas, holding that national security is nevertheless compatible with a modest importation programme.

Gas imports will nevertheless raise unfamiliar spectres, as can be told from the speech by Mr Peter G. Peterson, the Secretary of Commerce, to the American Petroleum Institute on November 14. In Mr Peterson's view, the new development is that it is no longer possible to regard energy supplies as cheap. He said goodbye to the "happy era of low costs, low risks and high benefits" and with fine disdain for the Second Law of Thermodynamics complained that cheap fuel had provided no incentive for the electricity generation industry to increase efficiency above 40 per cent. In the new circumstances, however, all energy users would have an incentive to economy but, at the same time, "our international comparative advantage on energy is slipping away".

Mr Peterson explained that the Domestic Council Committee of the Cabinet has for several months been making a study of this "systems problem if ever there was one". His own view is that there will have to be a deliberate stimulation of domestic sources of energy. Talk of Siberian gas for the United States anticipated the solution of political, technical and financial problems not yet resolved, but Mr Peterson said that "foreign government sources and private sources have expressed interest in participating in major ways in financing the project" and that a multinational scheme would have political advantages.

Mr Peterson estimated that the cost to the United States of imported energy (mostly oil) in the early 1980s would be about $20,000 million a year, and that Europe and Japan between them might be spending up to twice as much again. He therefore fears "a wild and cannibalistic scramble not only for energy but for external earnings" with which to pay the import bills, with "extremely rigorous competition" and export subsidies to boot. But the Soviet Union has no energy problem, which in turn suggests that a continuing energy imbalance in the United States "could have severe consequences for the entire free world". So might not the energy-importing nations find it advantageous to work out common policies ?

Mr Peterson wagged a stern finger at the environmentalists, and asked them to consider that the new regulations for automobile emission systems will increase fuel consumption by between 30 per cent and 40 per cent, partly at the refineries and partly in decreased efficiency. And if super-tankers cannot be brought to the United States, transport costs for imported oil and gas will be increased by 6 per cent to half the landed cost. And the notion that it might be possible to "solve our energy problem by reducing our consumption" would have such painful economic consequences that the backlash might sweep away all the gains so far made in the "battle to protect the environment".

No doubt much of Mr Peterson's message will be reflected in a presidential message to Congress early in the New Year. And "you can expect his (the President's) decisions to be long ranged, tough minded, balanced, with full recognition of our role as citizens of the greatest domestic economy and the greatest economic and political power in the world".

Not even such a set of mosaic tablets will bring the several issues to an end, however. Even the future of electricity generation, for several years an apparently autonomous growth industry doubling every decade, is now in doubt at a year (1971) when output increased by only 5.4 per cent and when there was an increase (in real terms) in the price of electricity for the first time since 1946 (since when the delivered cost of electricity has fallen by a half). The average price of electricity, about 1.6 cents per kWh, increased by 1.8 per cent (in real terms) between 1970 and 1971, with the result that economists have begun to ask what will happen if, in fact, the price should double before the century is out.

Several forces conspire to encourage such an outcome, not the least of which is the continuing difficulty of knowing what will happen to the nuclear power programme. Much will turn on the hearings on the safety of nuclear reactors planned by the Joint Committee on Atomic Energy, now bereft of Representative Chet Hollifield, for long the kindest of all the Atomic Energy Commission's critics. Senator John Pastore, the new chairman, promises as thorough an investigation as the redoubtable radiation hearings of 1960, with as evidence-in-chief the report on reactor safety on which the AEC has been labouring for the past year.