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THE FEDERAL ENERGY ADMINISTRATION
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REMARKS OF THE HONORABLE FRANK G. ZARB
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION
BEFORE THE

OIL HEAT INSTITUTE OF LONG ISLAND
LA GRANGE INN
BABYLON, LONG ISLAND, NEW YORK
FRIDAY, JUNE 6, 1975
12:30 P.M.

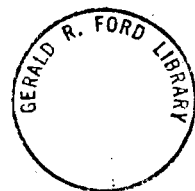
EMBARGOED FOR RELEASE UNTIL:
FRIDAY, JUNE 6, 1975, 12:30 PM

Good afternoon, and thank you very much for your invitation to address this meeting. It is always a pleasure to get back to my native Long Island.

I'm not going to mince words with this group, and I can say with some assurance at the outset that not everything I am going to say will be good news for you. But, by the same token, not all of what I have to say will be bad news.

What I hope to leave you with today is a more complete understanding of Federal Energy Administration policies regarding fuel oil, and an indication as to their short- and long-term effects on fuel oil dealers here and throughout the country.

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Long Island might be considered the virtual heart of fuel oil country. As all of you know, Suffolk and Nassau Counties have the largest concentrations of oil heat in the United States: of the 720,000 homes here, some 575,000 -- or more than 80 percent -- are heated with oil.

Long Island consumes about 860 million gallons -- 20 million barrels -- middle distillate oil yearly for home heating purposes. And when industrial and commercial oil use is included, the total is over a billion gallons per year.

New York State alone is the leading heating oil consumer in the Nation, accounting for more than three and one-half billion gallons each year. Seventy percent of New York homes are heated with oil, with the total consumption making up fully 17 percent of the national total. All six New England states together account for only 21 percent of U.S. heating oil consumption.

Clearly, the 300 heating oil dealers on Long Island provide a vital service to consumers in this area of the country.

And it is equally clear that home heating oil dealers throughout the country provide an indispensable service to consumers in each of their service areas.

I suspect that there are some of you who have become convinced that the Federal Government -- the Federal Energy Administration in particular -- is committed to putting oil heat in the same category as the dinosaur.



This is simply not the case.

According to the 1970 Census of Housing, more than 16 million housing units in the United States are heated with oil. That's roughly one-quarter of the Nation's housing. I want to assure you the Federal Government is not about to permit the millions of oil-heated homes in this country to go cold this winter or any other winter.

Nor are we going to force millions of homeowners to spend inordinate sums of money to convert to other forms of heat.

What we are trying to do is to encourage the most efficient use of the energy fuels available to us now. At the same time, we are encouraging the fastest possible development of our massive domestic energy potential, so that we can supply our future energy needs from secure sources within our own control.

But development of new energy sources and expanded production from existing sources will take time, and time -- along with energy -- is among those things that we can least afford to waste.

Right now -- today -- we are critically dependent on foreign supplies of oil to meet our nation's energy requirements. And that dependence is increasing every minute.



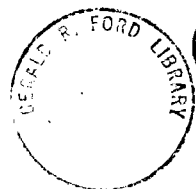
I realize that simply saying that our dependence is increasing does little to fire the imagination, but the staggering fact is that during the 20 minutes I'll be talking with you this afternoon, more than a million dollars will have flowed out of this country to pay for imported oil.

Today, in one single 24-hour period, we will pay out more than 70 million dollars, and that's at the 1974 import rate. As I have noted, that rate is increasing this year.

Indeed, no less an authority than the Shah of Iran recently said while visiting in this country, that the Organization of Petroleum Exporting Countries may raise oil prices again before the year is out.

We must do something to stop this drain on our national wealth. And the only thing we can do with any immediate effect is to conserve energy in all forms to the greatest extent possible.

Now I realize that touting the value of conservation to this group is not easy. After all, you are caught in the squeeze between suppliers charging higher prices for the commodity you distribute and banks charging high interest rates for loans, on the one hand, and irate customers outraged at the higher prices you must charge them to stay business, on the other hand.



And, while Washington may at times seem remote from Long Island, we are aware of the considerable degree of energy conservation that has been accomplished by your customers in the heating oil area, and by Long Island residents in all forms of fuel.

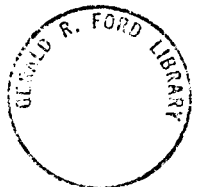
There are two areas of Federal energy policy where I feel there has been a great deal of misunderstanding, and I would like to discuss these with you briefly today.

The first is a popular misconception that FEA has adopted a policy of directing the country toward what has been referred to as an "all-electric" economy.

And the second is a belief that the Administration policy of facing up to the new, high value of oil and raising prices through fees on imported oil and decontrol of the price of oil produced in this country will put heating oil dealers out of business.

First, the notion that FEA is biased in favor of an immediate all-electric economy is untrue. It is true that significant savings of oil and natural gas could result from increased use of electricity in all sectors of the economy -- if that increased use resulted in more efficient management of our overall natural resource base.

But -- and this is a very significant but -- there are tremendous problems that would have to be resolved before we could adopt a rational high-electric scenario for future energy development.



Our Project Independence Report issued last fall -- and it was just that, a report, not a final blueprint -- included a broad number of policy options for decreasing energy demand and increasing energy supply.

The aim was to assess every possible action that could be taken to accomplish these goals. One possible action considered -- and only one of the many -- was a move toward increased use of electricity, generated by coal and nuclear power.

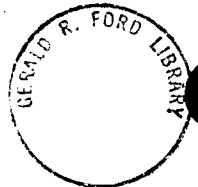
Those who seized upon this option as an FEA bias have lost sight of the stated aim of conservation strategy, as stated in the introduction to the Project Independence Report, and I quote:

"to provide incentives and standards to increase residential insulation and energy-use efficiency."

All of you here are well aware of the fact that electric space heating is an inefficient use of our natural resources if the electricity is generated with oil or natural gas -- and more than 40 percent of our electric power is generated by burning those fuels.

Whether you accept an efficiency factor of 54 percent or 70 percent for oil heat, it is clearly more efficient than direct electrical space heating.

The only areas where there is a valid argument in favor of electric heat is where electric power is generated by coal or nuclear installations, and where added use of electric heat can, in fact, reduce overall oil and gas consumption.



Here on Long Island, all of the electric power is generated with oil, and replacement of oil-fired home heating with electric heat would result in a net increase in oil requirements.

Eventually, in the long run, we may be able to convert a significant number of oil - and gas-fired electric generation units to coal, and we may be able to accelerate the building of nuclear generation facilities.

And we plan to encourage the development of sound load management policies by electric utilities which will use revised rate structures, load control options, and other actions to encourage the movement of electric consumption away from peak load periods to off-peak demand hours and times of year.

All of these steps will take time -- varying lengths of time, but still years -- to increase significantly the availability of more efficiently generated electric power for use in more applications.

And there are other problems standing in the way of increased use of electricity.

Unless Congress passes a sound surface mining bill which protects and enhances the environment and permits the coal production we will need to supplant oil and gas-fired electric generation, the coal simply will not be mined to meet those needs.



Unless capital is available for the massive initial investments required for nuclear units, we will not be able to take advantage of the long-term economies of nuclear power, nor will we be able to supplant the use of fossil fuels for generation.

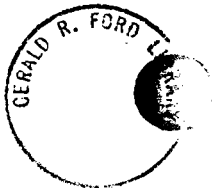
Unless environmental and powerplant siting problems can be resolved, we will not be able to meet even forecasted demands for electricity in current uses, much less broaden the use of electric power.

Meanwhile, the economy of the country and the population of the country are going to continue to grow, and all forms of energy -- oil, gas, coal and electricity generated from these and from other sources -- will have a vital, balanced and continuing role to play.

Even if we wanted to mandate a total electric economy at this time, we could not. It simply is not feasible. Oil and oil heat will continue to play an important role in our energy picture for the foreseeable future.

Raising the already high prices of oil by higher fees on imported oil and removal of price controls on domestic oil may seem hard to understand.

But the effect of these actions is critically important to the Administration's basic aims: to limit dependence on foreign oil and to encourage domestic energy development as rapidly as possible.



The two-dollar-per-barrel fee on imported oil will encourage the most effective use of oil and will discourage its use where waste can be eliminated.

And since various regions of the country are dependent on imported oil in varying degrees -- the Northeast being the most dependent -- FEA's entitlements program is designed to spread the impact of increased foreign oil costs evenly throughout the country, with no one area bearing an unfair share of the added cost.

Decontrolling domestic oil prices, with accompanying plowback provisions to encourage investment in domestic oil exploration and development, will provide the economic stimulus necessary to expand the domestic drilling activity that can bring our potential oil reserves into actual production.

The effect of both these actions will be to increase prices for oil and petroleum products.

It is getting a bit trite to say that the era of cheap energy is over. But it is over -- and over for many years to come, if not forever.

For many years, the United States became accustomed to using one-third of the world's energy, while paying only 12 percent of the world's energy bills.

Now, suddenly, we have found ourselves forced to pay a price much closer to those charged other industrial, consuming nations. And, as with any sudden change -- especially when it hits the pocketbook -- the new realities of energy life have been hard to take.

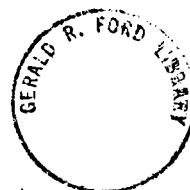


The price of all energy is going to stay high. But the Administration's energy policies are designed to work within the framework of high prices to achieve the best possible combination of energy conservation and energy development, while minimizing the inevitable economic and social problems which attend higher prices of any commodity, especially one as pervasive as energy.

You are well aware that the price of the residual fuel oil used for electric power generation has risen even more than middle distillates, which, in turn, has brought about the sharply higher electric bills affecting every homeowner -- indeed, every consumer -- in the Nation.

And it is no secret that natural gas production is declining, and pipeline deliveries to utilities are being curtailed at an increasing rate. Congressional action to remove Federal price controls on the wellhead price of natural gas could eventually result in increased exploration and expanded gas supplies, but it will take years for any significant increase in supplies to reach the marketplace.

Certainly the price of the home heating oil you deliver to Long Island residents has gone up. But just as certainly, oil heat will continue to retain its competitive market position in relation to electricity and natural gas.



Increasing the efficiency of oil-burning equipment for home heating use could have the dual benefits of enhancing your industry's competitive position and saving significant amounts of oil.

FEA is currently working with the National Oil Fuel Institute to develop plans for research into more effective oil burners in both residential and commercial installations.

We are also working in cooperation with the National Bureau of Standards and Oak Ridge Laboratories on analyzing the comparative performance of residential heating systems.

Two projects are under way to study the relative efficiencies of oil burners and heat pumps, and a study is now being conducted in New England to determine ways of improving oil-burning systems in that region.

The Energy Research and Development Administration will soon submit to Congress a request for funds to conduct a five-year program of research into several energy efficiency projects, which will include studies of heat-capturing and storage devices which could improve the efficiency of both gas and oil furnaces, as well as new technology and design leading to more efficient burners.

One proposal now under study by FEA and ERDA for development funding involves a new oil burner designed to operate at a combustion efficiency of more than 80 percent, while producing no smoke and low emissions of oxides of nitrogen.



In short, the Federal Government is not trying to single out any segment of the energy industry to shoulder an inordinate share of the burdens of dealing with the new energy realities.

We are trying to achieve the most efficient and effective mix of energy supply and consumption, now and in the future, and that includes oil heat as an integral part of the overall picture.

Thank you.

-FEA-

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