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Office of the White House Press Secretary

THE WHITE HOUSE

**TEXT OF REMARKS BY THE PRESIDENT
 TO BE DELIVERED TO THE
 HOUSTON CHAMBER OF COMMERCE
 ENERGY/ECONOMIC CONFERENCE**

America must face the challenges of the 21st century today -- to live and act ahead of our times. Rapidly changing circumstances at home and abroad demand that we do so.

We must redefine our direction as a Nation and our priorities as a people. It is imperative to embark on new courses, to set new precedents, to create new policies and to chart America's future with a new spirit of national determination and urgency.

Now is the time to make energy an urgent priority before it becomes our Number One problem. It is already a significant contributor to our present Number One problem -- which is inflationary recession.

Less than 10 years ago -- in the late 1960's -- the United States had sufficient surplus capacity to prevent any sharp price increases in the world petroleum market. We were invulnerable to foreign disruption of our critical energy needs. But the control of that market has moved from here in the Texas Gulf area and this country to the Persian Gulf and other oil-producing nations.

During this same period, our energy consumption grew rapidly -- at the rate of four to five percent a year. Yet, despite the increasing demand, U.S. petroleum production peaked in 1970. And it has declined since. The energy industry here at home did not have sufficient incentive to increase production. Our domestic energy supply has seriously deteriorated:

- natural gas has been consumed faster than new reserves have been developed.
- coal production still equals only 1930 levels.
- nuclear power has been beset by technical and environmental problems.
- many electric utilities are in severe financial straits.

Foreign oil has filled the gap. It now furnishes about 38 percent of our domestic consumption -- at prices that have quadrupled in the past year. Thus, when foreign supply was cut off during the 1973 embargo, we had no excess domestic production to fall back on. Our Gross National Product dropped substantially. Nearly 300,000 people lost their jobs at the height of the embargo. The impact could have been even more severe had it continued longer.

We must take immediate and resolute action so that we can insulate our economy against the disruption which a new embargo could create. The risks in terms of unemployment and economic damage are simply too great.

There are those who promise more jobs if we import more foreign oil than I propose. They say in effect: pay the higher prices to the oil-producing countries and bring in more foreign energy than the President plans -- because that will create jobs and lessen inflation.

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This is an empty promise. The facts are these:

The longer that we take to protect ourselves against embargoes the more vulnerable our economy becomes to them. Each year we have been increasing our dependence on foreign energy. Each year we lose more jobs because we are sending overseas the money we are paying for additional and higher-priced oil. That money -- which has increased four-fold -- is lost to investment in our domestic economy. So we will not create jobs in America by paying more money to the Arabs and other oil-producing nations.

Future embargoes would be substantially more damaging to our economy than the last one because we are now even more dependent than a year ago. Those who propose no action now hope there will be no future embargoes. They offer no guarantees of security -- and obviously cannot. This is a little like saying that a man with a very large family needs no insurance. I assure you that the United States is a very large family and, as President, I do not wish to take that gamble any longer than I must. We cannot play games with our total economy in the hope of boasting about limited winnings that are not at all certain.

This bet-a-million philosophy -- that we can continue to import the entire million or a significant part of the million barrels that I propose to cut back -- is a very high-risk and reckless gamble. Instead of betting on what foreign sources may do, we should put our money on what Americans can do and will do. If we offer sufficient incentives, American enterprise here at home will solve our energy problems.

Because of our dependence, we are confronted with these two critical problems: First, the effect on our national political and military security; and, secondly, the severe strain increased petroleum prices have caused not only to our economy but those of the world's industrialized nations.

As I have indicated, America is not in control of its energy destiny. Price leadership has shifted to the Arab nations and the other members of the Organization of Petroleum Exporting Countries. I am determined that American independence in energy be restored. We must never again be forced to pay the current inflated prices of foreign oil. However, we must pay a price now to insure a more reasonable price for our oil in the future. And that price is what it will cost us to produce American oil on American soil -- right here in the state of Texas, in Alaska, in the Outer Continental Shelf, and elsewhere within our territorial limits.

Some people in Washington do not seem to recognize the need for incentives in the marketplace. But we must have sufficient incentives in the marketplace to increase production. Unless we create incentives, we will be settling for dependence on other nations.

I have seen estimates that the petroleum industry might budget as much as \$26 billion for capital spending in 1975 on expansion projects throughout the country to help boost our energy supply. However, many of the proposed projects may never see the light of day -- if the Congress fails to act on legislation I have requested.

I have proposed a very comprehensive energy program. It is not a program that is without costs or sacrifices. But it is a program that will keep costs as low as possible -- still achieving our objective of energy independence.

You may not support all of what I have proposed. But, as I must say again, I have seen no better program proposed.

I firmly believe that my program is far superior to any system of allocation or quotas or rationing. Allocations and rationing cannot be fair and equitable to consumers. They cannot stimulate energy independence. They cannot produce one barrel of oil -- not one gallon of gasoline.

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Furthermore, such a program would be administratively burdensome, substituting bureaucratic judgment for the interplay of the free marketplace. It would be costly -- about \$2 billion a year, according to some estimates I have seen, just to administer.

In short, I believe it would be a serious mistake not to make maximum use of the marketplace to achieve our goals. It offers us the best and most equitable solution. The promised land of allocations and rationing would turn out to be a jungle -- a jungle of red tape, bureaucratic judgment, inequities and other problems.

Thus far, the energy debate in the Congress has focused mostly on oil. This over-simplifies the problem. Our energy difficulties involve much more than oil. One of our most important energy sources -- and the most acceptable from our environmental point of view -- is natural gas. Despite the pluses of natural gas, let us consider for a moment the sorry history of natural gas policy in the United States.

For the past 20 years, the Federal Power Commission has set the price at the well-head for natural gas sold in interstate markets. Since supplies seemed ample, the emphasis by Federal regulators was placed on minimum prices to consumers. Natural gas prices were held to artificially low levels. Real prices for natural gas fell throughout the 1960's. Demand for natural gas doubled between 1957 and 1972 and inefficiencies grew. Not surprisingly, the rate of exploration and development of new gas fields dropped off.

A further distortion in natural gas markets resulted when producers kept natural gas supplies inside their state where they are not subject to Federal regulation -- under a restrictive statute -- and where prices are set by supply and demand. This intrastate market has contributed to the completion of a greater number of gas wells. All of this leads to this conclusion: there must be incentive to find and develop new natural gas supplies. To do this, we must cease Federal regulation of prices on new gas for interstate use.

Supplies to current consumers are being rapidly and drastically reduced in relation to market demand. Major interstate pipeline companies in the year ending March 1973 fell short of meeting contract requirements by some 825 billion cubic feet of gas. In the year ending March 1974, the short fall was estimated at one trillion, 200 billion cubic feet. That is comparable to 200 million barrels of oil! The entire country is affected by these reductions in deliveries -- now running at a rate of well over 100 percent more than 1973-74 heating season curtailments.

I am told by some members of the Congress and others that there is no urgency in this matter. I wish that were true. But the facts are that one of this Nation's most pressing energy problems is a real and increasingly serious shortage of natural gas. Unless national gas policy is changed by Congressional action, we will be forced in a short time with the hard choice of supplying homes or industries. Right now, the horror stories I have read of factory closings depresses me intensely. But I need the help of Congress to reverse this trend.

It took the Congress four years to pass the Alaska pipeline bill. On April 18, 1973 -- almost two years ago -- Congress was asked to deregulate new natural gas. Only one house of the Congress -- the Senate -- even bothered to hold hearings. I have sent three special messages to the Congress pleading for this legislation. Nothing has happened.

In sum, the Congress has done virtually nothing about natural gas policy for the past two years -- much less come up with a plan to meet the expected shortages.

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This Nation cannot remove the insecurity of our dependence on foreign sources of oil while we consciously hold back on assistance to producers right here at home -- who can help to make us secure and independent.

We simply must have capital investment if we are to discover new sources of oil and new natural gas -- and if we are to put people back to work solving our problems. We will not get the help from the non-producers. The future of this country is in the hands of the producers.

The United States will not effect lower world oil prices without some evidence of the seriousness of our intentions. The United States will not rally our allies to stand with us in solving this international problem unless we offer some evidence of the seriousness of our intentions. The American people will not believe there is an energy crisis unless the President and the Congress offer some evidence of the seriousness of our intentions. I will continue to demonstrate the seriousness of my intentions.

As I said in my State of the Union message, I believe in America's capabilities. In the next ten years, I envision:

- 200 major nuclear power plants
- 250 major new coal mines
- 150 major coal-fired power plants
- 30 major new oil refineries
- 20 major new synthetic fuel plants
- the insulation of 18 million homes
- construction of millions of new automobiles, trucks and buses that use much less fuel
- and finally, the drilling of many thousands of new oil and gas wells.

With the money we spend in one month on imported oil, we could drill the equivalent of 18,000 on-shore oil wells or about 3,000 off-shore.

We are all in this together. Each of us has a contract with his country. Each of us must make good on the key clause in that agreement which deals with responsibility. As you well know, there is a price for everything -- whether it be independence from tyranny or freedom from dependence on others for the resources we need.

Idealism and realism do not contradict one another. The American people have always been idealists. It is now time to show ourselves and the world that we are also realists.

In another time of crisis -- during World War Two -- the oil and gas industry increased its production by 20 percent with an investment of nearly \$5 billion. This industry expenditure was the equivalent of two and a half times the cost of the Manhattan project that developed the Atomic Bomb. A far greater commitment is needed today and government cannot begin to do it alone.

One of the fundamental principles of democracy is that decision, direction and deed do not come down from rules and regulations and bureaucratic paperwork -- but up from the millions of its citizens. I ask you to have courage and confidence -- and come with me to face the challenges of America's third century. I call on you for a renaissance of the American spirit. It is a noble call. It is the call and challenge for solutions now to problems of the future.

Thank you.

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