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NATIONAL ENERGY OUTLOOK: U.S. CAN ACHIEVE INDEPENDENCE IN NEXT DECADE

The U.S. can achieve energy independence by 1985 without sacrificing its economic objectives, according to the National Energy Outlook released today by the Federal Energy Administration.

In delivering the study to President Ford, FEA Administrator Frank G. Zarb said, "If we have not lost our ability as a Nation to be tough-minded and take the obvious aggressive actions, we will reduce our imports and increase production enough to eliminate our vulnerability to future embargoes. Our forecasts show that we can indeed regain energy independence, but we must be realistic and dedicated to our goals."

"We believe the Nation can greatly expand its domestic production, while at the same time reducing its rate of growth in energy demand and meeting its economic objectives," Zarb added.

According to the Outlook, an update of last year's Project Independence Report, U.S. oil imports, which are currently 6.1 million barrels per day (MMB/D), will continue to increase in the next two years, until Alaskan production begins. However, with gradual deregulation of oil and gas prices, intensive efforts to increase domestic production, and continuation of current world oil prices, 1985 imports could drop to 5.9 MMB/D, slightly below today's level.

With accelerated production and increased conservation efforts, imports could decline to 1 to 2 MMB/D in 1985. If domestic oil and gas prices are regulated at low levels, however, imports could reach 13.5 MMB/D that year.

The report points out that even if imports decline by 1985, they could increase again by 1990 as production from older oil fields declines. This decline will need to be offset by the use of nuclear power, coal, synthetic fuels, and emerging energy sources such as solar power.

Energy Demand

Turning to energy demand, the Outlook makes these points:

Because of higher prices, demand through 1985 will grow at 2.8 percent a year, rather than at 3.6 percent as in the 20 years before the 1973 oil embargo. An active conservation program could hold the growth rate to only 2.2 percent. If world oil prices decline to $8 per barrel, however, or if oil and gas prices are regulated substantially below market levels, demand could grow at an annual rate of more than 3 percent.

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The report makes the following observations on key energy sources:

Oil

Domestic crude oil production could increase to 12.3 MMB/D by 1985, up from 8.4 MMB/D in 1975, if market prices are permitted to stimulate domestic production and if an aggressive Outer Continental Shelf (OCS) leasing and development schedule is pursued. The supply of oil from existing onshore reserves will decline as older fields are depleted. However, more extensive use of secondary and tertiary recovery and new fields could keep onshore production about constant. Alaska will be the greatest new source of oil, while OCS production could more than double by 1985.

Natural Gas

Natural gas production is expected to decrease during the next few years, but then increase to 22.3 trillion cubic feet (Tcf) in 1985 if prices are deregulated (compared to 20.1 Tcf in 1975). If current interstate price regulations continue, production could decline to 17.9 Tcf.

Supplemental gas supplies could play an important role in the 1980's and beyond. Alaskan gas could supply more than 1 Tcf before 1985, if necessary transportation systems are completed, while liquefied natural gas could supply as much as 2 Tcf by that year.

Coal

Coal production depends greatly on the growth in electricity demand and on the price of oil. At today's oil prices, coal production could increase from 639 million tons in 1975 to 1040 million tons in 1985. However, if imported oil drops to $8 per barrel, coal production would be about 895 million tons in 1985.

Western coal production, mainly from surface mining, could increase from 92 million tons in 1974 to 380 million tons in 1985. Large-scale development in the West could have significant social and environmental effects, or may be inhibited by State or regional restrictions.

Eastern production could increase by about 30 percent; most of the increase will come from underground mining because low-cost surface reserves are being depleted.

New Technologies

Solar, geothermal, and synthetic fuels will contribute only about one percent of domestic supplies by 1985. Major contributions from these and other emerging technologies will not be realized until after 1990.

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Electricity

Electricity, which provided 28 percent of the Nation's energy in 1974, will probably continue to grow at about twice the rate of total energy demand. Thus, its growth rate would be reduced to about 5.4 percent, compared to its historic rate of 7 percent. Electricity could provide 37 percent of U.S. energy in 1990.

The use of coal in electric generation could increase by 77 percent in the next 10 years -- from 392 million tons in 1974 to 700 million tons in 1985. Nuclear power could generate about 26 percent of our electricity by 1985, compared to 8.6 percent in 1975. This is a 30 percent smaller contribution than previously projected -- 142,000 megawatts, as opposed to 204,000 megawatts forecast previously -- due to cancellations and deferments caused by reductions and uncertainties in demand growth, financial difficulties, and licensing delays.

Capital Needs

Looking at capital investments for energy, the report predicts that:

• Energy investments in the U.S. will be about $580 billion (in 1975 dollars) in the next 10 years. This is about 30 percent of fixed business investment, which is energy's historical share. The largest investment will be in the electric utility sector, which could account for 47 percent of the total, and in which the greatest potential problems exist.

• Oil and gas investments, which will depend greatly on the pricing and policy strategies adopted, could range from $160 to $315 billion. Coal investments could increase to $18 billion or only 3 percent of the total, but representing a 200 percent increase from the 1964-1974 total of $6 billion.

• Investments to increase energy efficiency also could be significant, perhaps an additional $250 billion through 1985.

Copies of the National Energy Outlook may be purchased for $7.30 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (GPO Stock Number 041-018-00097-6). Copies are available free of charge to members of the press in the FEA Press Room, Room 3138, 12th and Pennsylvania Ave., N.W., Washington, D.C.

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