A "White Paper" for Energy Conservation

Although the Federal Energy Administration's (FEA) forthcoming "Project Independence Blueprint" will be no stirring call to action, it will make clear that the goal of "independence" will be an illusion without an energy conservation program going far beyond anything seen so far. FEA officials have been saying repeatedly that there is no chance of bringing energy demand and domestic energy supply into any kind of balance over the next decade without reducing the growth in energy consumption from the present rate of 4 to 5 percent a year down to 2 percent or less.

Moreover, a recent "white paper" prepared by FEA as a precursor to the so-called blueprint lays out a list of "options" in energy conservation policy which, if all were adopted, would bring about such a reduction. But, thus far, the Ford Administration has seemed inclined to only the mildest of palliatives. What it actually will do with the options is therefore quite another question.

The blueprint, which FEA will submit to the White House on 7 November, will discuss three alternative strategies for achieving "independence" from foreign oil-producing nations by the mid-1980's: (i) an accelerated effort to increase domestic supplies, (ii) an accelerated effort to reduce the rate of consumption, and (iii) a combination of the previous two. But it has long been a foregone conclusion that, however great the effort, new domestic supplies cannot be produced abundantly enough over the next 10 years to even approach satisfying the demand if consumption continues to grow at the past rate.

With a growth rate of 5 percent a year, consumption would double by 1990—only 15 years away. Thus, John C. Sawhill, the FEA administrator, was only stating the obvious when, appearing at the Project Independence hearing in San Francisco in early October, he said: "The most immediate way for us to bring energy demand and domestic supply into any sort of balance is through a strong, decisive energy conservation program."

The FEA white paper includes a table that lists 16 energy-saving options. Several are concerned with transportation: either automobiles would have to meet fuel efficiency standards or, in the case of those of low efficiency, they would be subject to a special excise tax; also, total vehicle miles traveled would be reduced by means of a 30-cents-per-gallon "conservation fee" and by improving urban mass transit through capital and operating subsidies.

Options for reducing the rate of consumption in households and in commercial establishments include a temporary tax credit for money spent on insulation, with a 15 percent credit for businesses and one of 25 percent for homes. A 50 percent credit would be allowed any taxpayer who installed solar heating or cooling equipment. In addition, there would be a minimum energy efficiency standard for all new homes and commercial buildings and for all new appliances. As for industry, accelerated depreciation would be permitted on energy-saving facilities and an interest subsidy on systems for recycling solid wastes. For some products, such as beverages, reusable containers would be required.

Electric utilities would be encouraged to reduce peak power demands by adjustments in rate structure, more system inter-ties enabling utilities to exchange power, and "thermal storage" facilities that could use power during off-peak times. Improvements in generation and transmission efficiencies also would be sought.

Taken together, these various energy conservation measures would, by 1985, reduce total energy consumption by almost 12 quadrillion Btu's from what it would be otherwise. This would represent a decline in the growth of energy consumption to 2 to 2½-percent a year. Such a reduction would not depend on the cost of imported oil remaining at its current price of about $11 a barrel. To the contrary, in calculating the energy savings cited, a decline to $7 a barrel was assumed.

To determine what energy conservation measures FEA thinks should be adopted, one will have to read between the lines in the blueprint. The policy options—intended merely as a basis for policy-making and debate—will not be accompanied by the agency's recommendations. And there seems little reason to think that President Ford will soon embrace most or all of the measures discussed in the white paper. Indeed, one item from this paper—the 30-cent-per-gallon gasoline tax—was rejected by the White House prior to Ford's recent anti-inflation message to Congress.

To date, the administration's energy conservation policy, such as it is, has looked to the public and to private business for "voluntary" reductions in energy waste and consumption. To that end, the FEA has four "action programs" in which its officials and personnel work with business and industry to establish and reach energy-saving goals. One such program aims toward a 40 percent improvement in energy efficiency for new automobiles by 1979, with the target set at an average of about 19½ miles per gallon.

Another would have each of six major energy-consuming industries—steel, aluminum, paper, oil refining, chemicals, and cement—reduce their energy use per unit of output by 10 to 20 percent. Two other programs have to do with eliminating unnecessary lighting in commercial buildings and with encouraging marketing of home insulation. A fifth program, and probably the most successful, has been directed within the government itself. An estimated federal savings of $750 million for fiscal 1974 has been realized from such measures as lowering thermostats, removing unneeded light fixtures, and driving at slower speeds in smaller cars.

(The budget for FEA's "energy and environment" program is devoted largely to policy research, most of it done under contract by private consultants or by other federal agencies, such as the National Bureau of Standards or the AEC's Oak Ridge National Laboratory. Of the current fiscal year's budget of $14.2 million, some $9 or $10 million will be so used.)

FEA officials say that the response to their appeals for cooperation has been encouraging. They are not ready to abandon the voluntary approach, and, in truth, this approach may be the only one that is workable for some problems (for instance, setting energy efficiency standards for industry would be a task of mind-boggling complexity).

On the other hand, given the high stake that many enterprises have in maintaining the energy status quo, there is every reason to think that voluntarism, whatever its merits, will not prove to be enough.—L.J.C.