Carter Energy Proposals Are in Trouble

President Jimmy Carter's latest energy policy package appears to be in deep trouble right from the start, with both the oil industry and the public interest groups taking offense at what the White House has put forward.

The oil industry has applauded Carter's decision, announced by the President in his televised energy message of 5 April, to begin a phased decontrol of oil prices on 1 June and to complete this process by September 1981, when existing statutory authority for oil price controls expires. But the industry, as represented by groups such as the American Petroleum Institute (API), has denounced the accompanying proposal for a windfall profits tax.

This tax would return half of the additional revenues resulting from price decontrol to an "Energy Security Fund" (ESF) for redistribution as aid to low-income families, support for mass transit, and subsidies for development or commercialization of new or previously uneconomic energy technologies, such as those for production of shale oil, solvent refined coal, and solar energy. According to the API, no such tax is justified, for the oil companies can be expected in any case to plow back most of their profits into further development of energy resources and technologies.

A number of the major public interest groups now favor the decontrol of oil prices—the Consumer Federation of America is a notable exception—provided decontrol is accompanied by a tax to recapture the excess (or "windfall") profits. But none of the groups seems to like the way the money that would flow into the ESF would be redistributed. The lion's share would go back to industry in the form of energy technology subsidies, some for relatively energy-inefficient technologies such as the mining and retorting of oil shale which could present problems with respect to air quality, land reclamation, water consumption, and the like.

If the windfall profits tax measure is enacted, and the public interest groups doubt that it will be, the revenues pouring into the ESF over the first three years would total about \$14.1 billion in the event the OPEC price increases by at least 3 percent annually, which seems all too likely. In this scenario, subsidies for energy technologies over the 3-year period would total \$11.3 billion, compared to \$700 million in mass transit subsidies and \$2.1 billion for aid to low-income families (with the family of four that earns less than \$6700 annually to be eligible for \$100 a year).

As the public interest groups see it, the distribution proposed can be faulted both because much too little would be done for low-income people and mass transit and because environmentally benign technologies to develop renewable energy sources would be treated skimpily compared to technologies for nonrenewable sources. According to calculations made by the solar lobby, subsidies for solar technologies would represent about 6 percent of all of the energy technology subsidy funds, or \$700 million.

These subsidies would cover special tax credits for "passive solar" designs in buildings and for use of solar equipment in agriculture and industry. Also, subsidies would be available for purchase of high-efficiency wood stoves for dwellings, "low-head" hydropower units at small dams, and the use of gasohol (gasoline containing at least 10 percent alcohol).

Other energy technology subsidies would include a \$3 per barrel tax credit for oil shale, to be reduced once the world price of oil reaches \$20 a barrel and to be stopped completely at a price of \$23 a barrel. Department of Energy officials believe that, thus encouraged, commercial production of shale oil could go from essentially zero today to 300,000 barrels a day by the 1990's.

Research on coal and development of synthetic fuels would also receive further support under the proposed program of subsidies, with money to be available for support of projects for advanced coal-cleaning technologies, improved combustion processes, and coal liquefaction and gasification. Early on, two solvent-refined coal demonstration plants would be built, one to produce a solid fuel to be burned in utility boilers, the other to produce a liquid fuel for such use. Without the ESF, the Administration would support construction of only one of these plants.

The ESF would also serve to back up loan guarantees for a variety of energy development projects deemed to need federal help in overcoming market barriers to commercialization.

Often criticized by business and industry for not giving sufficient emphasis to the supply side of the energy equation, the Administration now plainly intends with its proposal for a windfall profits tax and the ESF, to give a new boost to development of energy supplies. Yet, given the opposition of both the oil industry and the public interest groups to the Carter proposals, another protracted energy policy stalemate, similar to the one that frustrated the Administration during most of 1977 and 1978, may be inevitable.

The opposition of the public interest groups seems especially notable, for these groups are very much a part of the constituency which Carter cultivated during his 1976 campaign and which in some ways (as with many of his appointments) he has continued to cultivate ever since. Their current objections go not only to what they regard as misguided policies, but also to what they perceive as a degree of duplicity on the part of the President and the White House staff.

In particular, leaders of these groups such as Louise Dunlap of the Environmental Policy Center complain that the impression left by the President's televised energy message is belied by the White House "fact sheet" that spells out the new energy policies in greater detail. "I liked the speech, but I am totally alarmed by the fact sheet," she told *Science*.

For instance, she said that, whereas no mention was made in the speech of an accelerated licensing bill for nuclear power plants, the fact sheet indicates that such a measure, which Secretary of Energy James R. Schlesinger has long advocated, will soon be sent to Capitol Hill. Dunlap believes that, on the now sensitive issue of reactor safety, this measure will represent little or no improvement over the Administration's nuclear licensing bill of last year. On the other hand, President Carter did announce the appointment of an independent commission to investigate the Three Mile Island incident. And, for his part, Schlesinger maintains that licensing can be speeded up without in any way neglecting safety issues.—LUTHER J. CARTER