

## CHAPTER I INTRODUCTION

In his State-of-the-Union Message, the President called for the accelerated development of "our energy technology and resources so that the United States has the ability to supply a significant share of the energy needs of the Free World by the end of this century." As an important element of this goal, the President established a target of producing the equivalent of one million barrels per day of synthetic fuels capacity by 1985. To achieve this ambitious objective, the President announced that the Federal Government would provide financial incentives where appropriate to bring certain technologies into commercial application. The essential parts of the synthetic fuels commercialization program were described as follows:

- Energy sources examined would include synthetic crude oil from shale and a wide range of clean solid, liquid, and gaseous fuels derived from coal.
- Federal incentives would be granted on a competitive basis and could possibly include, but were not limited to price guarantees, purchase agreements, capital subsidies, and leasing programs.
- The program would rely primarily upon existing legislative authorities, but new legislative authority would be requested if necessary.
- The Energy Research and Development Administration's R&D programs (design and construction of small pilot plants) would be accelerated and would support the commercialization effort.

The major purposes of the synthetic fuels commercialization program are:

- To gain early information and develop industry infrastructure needed prior to a possible major expansion of synthetic fuels production capacity by:
  - investigating environmental, economic, institutional, technical, and other potential problems associated with large scale synthetic fuel plant operations, and

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- promoting accumulation of experience by the private sector in synthetic fuels production and utilization.
- To improve U.S. international position in energy matters by:
  - demonstrating U.S. capability to develop its vast coal and oil shale resources, thus providing pressure on the cartel to limit future increases in world oil prices; and
  - establishing U.S. leadership among consuming nations in international efforts to become less dependent on Middle East energy supplies.
- To increase domestic energy production in the mid-term by supplementing existing and planned domestic energy production in 1985 and thereby:
  - reducing reliance on imports and thus enhancing national security in event of embargo; and
  - providing less expensive supplies in the event world oil prices continue to rise.