

CHAPTER IV IMPLICATIONS OF SYNTHETIC FUELS
PROGRAM ON INTERNATIONAL ENERGY OBJECTIVES

The President's goal of assisting in meeting Free-World energy needs through the acceleration of U.S. energy supply is based in part on the development of synthetic fuels. To the degree that the U.S. is able to produce sources of energy that can substitute for natural oil and gas, this nation will be contributing not only to its independence but also to the independence of our allies in the International Energy Agency (IEA). In this context, the existence of the Synthetic Fuels Commercialization Program may in part contribute to the resolution of ever rising world oil prices. Assuming a successful commercialization effort (synthetic fuels costs similar to 1975 U.S. imported oil prices), this nation as well as the member nations of IEA will have their long-term international negotiating position vis-a-vis OPEC strengthened. Toward this end, the International Energy Agency is the most prominent vehicle for promoting jointly the interests of allied and friendly nations. As part of their common measures for long-term cooperation, IEA members are seeking to develop alternative sources of energy supply. These measures, and conservation actions, are the obvious way of reducing demand for world-traded oil, thus countering OPEC pricing strategies.

Specifically, the Synthetic Fuels Commercialization Program could be relevant to the IEA's efforts, and eventually those of other non-member consuming countries in the ways that are described next.

A. REDUCTION OF DEMAND FOR WORLD-TRADED OIL

Within the 1980's, this effect appears very modest. It can be seen by Table 4 that IEA 1985 demand for oil imports, exclusive of United States import demand and Norwegian export supply, is estimated at approximately 27 MM b/d. A synthetic fuels program such as the information program or the medium program, would probably have negligible direct impact on IEA supply or prices prior to 1985. However, the Synthetic

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TABLE 4

IEA COUNTRIES - 1985 SHORTFALL IN
ENERGY REQUIREMENTS

(Units: Millions of Barrels/Day)

Country	1985 Energy Shortfall	1985 Oil Imports
Austria	.01	.26
Belgium	.96	.56
Canada	1.17	1.61
Denmark	.48	.41
Fed. Rep. Germany	4.54	3.32
Ireland	.15	.12
Italy	3.37	2.29
Japan	13.12	10.53
Netherlands	.41	1.16
Norway	.45	(unreported)
Spain	1.86	1.15
Sweden	.76	.69
Switzerland	.45	.37
United Kingdom	-.36	-.66
TOTAL	27.37	21.81

NOTES:

- (1) Excludes United States
- (2) Excludes Luxembourg, New Zealand and Turkey for which IEA data currently not available.
- (3) Norway's oil production potential (negative imports) not yet reported to IEA.
- (4) All production figures are based on an accelerated development scenario; all consumption estimates embody conservation measures.

Fuels Commercialization Program along with the wide-ranging energy initiatives to develop alternate sources of supply being taken by the U.S. and IEA nations will surely have a positive impact upon the oil exporting countries after 1985.

B. TECHNOLOGY EXCHANGE

The technical experience within some IEA countries, notably the United Kingdom and Germany, coupled with the learning-curve value of operating new United States plants in an unproven, commercially-sized range could provide a significant opportunity for a meaningful, two-way exchange of technology. IEA working groups are currently investigating the feasibility of such exchanges.

C. MOBILIZATION OF IEA RESOURCES

The European Community's nine member countries have significant reserves of coal which are currently under-utilized. From a high of approximately 507 million short tons mined in 1957, production declined steadily to about 335 million short tons in 1973. Through a successful United States synthetics program and technology exchange, IEA's coal resources might be mobilized commercially.

Currently, a significant portion of the European Community's generating capacity is now oil- or gas-fired, and the feasibility of switching to coal is constrained by environmental as well as short-term coal supply factors. The availability of a proven synthetic process for gas, supported by proven coal reserves could bring about a significant, environmentally-acceptable conversion away from imported oil or Liquid Natural Gas (LNG).

D. SYMBOLIC VALUE OF AN INTERNATIONAL CONSORTIUM

Although it appears that within the next decade the direct impact of the synthetics program upon world energy trade will not be significant,

there is value in now offering to economically-beleaguered consuming countries the possibility of participating on an equitable basis in a United States program. Both within the IEA, and vis-a-vis third countries and blocs, such participation would be viewed as a visible first step in the United States' plan to assert some countervailing economic power in world energy markets.