

## Energy Insider by William Engdahl

### The catch in synfuels

*Congress has lacked the U.S. into an energy strategy that depends on rising OPEC prices.*

A lot of Congressmen who should know better, such as Bennett Johnston of Louisiana and House Majority Leader Jim Wright of Texas, are proudly patting themselves on the back for their recent passage of what Wright called a "great stride forward," namely the Synthetic Fuels amendment to the Defense Production Act of 1950.

Randall Meyer, president of the domestic subsidiary of the world's largest oil company, Exxon, held a press conference in Houston just as the synfuels bill neared passage last month. Hailing the bill as a necessary step to reduce dependency on imported oil, Meyer projected a necessary capital expenditure of some \$3 trillion by the turn of the century in order to produce 15 million barrels per day of synthetic coal and oil shale.

As one of the key legislative architects of the bill told me in a recent conversation, the "genius" of this new legislation is its novel form: The mandate to create a national synthetic fuels industry was passed as an amendment to the Defense Production Act of the Korean war era. The amendment gives extraordinary wartime powers mandating the President to produce 500,000 barrels per day of synthetic fuels and synthetic chemical feedstocks "for national defense purposes" by 1987. The U.S. Synthetic Fuels Corporation created by the

bill is authorized to spend up to \$20 billion beginning immediately, with potential authority to draw \$68 billion more.

Under the powers of the amendment creating the Synfuels Corporation, the President now has powers to "control the general distribution of any material in the civilian market if the President finds that such material is a scarce and critical material essential to the national defense. . . ." Further, he now has the latent authority to virtually nationalize the domestic energy industry by giving the President the powers to "require the allocation of . . . supplies of materials and equipment in order to maximize domestic energy supplies . . ." from such synthetic sources.

One Congressman, concerned over the Constitutional implications of this vast authority, Rep. Ron Paul of Texas, made the following dissent: "This interest in using war power during peacetime is a corollary of the blurring of the distinction between military and nonmilitary matters. . . . As a devotee of logic and a strong military, I vigorously object to the selling of synthetic fuel programs in the name of defense."

Ironically, the backers and corporate supporters of this highly questionable diversion of natural resources and capital goods into creation of a synfuels industry are

implying that somehow the creation of a trickle of synfuels at home will make us insulated from OPEC price rises. The fact is that the United States uniquely among industrial nations has committed itself to creation of a massive synfuels industry whose economic viability is tied to the assumption of OPEC oil prices remaining at present vastly inflated levels or even rising prices. Conventional wisdom has it that the recent 140 percent increase in world oil prices is a disguised blessing because it makes the economically costly technologies such as synfuels. But as a Lloyds Bank consultant recently noted, most conventional new deposits of oil, gas, and coal are economical at half the OPEC price, and are abundantly at hand.

Within days of the signing of the synfuels bill, the government approved of \$200 million of an initial \$6.5 billion for some 110 synthetic fuel projects across the country. The speed with which this grossly inefficient federal energy bureaucracy is acting should alone cause second thoughts. Could it be that Messrs. Schlesinger, Duncan, Sawhill et al. are only inefficient when it comes to expediting a viable development of energy from nuclear, oil and coal, leaving the synfuels track as the only option? It is worth noting that the only economies in history which have made any previous commitment to synfuels are the wartime economy of resource-starved Nazi Germany and the economically embargoed and resource-limited South African economy. With our vast reserves of uranium, oil, gas and coal, I can only conclude that our euphoric Congressmen have once again slipped into it.