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### THE ENERGY CHALLENGE

In many ways we are entering a new age in our country. The days of cheap and plentiful energy are behind us, yet I think that in the past several years we have awakened to the fact that our ingenuity will be able to preserve our way of life. Instead of attempting to consume all the energy that we can, we have come to understand that conserving energy is not only wise for the pocketbook but even more farsighted in providing for our children and grandchildren. There is a new awareness among the American people about energy, and I am proud of the way that people have reacted to our present crisis.

First, I would like to boast on the American people. When gas lines formed in the summer of 1979, the President and other leaders urged us to cut back on our driving and heating in order to conserve fuel. Many political leaders were skeptical about this making a difference, for they underestimated how dedicated Americans really are.

Recent reports show that oil imports into the United States this summer have been running one-fourth below last summer's level. This is due to a small increase in domestic oil production, an end to the frantic stockpiling and topping off of tanks, increased use of gasohol, and most important, to the increase of gasoline prices and conservation.

There is more good news. Over the first seven months of this year, consumption of home heating oil fell even faster than gasoline. Part of this is a changeover to natural gas, but also, people have cut back their thermostats, have insulated their homes, and have caulked their windows. Let me reiterate that once the American people realize that there is a crisis they respond. No one person's decision to conserve fuel would make much of a dent in our fuel consumption, but millions of people responding makes a sharp difference.

Industry has also responded to conservation. Industry responded during the 1973-1974 oil embargo as new ways to save fuel were discovered. Again, skeptics thought the trend would not last, for the first steps were easy--wrapping pipes and turning off the lights. But what corporation would not continue to respond to savings, especially as the price of energy increased?

In American industry, there has been a steady drop in the ratio of energy input to productive output.

What this means, in simple terms, is that the United States is responding to the energy crisis in a very rational way. The private citizen and the corporate manager both know that it is foolish to waste expensive energy. What has made the most difference in simple economic terms is the decontrol of oil prices by President Carter. After the last recession in 1975, control of oil prices insured relatively cheap gasoline. Demand continued high until the Iranian crisis last year. Then the price took off again.

Part of our conservation, the part that responds to price, is directly connected to President Carter's decision to decontrol the price of oil. That decision has made energy more expensive, and it has at the same time led to massive profits by the big oil companies. But I agree with an editorial in the Washington Post on Wednesday (August 27): "Decontrolling oil prices will stand as President Carter's most important and most courageous contribution. over the past four years, to energy policy and future economic stability."

There is another aspect of the President's policy connected to this decision that is also courageous--the Windfall Profits Tax.

I will discuss some of the incentives contained in that bill later, but first I want to explain why this tax is necessary. On this point there is sharp disagreement between the Democrats and the Republicans. The Republican Party Platform argues for the repeal of part of the Windfall Tax. Let me tell you that the month-long debate on the Windfall Profits Bill in the Senate explored all of these issues, and the bill that emerged is a good and fair one. Oil companies received many breaks that encouraged exploration, and, in the complex world of oil pricing, it was a fair tax.

I think that most of you shared with me the outrage over the profits of the big oil companies that came in the wake of decontrol. I need not remind you of the incredible windfalls reaped by the large oil companies--some ranged over 100 percent. Let me also remind you that large corporations have ways of avoiding taxes that most of us do not have. If you make \$20,000 a year you probably pay about 13½ percent in income taxes; if you earn \$25,000 a year you pay about 20 percent. Exxon in 1977, the last year for which figures are available, earned \$7.7 billion; they paid 7.4 percent. Mobil earned \$4.3 billion and paid 2.5 percent; Texaco earned \$1.6 billion and paid 6.3 percent. Since 1977, the earnings have increased, and the Windfall Tax insures that they will pay a fair share of

the windfalls that come directly as a result of the decontrol of oil prices. I do not advocate soaking anyone with taxes, but I do think that corporations and people should pay their fair share. The Windfall Profits Tax insures that this will be achieved.

There is an example of decontrol that comes closer to home. In 1975, when I first came to the Senate, the supply of natural gas was so scarce that in the winter factories closed and many workers were out of jobs. Congress in January 1978 voted to decontrol the price of natural gas. I supported a phased decontrol, the middle ground between immediate decontrol and continuing controls, and this is what emerged from Congress. The result is that I cannot remember any factories shutting down in the winter because of shortages of natural gas.

Energy is one subject that allows political action on all levels. As you know, Congress has responded to the energy crisis primarily by passing a Synthetic Fuels Act and a Windfall Profits Tax, both of which give tremendous incentives for developing our resources and cutting down on our consumption of imported oil.

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There has also been a growing interest in alternative sources of energy such as solar, wood, peat, wind and gasohol. Much of the enthusiasm for these forms of energy has come from average Americans who responded to the energy crisis with imagination.

We have tried in Congress to give incentives to promote these energy sources. This became a national issue, as it should have, and my office was virtually flooded with people seeking information about how they could join in this movement for energy independence. The Windfall Profits Act gave incentive to develop these sources with tax credits and grants.

Let me review some of the legislation that encourages our search for energy independence. First, Congress passed the Synthetic Fuels Act, which will provide some \$20 billion to discover and develop alternative energy sources. Oil will be extracted from coal and shale, and our dependence on imported oil will be lessened as new technology allows us to tap this great wealth of oil.

As the Energy bill took shape in the Banking Committee, I offered an amendment to establish a solar bank. Congressman Steve Neal supported this by offering a similar bill in the House of Representatives. This amendment was incorporated into the Energy Act and is now law. This will encourage the

installation of solar power in new home construction and in old homes.

The Windfall Profits Act also encourages the conservation of energy. In addition to placing a reasonable tax on profits that come from the decontrol of oil prices, this piece of legislation encourages alternative energy sources.

For example, Senator John Durkin offered an amendment to the Windfall bill that provided tax credits for wood burning stoves. This passed, with my support, on December 14, 1979, but it was lost in conference with the House. Nevertheless, the Secretary of the Treasury has the authority to give tax credits on stoves that are efficient, and this should encourage the use of wood instead of oil for heating homes.

I should add that wood is one of our most efficient resources, and I am informed that wood now provides two-thirds as much energy as nuclear power. Experts agree that wood is one of the best biomass forms of energy--and it is renewable.

The Windfall Act also provides tax credits for home insulation and for solar energy.

I expect that increasingly gasohol will become one of our most utilized forms of energy. If the calls, letters, and

visits to my office are any indication of the support for alcohol fuels, in the 1980s there will be a complete changeover from pure gasoline to gasohol.

I also sponsored an amendment to authorize \$3.1 million for a pilot demonstration plant using peat as fuel, which was attached to the Department of Energy Authorization bill. North Carolina is wealthy in peat, and European countries have proved that peat can be used efficiently as an energy source.

Each of these steps is important individually, but taken as a whole and added to increased fuel economy in automobiles, I think that Congress and the American people have taken significant steps in achieving energy independence.

As I have often stated, there is no one cure for our energy problem, but all of these actions taken together represent bold action. It has taken a while to convince the American people and even their elected representatives that we are running out of energy. It is difficult to attack a problem that is so vague and seems to linger somewhere off in the future. Yet we have taken action, and I expect that in the future we shall all become more aware of alternative forms of energy.

In the future, when historians write about the late 1970s, I expect that they will explain that even after the oil embargo of 1973 and 1974 the country was still not convinced that there would actually be a lasting fuel shortage.

In Congress steps, at first little steps, began. I remember when we passed a bill that placed a tax on gas guzzlers and when we wrote legislation that would increase the gas mileage of automobiles. We are now seeing the results of that foresight. As the Energy and Windfall Profits acts take hold, we will see the wisdom of facing the issue head on. Instead of ducking the issue, the President and Congress have met it boldly. And more important, Americans are excited about conserving energy. Never count out the part of our national character that responds to a challenge.

Throughout my tenure in the Senate, I have tried to judge issues on their merit. My ideology is informed by an appreciation of state rights and federalism, but I also realize that on some issues, and energy is one of them, there are national steps that must be taken.

Finally, let me reiterate that I think we are facing challenging days ahead. The world has changed drastically,

and there is no way to return to the policies that dominated the world a half century ago.

During the past decade, we have gone through tremendous changes in this country--and in the world. The financial problems that beset our country today have built up over the years like a large wave; it finally broke and tried to wash away much of our way of life. Americans, however, will always rise to a challenge, and I welcome the challenges of the future.

The way that we have reacted to the energy crisis is indicative of the way we will react to other crises--with reasoned boldness. I look to the past for precedent, for inspiration, and for continuity, but I look to the future the way an athlete looks forward to the next game. Americans thrive on competition--and we will prevail.