

Compendium of Statements  
by James R. Schlesinger  
on the U.S. and World  
Energy Problems (1977-79)

July 11, 1979

## Overview

In his speeches and public statements since April, 1977, James R. Schlesinger has given repeated warnings about the urgency of the world energy problem and the dangers of U.S. inaction. The following excerpts from these statements show the degree to which his perception of the basic crisis has remained constant, despite shifting public attitudes and the predictions of energy optimists.

The statements fall into three major groupings. Beginning in April, 1977, and through 1978, the Secretary presented the basic arguments for the President's National Energy Plan. Before Congress and in other public forums, he spoke in support of the crude oil equalization tax and a stand-by gasoline tax -- both of which Congress rejected. Throughout the debate on the National Energy Act, the Secretary maintained that OPEC's future production capacity was limited, that the world oil supply system was fragile and unstable, and that Americans could again experience a new major rise in world oil prices and a return of gasoline lines.

Beginning in 1978, and prior to the Iranian crisis, a temporary "glut" or oversupply in world oil markets led many to dismiss or underestimate the severity of the world energy

problem. Throughout the second period, the Secretary spoke frequently and force fully against the views of the so-called "energy optimists". He stressed that the existing over supply of world oil was illusory and temporary. In repeated statements, he warned that the so-called oil "glut" could disappear overnight. In September of 1978, he underscored his grave concern that the nation's oil industry had let their gasoline inventories drift below prudent levels, in confident reliance on continued supply availability. He disputed the inflated estimates made by some of OPEC production capacity and the "expert" analysis reported in many newspapers that ruled out a major increase in world oil prices almost indefinitely.

The third group of public statements cover the events in Iran and the consequences of the shortfall for the U.S. As the crisis in Iran developed, the Secretary pointed out at an early date that the potential consequences were even more serious than those of the 1973-74 embargo. In the face of initial skepticism, he predicted serious problems with gasoline availability this summer and with re-stocking of heating oil inventories for next winter. Even when order was restored in Iran in late February, he stressed that gasoline supplies might still not be adequate this summer, and that the full impact of the crisis had not been felt. In recent

weeks he has stated that as imports rise as a result of Iran's return to production and if refineries operate at full capacity the gasoline crisis will ease. However, he continues to emphasize that while current shortages can be alleviated, the long term problem must still be faced.

While underscoring the serious nature of the problem, he also urged the country not to overreact. On behalf of the Administration, he proposed use of modest contingency measures, but authority for some of these has been withheld by Congress. He has consistently pointed to Iran as a warning, and said that events there move closer the "day of reckoning" for the U.S. and the timing of future major increases in world oil prices.

I. The Case for the National Energy Plan: Early State-  
ments on the U.S. Energy Crisis

The Deteriorating U.S. Energy Situation

The Prospects for Long-Term Oil Supplies

Critical Need for Coal and Other Substitutes

The Challenge to Democratic Government

II. Before Iran: Statements in 1978 on the Illusory World  
Oil "Glut" and the Continued Urgency of the Energy  
Problem

The Dangers of Rising World Oil Demand

The Limits on World Oil Supplies

Excessive Optimism about Saudi Arabia

Increasing OPEC Power

Continuing U.S. Import Dependence

Economic and Political Consequences of U.S.  
Dependence

Global Political Insecurities in 1978

Warning on Low U.S. Gasoline Stocks Before  
Iran

Public Recognition of the Problem

III. Iran to the Present: Statements in 1979 on the  
Iranian Crisis and the World Oil Problem

Early Assessment of the Shortfall

Problems with Gasoline Supplies

Heating Oil Inventories

Early Warning on Strong Measures Needed

Effect of Iran on World Oil Prices

Fragility of World Oil Supply System

The Danger of Public Apathy

The Success of Conservation

The Long Term Energy Problem

I. The Case for the National Energy Plan: Early State-  
ments on the U.S. Energy Crisis

The Deteriorating U.S. Energy Situation

"Perhaps crisis is not the precise term we should employ for our energy problem. It's more like cancer, kind of a wasting disease. We know now that we will peak out worldwide in terms of production capacity in the next decade, . . . and we will no longer be able to accommodate increasing demand for oil. That is as certain as the sun will rise in the East."

Joint Economic Committee  
May 25, 1977

"The American stock of capital is fuel-inefficient; it has been based upon an assumption of cheap and abundant energy. That assumption is now becoming increasingly invalid. We must begin now to make our stock of capital more fuel efficient than it has been in the past. We have a period to make that adjustment. We must start now. Failure to start now means that in the middle 1980s, we will face dramatic shortages of oil, rapid increases in prices that will spill over into major unemployment in the United States, further inflation that will shake the stability not only of the free enterprise system, but (also) . . . the political stability of the United States in a period of rapid inflation and major unemployment."

Joint Economic Committee  
May 25, 1977

"...the main point is that (if) we have an essential commodity in increasingly short supply, prices would be driven, in many cases, sky high. And the impact on the distribution of income, as well as the impact on prices, would be very severe."

Joint Economic Committee  
May 25, 1977

The Prospects for Long-Term Oil Supplies

"The principal oil-exporting countries will have severe difficulties in supplying all the increases in demand expected to occur in the U.S. and other countries throughout the 1980s ... However, many OPEC countries cannot significantly expand production; and, in some, production will actually decline.

"Thus, as a practical matter, overall OPEC production could approach the expected level of world demand only if Saudi Arabia greatly increased its oil production. Even if Saudi Arabia did so, the highest level of OPEC production probably would be inadequate to meet increasing demand beyond the late 1980s or early 1990s."

House Subcommittee on  
Oversight and Investigations  
June 14, 1979

Critical Need for Coal and Other Substitutes

"The oil and gas replacement program (of the NEA) is intended to achieve a reduction in oil consumption and a shift in gas consumption toward the most essential uses of gas. These savings (from greater coal use) in the industrial and utility sectors are essential if the U.S. is to achieve a reduction in oil imports and a more rational allocation of natural gas."

House Subcommittee on Oversight  
and Investigations  
June 14, 1977

"The coal industry has long attempted to rectify the lack of interest in the development of new technology for the efficient use of coal. It is now struggling with the difficult problems of meeting new environmental criteria. There is more at stake here than the immediate interests of the coal industry. If the industry were not able to meet these new challenges, it would compound the national energy problem. The Nation cannot accept further curtailment of this major domestic fossil-fuel option. We should seek to broaden rather than narrow our options. By extending our energy alternatives, we shall obtain a more optimal national energy mix."

National Coal Association  
January 1, 1978

"The national slowdown of nuclear power makes coal even more important as an alternative fuel, especially in meeting the increasing demand for electricity, which we forecast will grow at an annual rate of four to five percent between 1976 and 1990. Coal consumption by utilities is expected to rise about 6.8 percent per year and by 1979 to account for 47 percent of fuel input."

National Coal Association  
June 6, 1978

"There are inconveniences associated with coal, but if we are to have enough fuel liquids for our transportation sector, we are going to have to make increasing use in this country of coal as boiler fuel."

Press Conference  
October 20, 1978

"The Btu equivalent of the average price of all domestic oil will be about \$1.75 per Mcf early next year. It is a price midway between the higher range of unregulated intrastate gas, approximately \$2.25 per Mcf, and the current ceiling for new interstate gas of \$1.45 per Mcf. It is above the vast majority of existing intrastate contracts. It will rise over time to equivalency with new oil and old domestic oil fields continue to decline. It is a price that

will produce an additional 1.1 trillion cubic feet of natural gas by 1985--a seven percent increase in production. It is a price beyond which little or no measurable increases in supply occur."

House Subcommittee on Energy and Power  
May 12, 1977

The Challenge to Democratic Government

"Let me say that, in order to achieve the intended results of the President's program, both reorganization and the comprehensive energy plan, we are going to require a high degree of dedication on the part of all Americans, and that we must establish a consensus in which we are all prepared to make the small adjustments necessary to put the United States in a better position to handle its energy problems."

Press Conference  
March 1, 1977

"...The political difficulty is that the crisis is invisible. There is no clear unequivocal signal, similar to Pearl Harbor calling us to, demanding, national unity. Instead we face a more subtle and chronic problem, the signs of which can readily be ignored, rather than an unequivocal signal. Oil continues to flow, an embarrassingly large

portion of it from abroad. There are no gasoline lines. Public skepticism exists as to the magnitude of the problem. No one has an immediate stake in participating in the painful processes of adjustment. Unquestionably, democracies respond better to clear and unequivocal signals than they do to mixed signals. Can we nonetheless react with appropriate foresight and vision?"

University of Virginia  
May 22, 1977

II. Before Iran: Statements in 1978 on the Illusory World Oil "Glut" and the Continued Urgency of the Energy Problem

"Do not be deceived by anything that you may read in the newspapers about worldwide gluts, excesses and so forth. There is a transportation problem on the Pacific Coast of the United States such that we are unable to deliver cheaply a local oil surplus to the eastern part of the United States, which depends overwhelmingly on foreign sources of supply. Around the world today we probably have two to three percent excess production. This is no surprise. For the most part, however, we are operating very close to capacity levels. With a growth in demand for oil of almost five percent a year, it will not be long before we have reached the final limits of expansion in conventional production."

Economic Club of Detroit  
February 14, 1978

The Dangers of Rising World Oil Demand

"If growth in energy demand continues at an unconstrained rate, by the early 1980s world oil production will dictate the solution of our energy problems. Prices will rise sharply as a result of a sudden elimination of excess productive capacity. These price rises will inflict serious damage to Western economies, moving these economies

into recession. Demand will then be reduced and our supply/demand problem will disappear. But with it may disappear any chance for sustaining economic growth -- and possibly maintaining political stability -- in the 1980s."

Senate Energy Committee  
March 21, 1978

The Limits on World Oil Supplies

"The shift away from oil and natural gas as this Nation's primary energy resources is inevitable, and its timing becomes increasingly critical with each new estimate of future world oil production. At the present time, oil production worldwide is about 60 million barrels per day; although earlier estimates were higher, we presently doubt that world oil production will exceed 70 million barrels a day in the period ahead."

House Appropriations Subcommittee  
on Interior  
April 3, 1978

"Energy optimists also take a sanguine view of supply prospects. They suggest that OPEC capacity is much larger than actual production and that large finds, on the scale of the Alaska North Slope and the North Sea, are realistic possibilities in the near term. In fact, the slight and transitory excess of productive capacity -- caused in large

part by increased production from the Alaskan North Slope and the North Sea, and by the aftermath of a worldwide recession -- will quickly be overtaken by continued increases in world demand. To meet such increases in world demand would require a new Alaskan North Slope every six months or a new North Sea every year and a half. It is highly unlikely that finds of that magnitude will occur -- and virtually impossible for such finds to be converted into actual production by the mid-1980s."

Toledo University  
June 1978

"In the past year, our estimate of oil availability in the middle 1980s has undergone downward revision, reflecting in particular a reduction in prospective OPEC supplies. Oil production worldwide, now running excess of 60 million barrels a day, should not be counted on to increase by more than 20 percent before reaching its practicable limits.

"If oil consumption were to increase at 4 percent per annum, as in recent years, we would have reached capacity limits before the middle 1980s. Even if the growth rate were to be reduced to 2 percent per annum--a substantial accomplishment given where we now stand--we would still reach the crunch point by the early 1990s, a period in which

we expect conventional oil production performance to peak. So the task of adjustment through greater fuel efficiency and the shift to more abundant energy sources is upon us now-- and we must effectively exploit the time available."

Speech to the Pilgrims  
Goldsmith Hall, London  
November 29, 1978

Excessive Optimism about Saudi Arabian Supplies

"I think that we have a problem in that the expectations in the West regarding Saudi production as the balancing agent for worldwide supply and demand have been excessive and that Saudi production has been regarded as a potential deus ex machina that will resolve our problems, at least in the short run, and preclude the necessity for taking stiff action in the consumer countries to conserve on the need for oil."

Press Conference  
January 24, 1978

"Since there is little additional capacity to expand production outside of Saudi Arabia, the technical capacity and willingness of the Saudis to increase production is of critical significance to the economic well-being of the entire world. Saudi Arabia has come to be regarded as an energy cornucopia. Estimates of future Saudi production,

which are pure speculation, have in recent years gone as high as 20 million barrels a day. That is sheer speculation, if not fantasy.

"We cannot realistically expect Saudi Arabia to be the world's oil panacea. At this juncture it appears that Saudi production level of 12 million barrels a day by 1985 is realistic, that would result in a total OPEC production level of 37-39 million barrels a day by 1985, compared to estimates of around 45 million barrels a day just a year ago."

Toledo University  
June 1978

#### Increasing OPEC Power

"At the present time, much of the world is dependent upon the petroleum exporting countries, of which the most prominent is Saudi Arabia, producing something on the order of 8 1/2 million barrels a day, and the totality of these countries are exporting about 32 million barrels a day. Eighty percent of the world's oil reserves are possessed by the member states of the OPEC cartel, eighty percent. And those are the oil reserves which are being most slowly used up around the world.

"The other producing states, like the United States, Soviet Union, are producing known reserves at a much more rapid rate.

"The consequence of this inevitably will be that the role of the OPEC Nations should grow greater rather than less in terms of their influence on worldwide energy prospects."

Princeton University  
April 14, 1978

Continuing U.S. Import Dependence

"When the OPEC oil embargo of 1973 occurred, United States oil imports were 36 percent of total consumption. In 1977, oil imports rose to an average 8.7 MMB/D, nearly half of total consumption, from an average of 7.3 MMB/D in 1976. Imported oil alone cost our Nation about \$45 billion in 1977. For 1978, the Department of Energy expects that oil imports will drop slightly with increases in demand offset by growth in Alaskan production. This expected drop in oil imports is temporary. It is part of a slight and transitory excess of productive capacity . . . However, increases in world petroleum demand would require a new Alaskan North Slope every six months or a new North Sea every year and a

half, and that seems very unlikely to occur. To plan our energy future on the (assumption we will continue) finding and (exploiting) such reserves would be imprudent."

Joint Economic Committee  
March 21, 1978

Economic and Political Consequences of U.S. Dependence

"If in the 1980's the demand for oil overruns what is prospective supply, we shall have a sudden price hike and one of the consequences of this will be the markets will clear indeed by a major reduction in the levels of income, output and employment, particularly in the industrial countries.

"We shall be able to say that markets did clear. The consequences, however, of such a procedure for the clearance of markets, will be escalating inflation, rapidly increasing unemployment in the way that occurred after the oil embargo of 1973-74, and balance of payments problems so intractable that we could not import the oil even if it were available at that time."

Princeton University  
April 14, 1978

"Although the world's energy future is extremely serious, it is not the only reason for the United States to take actions to reduce dependence on imported oil. The

national security implications of excessive dependence and the balance of payments impacts, coupled with the deterioration of the dollar and the fragility of the world monetary system, provide powerful reasons for a vigorous national energy effort. Many of the optimists do not even discuss these adverse effects -- or the increased burden of inflation and recession which it is taken for granted the American people will have to bear."

Toledo University  
June 1978

"If we fail to pass the test in the future, the continued pressure on the U.S. dollar will be unremitting. We will increase our dependency on foreign sources of supply. What this Natural Gas bill permits us to do by 1985 is to back out one and a half million barrels of oil per day and save us about \$12 billion in foreign exchange if OPEC continues to raise its prices modestly.

"Because of incentives in the bill will add about two trillion cubic feet of gas from production in the lower-48 States and will permit the completion of the Alaska Natural Gas Pipeline that will add almost an additional trillion feet of gas---"

MacNeil/Lehrer Report  
August 31, 1978

"Unless we are able to adjust to the potential crunch in the availability of petroleum in the 1980's, we will, I think, find unemployment rising in this country far more rapidly than after the embargo of 1973. We would find accelerating inflation and, incidentally, we would find balance of payments problems so intractable that we could not finance the importation of oil even if it were available internationally."

Economic Club of Detroit  
February 14, 1978

Global Political Insecurities in 1978

"The events of this past year have hardly been reassuring: a coup in Afganistan that is reducing that country to the status of a Soviet satellite, the murders of two chiefs of state in both North and South Yemen, and the further strengthening of Soviet influence in the latter country, the developments in the Horn of Africa with the arrival of Cuban forces and Soviet military leaders, and the subsequent treaty of cooperation. Perhaps the most dramatic of all has been the severe unrest in Iran that has shaken the entire area. The political implications of these disruptions undoubtedly exceed in importance the direct impact on prospective oil supplies."

Speech to the Pilgrims  
Goldsmith Hall, London  
November 29, 1978

Warning on Low U.S. Gasoline Stocks Before Iran

"Energy Secretary James Schlesinger is worried that surging demand for gasoline, coupled with dwindling stocks, could create a shortage in coming months, a top aide said.

"The aide characterized future gasoline availability as a very disturbing situation, adding that we are worried about the consequences. Among the possible effects, he said, could be gasoline shortages for motorists and higher imports in the third and fourth quarters.

"Accordingly, Mr. Schlesinger was said to be planning to ask refiners to increase their gasoline production. This could be accomplished simply by increasing the amount of crude oil refined. Or it could be done by refining a greater proportion of gasoline from a given barrel of crude oil and a lesser proportion of other products."

"Part of the reason for the agency's concern is that demand has been running considerably above earlier projections. In addition, gasoline stocks totaled 211.2 million, a drop from 248 million barrels a year earlier, according to the American Petroleum Institute, a trade group that compiles industry statistics."

From the Wall Street Journal  
September 1, 1978

Public Recognition of the Problem

"There is nothing inevitable about drastic energy supply/demand imbalances. Serious national peril -- can be avoided -- if we do now what we must do: take advantage of the time available to make adjustments before the day of reckoning.

"Once the American people -- all of us -- fully recognize our potential perils, we have the ability and the resolve to take the actions necessary to avert that future crisis."

Toledo University  
June 1978

III. Iran to the Present: Statements in 1979 on the Iranian Crisis and the World Oil Problem

"The recent events in Iran dramatically underscore our continuing vulnerability resulting from a growing dependence on increasingly expensive and insecure oil supplies. Overnight we have seen a five percent excess of productive capacity turn into a shortage."

Joint Economic Committee  
January 23, 1979

Early Assessment of the Shortfall

"Now we have five million barrels a day removed from world oil supplies, and as a consequence of the extended period of time I think that we must regard this as prospectively more serious than was the [1973-74 Arab] embargo itself." (Emphasis supplied)

Senate Energy Committee  
February 7, 1979

"Unquestionably, the effect of drawing down these oil inventories will be to push up spot-market prices. Most oil is, of course, not moving in the spot-market but under contract. But the effect of increases in spot-market prices may be such as to increase the price of crude."

Press Conference  
January 3, 1979

"Indeed, we will never see, I suspect, Iran's capacity come back to the level that pertained earlier, of 6.5 million barrels a day. In the middle 1980s, we are looking at Iranian capacity on the order of 4 million barrels a day, perhaps 4.5 million barrels a day."

Senate Energy Committee  
January 17, 1979

Problems with Gasoline Supplies

"Higher than normal drawdowns this winter will result in the need for a faster than normal stock buildup in the spring in order to be prepared to meet next summer's gasoline demand. If Iranian curtailments continue much beyond this spring, summer supplies will be particularly tight..."

Joint Economic Committee  
January 23, 1979

"We do have a serious problem, Mr. Chairman, and that is a shortage or a potential shortage of capacity to produce unleaded gasoline."

Senate Energy Committee  
March 12, 1979

"We note that we are in this country suffering from a drawdown of stock in the first quarter of 800,000 to 900,000 barrels a day in excess of the normal drawdown to be expected during that time of the year. And we anticipate difficulties

with regard to gasoline supply this summer unless we are in a position to rebuild stocks. We could have difficulties with heating oil next winter."

Gasmen's Roundtable,  
Washington, D.C.  
April 3, 1979

Q. Mr. Secretary, you have predicted a 5 to 8 percent gasoline shortage next summer, but officials in Iran now say they will start exporting oil in the next couple of weeks.

In view of that news from Iran, would you care to modify your prediction about the gasoline shortage?

Secretary Schlesinger: We will have to wait and see whether or not Iranian production starts up and at what point exports begin. As yet there has been no increase in production in Iran despite the fact that the workers, at least nominally, have gone back to their jobs.

The problem, I think, is twofold: First, it is not clear the degree to which the government has control of those oil fields. We hope indeed that they have sufficient influence to start production.

Secondly, we do not know when and to what extent production will come back on-stream. Until we know that better, I think that we have to be prepared to deal with whatever contingencies arise.

Q. Is it possible there will be no gasoline shortage in this country next summer?

Secretary Schlesinger: I think that it is possible, but I think that under the best of circumstances we will face a tight supply situation this summer, particularly on unleaded gasoline.

Q. What steps will be necessary to cope with the anticipated gasoline shortage?

Secretary Schlesinger: I think that we have to deal with the overall problem of oil supplies and not only for next summer, but for the entire year.

We can go on as we have been for some time, drawing down inventories, but what we are doing is borrowing against the future. If we do that too long, we will not have enough in inventory for next winter, so we must, I think, begin to adjust to more stringency in the supply of oil, and we will have to do so in the second quarter.

Meet the Press  
February 25, 1979

"We have spot shortages developing. We have inventories at very low levels for distillate. Gasoline inventories are falling. Crude oil inventories have been minimal. And it will be something on the order of 60 or 90 days before the

expanded supply of crude oil available worldwide will begin to hit our shores from the Persian Gulf. This summer, we should face some spot shortages of gasoline."

Breakfast Speech  
Washington, D.C.  
March 30, 1979

"In the case of gasoline, the effect of existing controls has been pernicious. It has been to further distort the results in the market and could well lead in the early 1980's to a shortage of new product lines such as unleaded gasoline. So we will have to make adjustments whether or not we follow the philosophy outlined by Senator Hatfield or the one outlined by Senator Metzenbaum. We cannot continue to operate on the basis of a transitory set of controls that were designed to deal with the oil embargo of 1973."

Senate Energy Committee  
January 17, 1979

"To the extent that projections for increased arrivals of crude indeed are correct, we will be in a position to ease the situation, as reflected, particularly in May. But it is the availability of crude that has been our particular problem. There has been some excess conservatism in regard to inventory policy by the refiners, understandable, perhaps,

in light of the uncertainties with regard to crude oil supply. That policy seems to be undergoing adjustment and if we can operate at 87 percent of refinery utilization rate, we should be able to have adequate supplies of gasoline this summer. We should be able to continue the build up of distillate inventories preparatory to next winter."

Press Conference  
June 7, 1979

"We are, if this trend continues, going to be in the range which would lead to an increase in refinery operations and lead to some alleviation of the present difficulties that we have faced with regard to gasoline lines, and permit the build of distillate stocks towards the target of 240 million barrels in October."

Press Conference  
June 21, 1979

#### Heating Oil Inventories -

"Our basic problem, is the possibility of an excessive drawdown. Normally speaking, the second and third quarters of each year worldwide we rebuild our stocks preparatory to the following winter. In the second and third quarters worldwide we normally add about 500 to 600 million barrels to inventories. That is at a rate of about three million

barrels a day. We must in the second and third quarters of this year rebuild our inventories for the following winter. Otherwise we would be faced next winter, at the time we started our drawdowns, with inadequate inventories.

"With Iran off the line our basic problem is that we may not be able to achieve the appropriate rate of rebuilding of inventories, and the consequence would be that we have drawdowns excessively, and we go into next winter with inventories that are not capable of standing the very large stock drawdowns that might occur at that time."

National Governors Association  
Washington, D.C.  
February 27, 1979

"Our problem, briefly, is that if Iranian production were not to come back, our opportunities for stock rebuilding during the course of the spring and summer would be substantially lessened and we would face much larger drawdowns next winter than we will have the resources to maintain."

Senate Energy  
January 17, 1979

"As I indicated the other day, we have drawdown worldwide our inventories two million barrels a day in excess of the normal drawdown for this season of the year.

This would create a problem, not immediately, because we can't continue that drawdown, but when we start our restocking operations in the spring and summer, the second and third quarters, unless we are able to restock for next winter, our inventories could be dangerously low and consequently we shall have to take measures in an association with our industrial allies that will provide us with assurance that we can get through next winter."

Senate Energy Committee  
February 7, 1979

Early Warning on Strong Measures Needed

"There are a large number of measures that we are prepared to take that can constrain demand in the United States in such a way that we may be able to get through the shortfalls represented by the Iranian developments in a less painful manner. Inevitably, there will be some pain associated with it. . . .

"I think . . . that pain in this case means adjustments. It may imply diminished use of automobiles on weekends. It may imply greater use of coal in certain areas that have resisted coal. It may require industrial adjustments for those firms that have moved away from gas since the '76-'77 winter, almost three million cubic feet of gas consumption. . . .

"I think, there is the potential here for avoiding more rigorous adjustments in American life during the course of this period of Iranian shutdown."

Senate Energy Committee  
February 7, 1979

"...by the second quarter of this year, if we have no additional information on the restoration of production from Iran we shall have to begin in this country, to take compensating actions to reserve, to stretch out our supplies of fuel."

Outstanding Young Farmers' Awards Congress  
February 23, 1979

"Some weeks ago we had the hope that Iran might come back onstream during the spring and we were prepared to drawdown inventories in a cautious way with that hope in mind.

"I think that it is fair to say, once again, that there is nothing in recent days that suggest that the slide of Iran towards chaos has been arrested, and consequently, I do not think that we would be well advised to base our policies on the assumption that Iran will be coming back onstream in the near future."

Senate Energy Committee  
February 7, 1979

Effect of Iran on World Oil Prices

"Unquestionably, the effect of drawing down these oil inventories will be to push up spot market prices. Most oil is, of course, not moving in the spot market but under contract. But the effect of increases in spot market prices may be such as to increase the price of crude."

Press Conference  
January 3, 1979

"The concern that we have, the natural concern that we all have is that the formal OPEC price may be ignored by some of the suppliers and that prices may drift upward in the direction of the spot markets, thus creating a problem with regard to financing and international trading problem, a problem for our balance of trade, although not necessarily a problem of supply.

"Such a sharp increase in price, however, would have domestic repercussions and affect input, and employment in the United States. Some of the producers have taken measures, to some extent . . . to peel off some of their production that they have been putting on the market at spot market prices to the extent that if that were to be a major development, it would tend to drive the nominal posted price up more rapidly towards the spot market price."

Senate Energy Committee  
February 7, 1979

Fragility of World Oil Supply System

"Now the embargo was not unique, nor is this set of circumstances unique. In 1976 and 1977 there was a natural gas crisis in the United States, largely because of the severity of the winter. In the winter of 1977 - 1978 we had the coal strike. In 1977 in Saudi Arabia there was the Abqaiq fire which reduced very substantially, although briefly the flow of petroleum."

"What all of this underscores is the dependence on the United States and other nations on a very complex, production and logistical system and that dependency has made us vulnerable as the system is stretched more taut, as it has been as a consequence of the Iranian shutoff, that vulnerability is increased."

"We cannot absorb any further shocks, even in the near term without reducing the prospects of going through these difficulties with some smoothness. We shall, I think be looking at the psychological repercussions to see whether indeed this will permit us to take other actions to deal with our longer term problems as well as the shorter term problems."

Press Conference  
Washington, D.C.  
January 8, 1979

"Iranian shortfall, of course, underscores the fragility of the logistical and production system on which we depend. It is not probably unique, however. All of these kinds of problems can further develop. Other countries will be concerned about the consequences of too rapid development, for example, a calculated response to what has been witnessed in Iran.

"However, underlying it all, I think, is the question of the future stability of the Persian Gulf. The Persian Gulf has been stable but the balance of power in the Persian Gulf has now changed. That change in the balance of power is noticed by all nations in the area.

"I think that we, in the United States, will have to take steps to shore up the nations around the Gulf that look to the United States for support."

Senate Energy Committee  
January 17, 1979

"One hardly need observe that the current Iranian crisis dramatically underscores our continuing vulnerability. It also would provide something of a requiem for the late-lamented oil glut, which has so rapidly disappeared from the public consciousness. The reported oil glut was but one of a set of repeatedly appearing vehicles for escapism that

suggest that somehow our emerging energy problem is not real and will consequently disappear quite painlessly.

"Five percent excess production capacity is rather slim by normal industrial standards. It has been absorbed instantly by the shutdown of Iranian production. The consequence of the removal of Iranian production from world markets is that we are drawing down inventories worldwide 2 million barrels per day in excess of the normal drawdown at this season. But the oil glut, as a form of escapism, is matched by the view three years ago of China as an oil giant and the view today of Mexico delivering us from our energy problem.

"If we are lucky and there are no further threats to the security of supply, either for transitory political or more fundamental geostrategic reasons, we shall be facing by the middle or later 1980's a condition in which ex ante demand overtakes supply and prices are driven up and/or markets are balanced by a reduction in income, output, and employment. This is the condition which we must either alter or delay. Slower economic growth tends to delay the day of reckoning. Events, such as those in Iran, tend to bring it closer."

National Association of Petroleum  
Investment Analysts  
New York, N.Y.  
January 9, 1979

"We live in a period unquestionably in which the long term and the short term are beginning to merge. Short term problems have been brought on specifically by events in Iran, but the longer term problems imply difficulties long before we had this particular episode.

"We have recognized, all of us I think, that the capacity to increase petroleum production worldwide will not be in the future what it has been in the past and that we are likely to approach a plateau of the petroleum availability in the years immediately ahead."

National Petroleum Council  
Washington, D.C.  
March 8, 1979

"We expect that the supplies, the capacity of OPEC in the middle 1980's will be -- we thought that it would be 37 to 39 million barrels a day, somewhat in excess of present capacity. All of the evidence that we have seen in recent months is that OPEC capacity is likely to be on the low side of that figure, perhaps as low as 36 million barrels a day and that the difficulties we face as a consequence of decisions that have been taken by individual countries with regard to the investment activity in additional capacity, and as a consequence of the dramatic events in Iran, will be that OPEC capacity will be reduced.

"Indeed, we will never see, I suspect, Iran's capacity come back to the level that pertained earlier, of 6.5 million barrels a day. In the middle 1980's we are looking at Iranian capacity on the order of 4 million barrels a day, perhaps 4.5 million barrels a day."

Senate Energy Committee  
January 17, 1979

"In the middle 1980's the world will reach a point where its ability to increase oil production will have come pretty close to the ceiling and, as a consequence, unless we begin to bend away from oil and towards some other fuels, we will begin to have a faltering of the world's economy.

"Iran brings that day of reckoning a little closer because Iran will never come back to the level of production that applied prior to this political upheaval. I doubt that you will see more than three and a half, four million barrels of oil produced a day from Iran in the year ahead and may be more or less permanently. We will lose some of Iran's capacity permanently, and that also affects what will be available in the 1980's.

Chamber of Commerce, Pittsburgh  
January 26, 1979

The Dangers of Public Apathy

"I think that our difficulty in the past, putting aside some skepticism in the press, our difficulty in the past in developing a sense of urgency has been that we have had a crisis, a chronic crisis, which was not accompanied by a visible shortage.

"The impact of the Iranian situation I think will be to bring home to increasing numbers of Americans -- not only the longer term problem but the necessity of taking prudent actions now if we are to avoid mandatory actions later on this year in the event that cut-off continues. By contrast, if one were as we hope to see a quick restoration of production I doubt that we will attain that sense of urgency."

Press Conference  
Washington, D.C.  
January 3, 1979

Q. Mr. Secretary, you've been calling on the American people to conserve now for two years, ever since you've been on this job, and it must seem like you're pushing on a string sometimes. Do you have any faith that the American people will finally get the message?

Secretary Schlesinger: I think that we have circumstances somewhat different from those that have existed before. Quite obviously, democracies do not like to hear bad news, and in the past, we have had a crisis or potential crisis without a visible shortage. What we have now is a very clear signal from abroad; an event

that has the potential for being cataclysmic in political terms, but certainly affects our oil supply. I think this may be more effective in getting the attention of the American people.

Face the Nation  
Washington, D.C.  
January 7, 1979

"We are, at this juncture, operating substantially below last year's level in terms of consumption of petroleum products. While there is a great debate in the United States whether or not the oil shortages are real or whether they were contrived by some mysterious force, I think that the message is getting through to the American people. In their visceras, in their hearts they know there is a problem. And I think that will be reflected not only in the ability to squeeze down on anticipated growth--and we have had that in recent years--but also in a more accepted, a logical political approach to the problem."

IEA  
May 1979

"The longer public disbelief lasts, the longer will be the delay in facing up to solving the Nation's energy problem and the longer will be the period in which we have

an unnecessary degree of political bickering in this country."

Press Conference  
June 21, 1979

The Success of Conservation

"Energy conservation has been one of the great successes. Two years ago, at the time the President's Energy Plan was published, it was suggested that the emphasis on conservation was too great, and that may be true in a relative sense, but the emphasis on conservation itself, the need to convey in an atmosphere in which it was believed that there was a lock step relationship between the growth of GNP and the growth of energy supplies, in that atmosphere it was necessary to place great emphasis on the fact of fuel efficiency, that it was attainable.

"It was reflected, I think, most notably in the performance of industry. Industry keeps a fairly sharp pencil about energy prices. What we have noticed in recent years is that the growth, the coefficient of energy growth, compared to GNP growth is now down to about 0.5. It was for a decade or more about 1.0--a very sharp reduction. We are almost as low in that regard as the Japanese, doing somewhat better than Western Europe.

"Energy efficiency comes through the alteration of economic incentives through the achievements of the more effective use of energy, of greater output, greater of energy input; all of that is welcome. It will not really lead to the disintegration of the economy."

International Association of Energy  
Economists  
Washington, D.C.  
June 4, 1979

The Long Term Energy Problem

"I will state quite categorically that we will continue to have the worldwide crude oil problem; that unless we, as a Country in association with other industrial countries, face up to the limitations on the availability of crude by measures that either are energy efficient or assure more abundant resources, that we are going to be in very serious trouble. That faces the prospects of declines in income, in output, in employment, which is a manner of saying we face the possibility of a recession. Unless we, and the rest of the industrial world, are more successful in moving towards coal, we are not going to make it during the 1980's. The energy problems will become increasingly serious."

"That we will not have sufficient energy supplies in the 1980's to permit our economy to function at a fairly high level of employment and that, as a consequence, we will

have severe economic difficulties in this Country that may have severe repercussions. We will not be able to sustain on a worldwide basis the levels of prosperity that we have enjoyed during the last decade and, notably, since World War II.

"That will depend on excess supplies of energy. Oil is not going to be available in increasing quantities to the degree required and we must, therefore, turn to alternative sources that are available."

Press Conference  
June 7, 1979

"The shortage, let me repeat, is real. The companies in no way can be held responsible for the basic shortage that the United States faces. We have urged the companies in the face of the shortage, to take certain actions which some of them regard as unpalatable or inconvenient, in order to ameliorate the conditions that are created by that shortage."

"It is tempting, I suppose, too easy to write stories or headlines that suggest that the problem is readily to be resolved or that it is a result of some culpable action on the part of a particular company or the industry in general or by the Government.

There will be differences with regard to judgement, as to what should be done, but this in no way suggests culpability for a problem that originates overseas. I know that it is tempting in these difficult times when the public is aroused, for political figures to suggest that there is some kind of magic wand that can be waved and eliminate all these problems. But it is not, I think, the most effective way, nor the American way to face up to the difficulties that we face."

Press Conference  
June 21, 1979