

meeting confided that the rest of the Administration is "at best luke warm to the idea... they are not against it (ENCONO), but it doesn't appear that they will support it openly." Energy czar James Schlesinger, who reportedly gave Rohatyn and Co. assurances two weeks ago that he would come out and back their plan, has, according to at least one source, backed off from that commitment. Schlesinger is reported now to be "leaning toward Rockefeller's plan... he always was more favorable to Nelson's ideas about national planning..."

There is no indication that the overwhelming majority

of the American population — including businessmen — want anything to do with either Rockefeller's EDC or Rohatyn's regional road to fascism.

"It is all a big trick, like someone trying hocus pocus," said one Rohatyn-linked spokesman referring to Rockefeller's scheme. "He is trying to fool people into thinking that he's got something new when all he has is the same old failure, one that bombed out before. Do you really think that people are that stupid..." He might as well be speaking about Rohatyn's "dipsy doodle" as well.

Nelson Rockefeller: \$100 Billion For Starters

Nelson A. Rockefeller, speaking "as a private citizen," appeared before the Senate Finance Committee on Sept. 13, 1977. Excerpts of his testimony are printed below.

...When your Committee's invitation to testify arrived, I responded with enthusiasm because we are in a serious energy crisis—a crisis such as we have never before faced as a nation.

President Carter in his dramatic talk to the nation and in his message to the Congress set forth the energy perils that beset us. He sent up a program for enactment, emphasizing the essentiality of conservation. President Ford before him warned the country of the critical situation confronting us and offered an "energy independence" program calling for both conservation and increased domestic energy production. But a recent public opinion poll finds that the majority of Americans still do not believe there is a crisis.

Nevertheless, the danger is very real. Like so much danger, it is not self-proclaiming. It does not buzz when we drive our car. It does not sound an alarm when we flip the light switch or turn on the television.

But it is there—making us depend on foreign oil for fifty percent of our needs—and thus more vulnerable to another boycott, which under these circumstances would paralyze our economy. It is there in the inadequate supplies of natural gas that stopped factories and chilled homes last winter. It is there feeding inflation, depreciating our dollar and complicating our return to economic recovery and fuller employment.

My own insights into the energy problem were sharpened by my experience as Governor of the state of New York and by my chairmanship of the Commission on Critical Choices for Americans. The Commission, composed of forty-two leading citizens of both parties, and from various walks of life, established its first panel on energy. In the course of the panel's deliberations and the studies it developed, it became clear that America faced an unprecedented and steadily-growing vulnerability in energy.

This vulnerability is at the heart of our crisis—a crisis that can alter, indeed even destroy, our way of life and the promise of America for a better life for all its people, unless we meet it wisely and in time.

It has become evident, also, that to deal with the continuing emergency, conservation of energy is vitally

important but that conservation alone could not do the job. America must produce far more energy within its own borders if it is to have a growing economy. America must produce far more energy if it is to keep its present employment and job opportunities. America must produce far more energy if it is to provide increased income for thousands who are striving to improve their standard of living for themselves and their families. America must produce far more domestic energy to ensure its national security as well as its economic strength.

More energy, rather than less, is essential to clean up our waters, to restore our lands, to purify our air and to ensure the health and well-being of Americans.

To accomplish this, it is essential that encouragement be given our present energy enterprises to utilize their resources and ingenuity. It is essential to give the energy industry incentives and confidence to put capital into new technology, to advance the state of the art of existing technology, and to move on a large enough scale to assure results in production, processing and distribution of energy.

There are more than the usual risks involved. First, new technologies are untried and unproven. Second, advanced processes, developed in laboratories and pilot projects, must be employed on a mass production basis. Third, costs must be determined and prices established. To do these things requires major risks. Accordingly, for the energy industry to undertake them, some sort of governmental stimulus and assistance is necessary.

The big questions are these: How do we have government help but not dominate? How do we get the government in to help and then get the government out when its help would no longer be needed? We have an excellent model in the Reconstruction Finance Corporation. That agency—under the able direction of Jesse Jones—did a tremendous job for the nation in the depression and war years. And when its job was done—and done well—it closed up shop.

I'm here today to recommend a similar agency to help get the energy production the nation very much needs. I believe that an Energy Development Corporation should be one of the essential features of the national energy legislative program your Committee presents to the Senate.

We have in this country a unique situation—Vast

energy resources, and extraordinary scientific, technical and managerial skills in a multitude of enterprises in the private sector—some corporate and some individual. Because of the uncertainty of government policy and regulating; because of the high cost of new production of domestic energy; and because of uncertainty as to future prices of energy; we find ourselves in a situation in which this creative talent is not mobilized.

This has put the whole energy industry in a quandary. It cannot tell whether the investment in a new energy project has any reasonable chance of success. So it's simpler just to buy foreign oil at OPEC prices. I therefore recommend the creation of an independent, Government-owned RFC-type corporation to share in the risks of financing the essential domestic production, processing and transportation of energy in all its different forms.

The proposed corporation would have a limited life span of ten years, and would be overseen by an independent, non-political five-member Board of Directors appointed by the President, none of whom would be government officials. Management authority would be vested in the Chairman of the Board who would be the Chief Executive Officer of the Corporation. The corporation would have resources of \$100 billion to provide loans, loan guarantees, price guarantees, equity investments, or other financial assistance to the private sector for promising energy projects unable to obtain financing in the private market. Such financial assistance would be provided only when private capital is not available to carry a project along, and when a project is vital to achieving our national energy goals from domestic sources. The loans, guarantees, or other commitments would be recovered by the Government, and would be used in conjunction with private sector financing whenever possible....

By achieving the necessary rate of domestic energy production much of the \$40 billion now going abroad each year for oil could be spent instead in the U.S.—resulting in one million to two million more jobs for American workers.

How to achieve this increased domestic production

While our domestic production of oil and natural gas have been declining, the U.S. has large untapped reserves of gas and oil and huge reserves of coal and oil-bearing shale, with many times the energy potential of all the proven reserves of oil in the Middle East. We also have great potential for increased nuclear power generation.

With appropriate economic incentives, these sources of energy can be developed and utilized to increase our domestic production of energy while protecting our environment and thus achieve energy self-reliance.

Why government participation is necessary

It is estimated that well over a trillion dollars of capital investment will be required during the next ten years in order to meet our energy needs. Private financing for some of the most promising new sources of energy has been extremely difficult if not impossible to obtain. Projects, such as uranium enrichment plants, energy parks, shale oil extraction, or synthetic fuel plants have been too large or technologically risky to secure adequate private financing.

Regulatory and technical uncertainties add to the present risks which deter private investment. Without Government participation, many projects which would produce substantial amounts of energy will not be undertaken.

But the mere fact that a project involves risks which exceed those the private sector can take does not mean that the project is certain, or even likely, to lose money. Some investments are too large for the private sector to handle alone. Others, while inherently sound, may involve long lead times or regulatory delays which discourage private sector investment....

What kinds of projects EDC could help finance

It is contemplated that the proposed corporation would concentrate on the following types of new projects:

- Commercialization of new technologies, not now in widespread domestic commercial use, to produce, transport, or conserve energy (e.g., synthetic fuels);

- Commercial development of technologies essential to the production of nuclear power (e.g., uranium enrichment);

- Production and transmission of electric power generated by non-oil and non-gas sources (possibly floating nuclear plants, geothermal plants);

- Expansion of conventional modes of energy production or transportation, where the undertakings are of such size or scope that they would not otherwise be financed by the private sector, or where the projects involve institutional or regulatory arrangements which are not in widespread use (e.g., coal slurry lines);

- Commercial application of environmental protection technologies necessary in connection with the types of activities described above.

EDC is not Government takeover of the energy industry

Above all, it must be emphasized that the Energy Development Corporation is designed to help increase energy production by the energy industry, not to take it over. The Corporation's activities would be strictly limited to a financing role, and it would not be permitted to own or operate energy facilities for more than limited periods. In addition, EDC would be required to liquidate its investments and so go out of business in 10 years, thus ending Government's role even in financing.