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STATEMENT OF
ELMER B. STAATS
COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE SUBCOMMITTEE ON ENERGY,
CONSERVATION AND NATURAL RESOURCES
COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity of appearing before you today to discuss the work of the General Accounting Office (GAO) in areas where this Subcommittee has oversight responsibility. Today, I will stress our efforts in the energy area and then briefly describe some of our efforts in the natural resources and conservation areas.

There is a growing consensus that a national energy policy which will significantly change our patterns of energy consumption from those of the 60s and 70s is needed. Any such policy will likely contain five basic assumptions:

- The United States can no longer maintain historic energy growth patterns.
- Increased production from conventional domestic sources will take years to develop.
- New unconventional domestic energy sources will take even longer to develop.
- Reliance on imported oil must be reduced.
- Energy conservation is essential.

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In response to congressional inquiries, we developed a package of energy proposals which encourages energy conservation, reduces imports using a quota system, increases domestic energy supplies, and provides necessary petroleum reserves. We are submitting this material and supporting analyses for the record.

A significant result of our analysis is our conclusion that the United States is likely for the next several years, to have to increase its reliance on oil imports even if it implements strong energy conservation measures and intensifies efforts to develop new domestic supplies. Under such circumstances, it is essential that the Nation develop an energy policy which clearly signals the American public and the exporting nations its serious intention to curb its appetite for energy.

We continue to favor establishment of a Department of Energy and Natural Resources. This is not a new proposal, but it is more important today than ever before. In spite of growing problems in this critical area of national concern, there is still no single focal point in either the executive or legislative branches for dealing with energy.

Rather than delay in debate over which agencies should make up a Department of Energy and Natural Resources, we propose that the Department consist initially of only three key entities--the Department of the Interior, the Federal Energy Administration, and the Energy Research and Development Administration. The President would be directed to propose additional organizational changes to further consolidate energy and natural resources activities.

GAO has issued numerous energy-related reports in fiscal years 1974 and 1975 (See Attachments). We also have identified priority lines-of-effort for the purpose of guiding GAO's energy work. Effective Government action in each of these areas is important for the resolution of the Nation's energy problems. We discuss below four of these which we think are of particular interest to this Subcommittee.

Collection and Analysis
of Energy Data

Collection and analysis of energy data under arrangements which are credible in the public's eyes are essential prerequisites to broad public acceptance of any energy policies developed by the Federal Government.

Over a year ago we completed a study of "Actions Needed to Improve Federal Efforts in Collecting, Analyzing, and Reporting Energy Data" for the Chairman of the Senate Interior and Insular Affairs Committee. That study identified 45 bureaus, offices, divisions, or administrations of 17 different departments or agencies which were significant collectors or users of energy data. We concluded that there was a need for significant improvements in Federal energy data collection and analysis.

The Federal Energy Administration (FEA) has since assumed the role of focal point for energy data collection in the Federal Government. FEA is now collecting and analyzing a considerable amount of energy data. However, this does not seem to have had a substantial effect on energy data collection activities of other agencies. If anything, many other agencies have increased their data collection activities. Improved coordination of Federal energy data collection is still needed.

Energy Conservation

All major energy studies now agree that energy conservation must be a cornerstone of national energy policy. The 4.5 percent average growth rate of the late 1960s and early 1970s no longer appears feasible. Indeed, even a much lower rate of growth in energy demand coupled with a continuation of the decline in domestic oil and natural gas production appears likely to force increased reliance on imported oil in the years immediately ahead. Most major energy policy studies of the last year assumed a future growth rate of 2 to 3 percent.

Energy consumption actually declined by about 2 percent in 1974. This decline apparently resulted from a combination of our general economic problems, the oil embargo, and energy conservation actions.

While there is agreement on the need for energy conservation, there is disagreement over how to achieve it. The Administration would largely rely on voluntary actions--for example, its agreement with major automobile manufacturers for voluntary improvements in engine efficiency--and on the increased prices resulting from taxes on imported crude oil and natural gas. Others, including GAO, would urge a combination of mandatory conservation programs, incentives for conservation, and price increases on selected products, such as gasoline.

In general, the Federal Government can influence energy conservation in two ways: First, by the example it sets as a consumer of energy; and second, by bringing its influence to bear on the private sector through selective adjustment of its programs and policies.

We are currently involved in studying the effectiveness of energy conservation programs at some 75 Government installations around the country. The Government has a still greater opportunity to influence private sector energy conservation through its procurement of goods and services and its regulatory and other policies. We have continuing efforts ongoing in these areas as well.

Federal Role as a Proprietor of Energy Resources

Most undeveloped energy resources in the United States belong to the Federal Government, including the oil and natural gas resources on the Outer Continental Shelf, the Naval Petroleum Reserves, western coal, oil shale, uranium, and geothermal resources.

The Department of the Interior has mapped an ambitious program for leasing tremendous additional acreage on the Outer Continental Shelf, including frontier areas in the Atlantic, Pacific, and Gulf of Alaska. Consideration also is being given to additional coal leasing, although there is evidence that exploration and development efforts have lagged on the coal lands already under lease.

Within the last year, the General Accounting Office has undertaken a broad investigation of Federal leasing policies and practices for oil, gas, and coal. Our initial efforts have focused on the Outer Continental Shelf. We have issued one report and have another close to issuance.

The first report entitled "Outlook of Federal Goals to Accelerate Leasing of Oil and Gas Resources on the Outer Continental Shelf" was issued March 19, 1975. We are submitting a copy of that report for inclusion in the record.

In the report we focused on the circumstances under which Interior's accelerated "10 million acre" leasing goal was developed, its relationship to the Project Independence effort, and constraints which can be expected to hinder accomplishing such an accelerated leasing program.

Throughout most of 1974, the Interior Department vigorously supported a stated goal of leasing 10 million acres of OCS lands in 1975. Several frontier OCS areas were potentially targeted for lease as part of that plan.

In our judgment, the far-reaching implications of such a leasing goal, both with respect to the direction of future energy resource development and potential environmental consequences, made it one of the most critical policy decisions in the 20-year history of Federal OCS leasing. Yet, we found that the goal was hastily conceived by Interior policy officials under pressures exerted by the energy crisis without adequate data or adequate consideration of several major factors, and despite opposition from Interior's program personnel.

Interior officials now say that Interior no longer has a 10 million acre leasing goal. They state that emphasis is on production and opening up frontier areas as quickly as possible by proceeding expeditiously with the preparatory steps for six proposed lease offers in 1975. What concerns us most with this change, Mr. Chairman, is that Interior has not shed any light on what the magnitude of the leasing program might be. No new acreage goals were announced and the rationale for holding six sales in 1975 rather than some other number remains a mystery.

We do not see how it is possible to conduct a rational leasing program without setting reasonable goals of where to lease, when to lease, how much to lease--with some preliminary estimates of how much oil and gas to expect from development of the leases.

Our second report, now with Interior for comment, focuses on the adequacy of the Federal Government's program for deciding where to lease potential oil and gas resources, and at what dollar value. In summary terms, the principal problem which the Government faces in its tract selection and valuation program is that it has neither enough resource data nor the capability to evaluate the data it has. Interior's proposal to lease millions of acres more of OCS lands has compounded the problem by necessitating further abbreviation of the valuation process to meet workload demand. In this situation, the Government is not in a position to reasonably insure the integrity of the valuation system.

We recognize that many factors in the tract selection and valuation process cannot be quantified with certainty, but we believe that the Federal Government could do much to improve the process. Some of the improvements we are proposing could also be expected to result in more timely resource development and better use of scarce industrial resources. We are proposing that the Secretary of the Interior:

1. Undertake a Government financed geophysical and geological exploration program, which would include selective test drilling (stratigraphic) for each OCS area prior to leasing. Data gathered through the program should be available to the public.

2. Schedule lease offers at a frequency which will permit Interior's Geological Survey to adequately consider geotechnical data in its OCS valuation program.
3. Improve the economic analysis used in the valuation program by establishing procedures requiring periodic assessment and adjustment of economically sensitive factors on the basis of the most current information available.
4. Establish a test program to evaluate, offer, and lease geologic structures as opposed to the present practice of leasing tracts. The program should require unitization of exploration and development activities. Interior officials appear to have some questions as to whether they have adequate legal authorization to lease entire structures and we are looking into this further.

We are continuing to do work in the OCS area and in the near future we plan to issue a report on Interior's environmental studies program. This year we also expect to issue reports comparing Federal OCS leasing policies and practices and onshore oil, gas, and coal arrangements. We believe this perspective will be particularly enlightening, because it permits rather direct comparison of separately developed Federal policies, procedures, and legislation for fossil fuels.

Energy Research and Development

For years, Federal energy research and development was virtually synonymous with atomic energy. In fiscal year 1973, about 68 percent

of the Federal energy research and development dollar went to atomic energy. The remaining funds were largely spent trying to develop other new sources of energy. Almost none of the research dollar has gone into conserving energy.

The new Energy Research and Development Administration (ERDA) is charged with developing a balanced program. We will closely monitor ERDA's activities, with particular emphasis on the mechanisms which ERDA, FEA, the Nuclear Regulatory Commission, and others develop to insure coordinated efforts.

GAO currently is looking closely at the Liquid Metal Fast Breeder Reactor Program--the Nation's highest priority energy research and development project. Escalating costs, schedule slippages, and concern over safety and environmental problems have made this program increasingly controversial. Over the next several weeks we intend to issue:

- a report summarizing the past, present, and future of the program from the vantage point of the program manager.
- a report on the status of the Clinch River Breeder Reactor Demonstration Plant, a vital step in present development plans.
- an issue paper which discusses the key issues--economic, safety, environmental, and social--relative to the breeder program.

NATURAL RESOURCES AND CONSERVATION

Without going into great detail, I will briefly describe some of GAO's work in the natural resources and conservation areas. Reports issued over the last 2 years and major work underway are listed in the attachments. We are prepared to discuss these areas more fully in response to questions or in a later separate session if you desire.

Natural Resources

In the natural resources area, let me comment briefly on some of our work in the minerals and timber areas.

In a July 1974 report, we reported the need to modernize the 1872 mining law to encourage domestic mineral production, protect the environment, and improve public land management. We recommended, among other things, legislation which would:

- establish an exploration permit system on the public lands, and
- establish a leasing system for extracting minerals from public lands.

Our work on Federal forestry activities pointed to actions the Forest Service could take to meet the growing demand for timber, including the need for the Forest Service to intensify its reforestation and timber stand improvement programs on a backlog of 18 million acres of deforested or overstocked national forest land.

Conservation

Much of our environmental protection work has been concerned with the Environmental Protection Agency's (EPA) implementation of the 1972 amendments of the Federal Water Pollution Control Act, including a GAO study of Federal water pollution research and demonstration activities mandated by the 1972 amendments. Much of our current work is directed toward the key question of how the cost of controlling water pollution--the States have estimated the cost of meeting 1983 water pollution goals at \$350 billion--might be reduced, including the potential for cost reduction through better planning, the use of value analysis in the design of treatment plants, and improved construction management.

We are looking into research activities related to the effects of air pollution on health and the environment--this research forms the basis for setting and revising air pollution standards. Also, we have current or recently completed work relating to improving use of solid wastes to conserve resources and create energy and EPA's administration of its pesticide responsibilities.

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In closing Mr. Chairman, let me say that this Subcommittee's oversight responsibilities are in areas that will be vital over the next few years. We appreciate the opportunity to review our work with you and members of the Subcommittee and we will be glad to answer any questions.

GENERAL ACCOUNTING OFFICE
REPORTS ISSUED DURING
FISCAL YEARS 1974-75 ON
ENERGY
NATURAL RESOURCES
ENVIRONMENT

ENERGY-RELATED REPORTS
ISSUED FISCAL YEARS 1974 AND 1975

<u>Title</u>	<u>B-Number</u>	<u>Date</u>
A Summary of European Views on Dependency of the Free World On Middle East Oil	B-178334	8-29-73
Survey of the Potential for Energy Conservation in Federal Office Buildings in California	B-178205	9-12-73
Energy Conservation in Federally Insured Homes	B-114860	1- 3-74
Issues Related to Foreign Sources of Oil for the United States	B-179411	1-23-74
*Actions Needed to Improve Federal Efforts in Collecting, Analyzing, and Reporting Energy Data	B-178205	2- 6-74
*Follow-up on Certain Matters Concerning the Inspection and Regulation of Outer Continental Shelf Oil Operations	B-146333	2-26-74
*Information on Progress in Staffing the Federal Energy Office	B-178205	3-18-74
Efforts being made in the Federal Government to Conserve Fuel in the Movement of Men and Materials	B-178205	3-29-74
Progress and Problems in Developing Nuclear and Other Experimental Techniques for Recovering Natural Gas in the Rocky Mountain Area	B-164105	4- 2-74
*Receipt and Coordination of Natural Gas Reserve Data	B-178912	4-30-74
*Interim Report on the Use of Presidential Executive Interchange Personnel with Oil Industry Backgrounds by the Federal Energy Office	B-181013	5- 3-74
*Review of Complaints Concerning the Mandatory Petroleum Allocation Program and the Regulation of Petroleum Pricing	B-178205	5- 3-74
Energy Efficiency Ratios of Window Air-conditioners Available for Purchase of Federal Agencies Under Fiscal Year 73 GSA Contracts	B-132396	5-28-74

*Congressional Request

ENERGY-RELATED REPORTS
ISSUED FISCAL YEARS 1974 AND 1975

<u>Title</u>	<u>B-Number</u>	<u>Date</u>
*Information on Energy Efficiency of Nuclear and Other Fuel	B-178205	5-28-74
DOD's Requirement for Air-conditioning Military Family Housing in Hawaii is Unnecessary	B-172376	5-20-74
*Review of a Drilling Contract Award Relating to Naval Petroleum Reserve No. 4	B-66927	5-30-74
Pacific Northwest Hydro-Thermal Power Program-- A Regional Approach to Meeting Electric Power Requirements	B-114858	6- 5-74
*Information on Certain Oil and Gas Industry Oversight Responsibilities	B-146333	6-17-74
*Review of Selected Federal and Private Solar Energy Activities	B-178726	6-18-74
*Report on the Use of Presidential Executive Interchange Personnel with Oil Industry Backgrounds by the Federal Energy Office	B-181013	6-24-74
*Evaluation of the Cost of Living Council's Actions on Petroleum Price Increases	B-178205	6-24-74
*Information Relating to Oil and Gas Leasing on Federal Lands	B-178205	7-12-74
Survey of the Manpower Needs of the Nuclear Power Industry and AEC's Efforts to Help Meet Those Needs	B-164105	7-22-74
*Problems in the Federal Energy Office's Implementation of Emergency Petroleum Allocation Programs at Regional and State Levels	B-178205	7-23-74
*Survey of Federal and Electric Utility Procurements of Power Equipment	B-174317	8- 1-74
*Congressional Request		

ENERGY-RELATED REPORTS
ISSUED FISCAL YEARS 1974 AND 1975

<u>Title</u>	<u>B-Number</u>	<u>Date</u>
Energy Conservation Practices Being Encouraged by State Utility Commissions and Public Utilities	B-178205	8-15-74
How Federal Agencies Can Conserve Utilities and Reduce Their Cost	B-178205	8-17-74
*Domestic Crude Oil Pricing Policy and Related Production	B-178205	8-19-74
*Need for Improving the Regulation of the Natural Gas Industry and Management of Internal Operations	B-180228	9-13-74
*Information Relating to the Department of the Interior's Leasing of Minerals on Public Lands	B-164613	9-19-74
Survey of Security Systems at Commercial Nuclear Powerplants	B-164105	10-16-74
*How Solar Energy was Treated in the Atomic Energy Commission Chairman's Report "The Nation's Energy Future"	B-178205	10-18-74
Review of Contractor's Energy use and Conservation Programs	B-178205	10-29-74
*Possible Curtailment of Electric Power Services to TVA Customers Because of a Coal Shortage	B-114850	11- 4-74
Survey of efforts being made in the Federal Government to Encourage and Effect Energy Conservation in the Private Sector	B-178205	11-12-74
*Possible Conflict of Interest Problems at the Federal Energy Administration	B-178205	11-12-74
*Update of Federal Efforts to Conserve Energy	B-178205	11-14-74
*Problems in the Federal Energy Administration's Compliance and Enforcement Effort	B-178205	12- 6-74
*Operating Cost and Environment Radiation Monitoring at the Shippingport Atomic Power Station	B-164105	1-13-75
*Congressional Request		

ENERGY-RELATED REPORTS
ISSUED FISCAL YEARS 1974 AND 1975

<u>Title</u>	<u>B-Number</u>	<u>Date</u>
*Use of Consultant Services and Related Procurement Activities at the Federal Energy Administration	B-181013	1-17-75
Federal Coal Research--Status and Problems to be Resolved	B-182859	2-18-75
*Department of Defense's Conservation of Petroleum	B-178205	2-24-75
Using Solid Waste to Conserve Resources and to Create Energy	B-166506	2-27-75
*Review of the Staffing Level of the Federal Energy Administration's Office of Communications and Public Affairs	B-181254	2-28-75
Problems in Identifying, Developing, and Using Geothermal Resources	B-178205	3- 6-75
Outlook for Federal Goals to Accelerate Leasing of Oil and Gas Resources on the Outer Continental Shelf	B-118678	3-19-75
*Staffing of FEA's Compliance and Enforcement Program	B-178205	3-31-75
*Problems of Independent Refiners and Gasoline Retailers	B-178205	4- 4-75
*Congressional Request		

NATURAL RESOURCES REPORTS
ISSUED FISCAL YEARS 1974 AND 1975

<u>Title</u>	<u>B-Number</u>	<u>Date</u>
Increased Use of Felled Wood Would Help Meet Timber Demand and Reduce Environmental Damage in Federal Forests	B-125053	7-30-73
More Usable Dead or Damaged Trees Should be Salvaged to Help Meet Timber Demand	B-125053	10- 5-73
*Follow up on Actions Taken to Implement the Recommendations on our Report "Need to Resolve Difference in Procedures Used by Federal Timber Management Agencies in Appraising Timber Offered for Sale in the Departments of Agriculture and the Interior, B-125053, December 29, 1966"	B-125053	10-30-73
*Suggestions for Improving Allowable Harvest Determinations on National Forests	B-125053	1- 7-74
More Intensive Reforestation and Timber Stand Improvement Programs Could Help Meet Timber Demand	B-125053	2-14-74
Modernization of 1872 Mining Law Needed to Encourage Domestic Mineral Production, Protect the Environment, and Improve Public Land Management	B-118678	7-25-74
*Need to Direct Cooperative Forestry Programs Toward Increasing Softwood Sawtimber Supplies	B-125053	10- 8-74

*Congressional Request

ENVIRONMENT-RELATED REPORTS
ISSUED FISCAL YEARS 1974 AND 1975

<u>Title</u>	<u>B-number</u>	<u>Date</u>
*Federal and State Efforts to Control Water Pollution caused by Acid Drainage from Mines	B-177011	8/14/73
Assessment of Federal and State Enforcement Efforts to Control Air Pollution from Stationary Sources	B-166506	8/23/73
Improved Federal and State Programs Needed to Insure the Purity and Safety of Drinking Water in the United States	B-166506	11/15/73
Research and Demonstration Programs to Achieve Water Quality Goals: What the Federal Government Needs to Do	B-166506	1/16/74
Pesticides: Actions Needed to Protect the Consumer from Defective Products	B-133192	5/23/74
*Research and Demonstration Grant to Lancaster, Pennsylvania	B-166506	8/13/74
*Review of the Automobile Fuel Economy Testing and Labeling Program	B-166506	8/15/74
*Questions on the Safety of the Pesticide Maleic Hydrazide Used on Potatoes and Other Crops Have Not Been Answered	B-133192	10/23/74
*Federal Environmental Data Systems	B-177222	11/22/74
*Implementation of Federal Water Pollution Control Act Amendments of 1972 is Slow	B-166506	12/20/74
Cleaning Up the Great Lakes: United States and Canada are Making Progress in Controlling Pollution From Cities and Towns	B-166506	3/21/75
*Congressional Request		

MAJOR ONGOING GAO WORK

ON

ENERGY

NATURAL RESOURCES

ENVIRONMENT

MAJOR ONGOING GAO ENERGY-RELATED WORK

<u>Assignment</u>	<u>Anticipated Completion Date</u>
Survey of the Federal Resource and Reserve Data Base for Oil, Oil Shale, Gas, Coal and Uranium	6/75
Review of Contractors' Energy Conservation Programs	6/75
Potential for Increasing the Availability and Sale of Federal Hydroelectric Capacity	12/75
*Review of Navy's Management of its Petroleum Reserves	9/75
*Review of the Curtailment Activities of Natural Gas Pipeline Companies	6/75
*Review of International Agreements for Peaceful Cooperation in Nuclear Energy	12/75
Review of the Reasonableness of the Clinch River Breeder Reactor (CRBR) Cost and Schedule Estimates	4/75
The Liquid Metal Fast Breeder Reactor--Past, Present and Future	4/75
Major Issues Regarding the Development and Commercialization of the Liquid Metal Fast Breeder Reactor	4/75
Survey of the Nation's Solar Energy Research, Development, and Demonstration Program	9/75
Review of Energy Conservation Measures at Government Field Installations	12/75
Survey of ERDA's Energy Conservation Activities	9/75
*Follow-up Review of AEC's Inspection Program for Commercial Nuclear Reactors	4/76
*Congressional Request	

MAJOR ONGOING GAO ENERGY-RELATED WORK

<u>Assignment</u>	<u>Anticipated Completion Date</u>
*Review and Analysis of the Project Independence Evaluation System	9/75
Problems in Assessing the Social and Environmental Impact of Energy Resource Development in the Rocky Mountain Area	10/75
Review of OCS Tract Selection and Valuation Practices and Implications of Accelerated Leasing Program	4/75
Review of Federal Coal Leasing Policies and Practices	5/75
Review of Policies and Procedures for Administering Leases of Energy Resources on Federal Lands and OCS	5/75
Survey of the Establishment of ERDA under the Energy Reorganization Act of 1974	6/75

*Congressional Request

MAJOR ONGOING NATURAL RESOURCES-RELATED WORK

<u>Assignment</u>	<u>Anticipated Completion Date</u>
*Effectiveness of Bureau of Indian Affairs' land management activities on three reservations in South Dakota	4/75
Opportunities for increasing effectiveness of federally assisted business and commercial development efforts on Indian reservations	5/75
Survey of issues and problems relating to Forest Service allowable harvests	9/75

*Congressional Request

MAJOR ONGOING ENVIRONMENT-RELATED WORK

<u>Assignment</u>	<u>Anticipated Completion Date</u>
Review of Water Pollution Control Planning	10/75
Review of the Operation and Maintenance of Municipal Waste Treatment Plants	10/75
*Potential of Value Analysis for Reducing Waste Treatment Plant Costs	5/75
Opportunities for Reducing Costs of Controlling Water Pollution Through Improved Management of the Construction Grants Program	12/75
*Federal, State, Local, and Public Roles in Constructing Waste Treatment Plants	5/75
*Review of EPA's Research Activities Relating to the Effects of Air Pollutants on Health and the Environment.	6/75
Survey of Utilization of Wastes from Animal Feed Lots and Food Processing Activities	6/75
Review of the Effectiveness of EPA's Pesticide Registration and Tolerance Programs	10/75
*Review of EPA's Implementation of the National Pollutant Discharge Elimination System (Permit Program)	6/75
*Congressional Request	