Energy Insider by William Engdahl

Synfuels, reserves and Bradley

The synthetic fuels boondoggle, the Strategic Petroleum Reserve, and the Senator from the New York Knicks have one thing in common—they're all wet.

This past week, Congress and our esteemed President made into law the $88 billion nightmare known as the Synthetic Fuels Act of 1980, a little-noticed amendment requiring the U.S. government to resume feeding the so-called Strategic Petroleum Reserve (SPR) has compounded the nightmare.

The medium and long-range economic implications of this legislation are staggering. The act allocates $20 billion over the next fiscal year to establish a U.S. Synthetic Fuels Corporation, a $3.1 billion bank to fund energy conservation and solar power, a $1.4 billion biomass program (such "frontier" technology as burning wood chips and feces), and the SPR revival.

Jimmy Carter refers proudly to this bill as the "key" to his national energy program. The target is 500,000 barrels of "synfuels" by 1987, and 2 million barrels by 1992. The new corporation can spend up to $88 billion over the next five years in a combination of purchase guarantees, direct loans and loan guarantees for private development of a black muck called shale oil, from the mining, crushing and heating of a shale rock called marlstone.

The world's largest known concentration of this shale lies in a 17,000 square mile section of Colorado, Utah and Wyoming estimated to contain a potential 600 billion barrels, maybe 200 billion recoverable. The U.S. now consumes 7 billion barrels of oil per annum.

Sound good? On the contrary. Massive federal tax monies will go into Western rocks, when we are swimming in far cheaper and more efficient oil and gas resources, and nuclear technology.

What is the logic of our Congressmen? They just passed the largest single tax in history, $227 billion over ten years to be taken from wellhead production of crude oil. Shrewdly misnamed the Windfall Profits Tax, this will ensure *loss* of an estimated 840,000 barrels per day because independent oil producers, who do the bulk of exploration, can't pass on the cost. But instead of exempting the independents, the same gang of Congressmen adopt synfuels to add back maybe 500,000 barrels some years from now at an astronomical cost relative to the gas and oil the independents could provide cheaply, and immediately, in greater quantity.

The synfuels strategy was designed by the multinational oil companies and Aspen Institute strategist John Sawhill, now number two man at the DOE, who want to restructure the American economy for zero-growth, and intend to use high-cost energy as the choke point. That's why Congress refused to guarantee any plowback of this tax "windfall" for domestic oil production, to say nothing of the few billions that ought to be spent on nuclear energy development.

Perhaps to emphasize the no-energy character of the synfuels bill, New Jersey's ball-bouncing liberal Senator, Bill Bradley has teamed up with Louisiana's Bennett Johnston to add an amendment. The amendment revives the stupid geopolitical strategy of Henry Kissinger—the so-called Strategic Petroleum Reserve—which Carter energy secretary Schlesinger inflated in 1977 to a goal of pumping one billion barrels of federally purchased oil into salt domes.

Bradley's amendment requires the government to purchase 100,000 barrels of oil per day from the Elk Hills field in California, now part of the Naval Reserve. It will take four years to reach 250 million barrels, at a cost to taxpayers probably in excess of $2 billion per year.

Bradley's move makes no sense except as a provocation designed to get the Saudi Arabians to reduce production. Last summer, Saudi oil minister Sheikh Zaki Yamani warned that if the U.S. resumed its strategic reserve policy, the Saudis would cut back production by a million barrels per day. If Bradley's little provocation does trigger a Saudi production cut, it could intersect what my sources in the oil industry predict will be a near-term collapse of the Qadaffi regime in Libya. The ensuing chaos in that nation would probably knock out Libya's 1.2-2.0 million barrels per day in oil production. The combined impact would trigger Jimmy Carter's Standby Emergency Gasoline Rationing, and given the condition of the U.S. economy, it could trigger irreversible depression.

Who will then produce the capital goods Exxon will need for the trillion dollar synfuels strategy?