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ENERGY ALTERNATIVES FOR THE 80'S

The Dire Predictions

According to many economic analysts, the procurement of energy will be the number 1 problem of the next decade, either because of supply shortages or inflationary price hikes. Last year the price of imported crude oil doubled from \$12 to \$25 per barrel, while spot market prices soared to an unprecedented \$40 per barrel. It does not require much imagination to see that oil and gas price increases, both wholesale and retail, were a major contributor to last year's 13.3 inflation rate which reduced the real income of American workers.

Unfortunately, there are no painless cures such as a quick technological breakthrough to allow us to reduce our dependence on oil. It is expected that it will take twenty years before the use of solar energy or synthetic fuels will have a major effect. Meanwhile, we are left with these alternatives: more intensive conservation, expansion of coal, natural gas and/or nuclear energy, and further use of increasingly expensive imports.

The Effects of Deregulation

While it is in the public interest to increase domestic supplies and encourage investment in energy research and exploration, the current national policy of decontrol of natural gas and oil prices to stimulate private investment has had a destabilizing influence. The oil companies are receiving their windfall profits at the direct expense of the consumer, who is being subjected to weekly leaps in gasoline prices accompanied by exorbitant utility bills. Compared to a year ago, Americans are now paying 50% more for heating oil, over 300% more for natural gas and almost double for vehicle fuel. On the other hand, the major oil companies reported increased earnings of 50 to 100% for the last year. Exxon's reported 55% profit gain of 4.29 billion dollars will place it ahead of General Motors as the world's largest industrial corporation. Texaco had a record 106% jump in 1979 earnings--which will be a direct bonus to its stockholders, since the company has announced an increase in dividend payments.

It is true that some of these profits will be offset by the windfall profit tax, but the real issue is how much of this tax will filter back down to the commuters and low-income families who struggled to pay for the necessities of heating and gasoline fuel. In addition, increasing large oil companies' profits does not insure that the domestic energy investment necessary to prevent shortages will be undertaken. One wonders how much of these record-breaking profits will be used for corporate mergers and acquisitions of firms not involved with the production of energy. Profits can also be used for foreign investment or for investment in unsafe alternatives such as nuclear energy. In short, decontrol has and will continue to fuel the inflationary fires and will decrease workers' income while increasing that of oil company stockholders.

Are there Workable Solutions?

A more efficient and less harmful approach to insuring energy supplies would be to nationalize the oil companies and provide for state ownership of the private

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utilities. Such a step would rationalize the allocation of energy resources, eliminate price-gouging in the oil industry, and allow planning according to foreseeable public needs. However it is apparent that nationalization is not very likely as a course of action in the near future. Therefore, what follows is a list of feasible steps which could reduce the likelihood of blackouts and spiraling prices.

1. As advocated by the AFL-CIO, an Energy Independence Authority could encourage, guide and fund the development of new energy sources with more discretionary power than has been proposed for the Energy Security Fund. Also this agency should have sole power to determine oil imports and prices, so that the distribution of foreign oil for the U.S. would be taken out of private speculators' hands.

2. There should be increased federal investment in safe alternative sources such as solar, wind, geothermal, gasohol, liquification, etc. Additional coal production should be publicly debated with consideration given to environmental hazards.

3. The U.S. should diversify its foreign supply lines, with more attention paid to the energy resources of neighbors like Mexico.

4. Federal regulatory agencies must require strict enforcement of conservation policies, including mandatory guidelines for utilities on the following issues:

- a) time-differentiated rates for utility customers to induce savings during peak periods of the day;
- b) mass distribution of energy cost indicators (devices which record the cost and usage level for a household instantaneously);
- c. further implementation of space heating and air-conditioning load control programs;
- d. co-generation by utilities where feasible to provide for the efficient use of industry's waste heat;
- e. stricter appliance and housing energy efficiency standards.

Recently, utility companies have drastically increased their requests for rate hikes. This is not only to cover increased fuel costs but also to cover the capital costs incurred in building additional coal or nuclear plants. Such rate increases should not be automatically approved in response to threats of blackouts or insufficient supply. Future demand for energy is not an independent force driving supply; instead it can be drastically reduced by sufficient conservation measures. In fact, due to the cutbacks in usage that have already occurred predictions for 1990 have been revised downward by almost a third. State public utility commissions must require that extensive conservation and load reduction methods be undertaken in line with the guidelines suggested above.

In Summary

Relying on private investment by the oil companies to meet America's future energy needs is inefficient, will not guarantee supply, and will redistribute national income in favor of large corporations. Secondly, federal energy agencies need more independence and funding to develop alternative sources such as solar and to secure oil imports. And finally, conservation can make a big difference in the next decade if strict guidelines are enforced for all groups: appliance manufacturers, building industries, utility companies and consumers.

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