

JUNE 20, 1979

Office of the White House Press Secretary

THE WHITE HOUSE

PRESS BRIEFING

BY

SECRETARY JAMES SCHLESINGER,
DEPARTMENT OF ENERGY

AND

STUART EIZENSTAT,
ASSISTANT TO THE PRESIDENT FOR DOMESTIC AFFAIRS AND POLICY

The Briefing Room

12:40 P.M. EDT

MR. EIZENSTAT: Secretary Schlesinger will be joining us in a few minutes. He is briefing some interest groups in the Family Theatre. As soon as he finishes that, he will arrive to do the details of the briefing and he will answer questions.

The President is presenting today what we consider to be the first basic charter for solar energy development for America's future. It is the result of a year-long effort under the Domestic Policy Review System with the Department of Energy having served as the lead agency and with the study having been chaired by Secretary Schlesinger. It involves a very wide agency participation. Over 30 departments and agencies participated and there was, likewise, very wide public participation, 12 regional hearings were held. An interim study was released in September for public comment. Over 2,000 oral and written comments have been received both to that interim study and during the process of this whole review.

In addition, we have held various meetings and briefings with interest groups throughout this year. This amounted to the first government-wide effort to examine the prospects of solar energy in a thorough-going way, to examine the technology, to examine what the Federal Government was doing and could do to encourage the promotion of solar energy.

A very fundamental tenet and conclusion of the Domestic Policy Review Study embodied in the President's announcement is that solar energy is a here-and-now technology. It is not simply an exotic wish for the future. Many of the technologies are now available. They are commercially feasible. They can be more widely used. There are others for which the technology exists and they need a commercial subsidy and, of course, there are still others that are still in the research and development stage. But the point is that there are significant parts of the solar spectrum which are available now, which are being used, which need to be used more extensively.

The benefits of moving toward what the President has described as a 20 percent national goal for the use of solar by the year 2000 -- and we mean by solar, both solar and other renewables -- is, we think multiple. First, it provides greater energy security from ever-more expensive foreign oil. Secondly, it is environmentally safe, it is clean, it has no toxic waste, no disposal problem, it does not pollute the air or the water.

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Thirdly, it provides a significant and important legislation against inflation in energy costs because once the basic investment in a solar energy system is made, the cost of the fuel for all time thereafter during the useful life of that system remains constant. This is obviously particularly important at a time when we are getting exponential increases in foreign oil costs.

Fourth, it will be a major job creator across a wide spectrum of the manpower scene. It uses both skilled and unskilled labor.

Fifth, it helps reduce many of the institutional conflicts which exist both within our own government and between the government and the private sector for many other energy technologies -- siting problems, problems of waste, and so forth, do not exist here as they do with respect to other technologies.

In addition to setting a 20 percent goal, the President's program sets forth the path to reach it. It stresses the fact that it is an ambitious goal and one achievable only if, and to the extent that we have--in addition to the increased Federal effort that is evident in this program, we have cooperation from the private sector, in terms of acceptance, greater acceptance from the public, efforts by State and local governments on things like housing codes, on the speed with which technological breakthroughs on things such as photovoltaics, to convert solar directly to electricity, can be made, and ultimately on the price of crude oil, cause an important determinant in the commercialization, the ability to commercialize solar on a rapid basis beyond the solar water heating, which is now quite commercially competitive, will depend on all of the factors I have mentioned and will depend also significantly on the cost of competing fuels, particularly the price of crude oil.

In announcing what the Federal Government will do to encourage the development of solar energy, a number of steps are outlined in the message and in the fact sheet which, I take it, you have, perhaps the most novel of which, the most interesting of which is a new national solar bank, which is described in detail in the fact sheet. It would be funded at an annual level of \$100 million.

We indicate in the fact sheet that initial funding would commence in fiscal 1981 if, however, there are adequate revenues in an energy security fund to be funded through the windfall profits tax, and we would be able to speed that up to fiscal year 1980, if that eventuality occurred.

We estimate that over 100,000 new and retrofitted solar units, both residences and commercial structures, would be financed through the bank during its first year of operation. This is somewhat similar to the Neal and Morgan bills now in Congress. It differs in a few ways. It has a different governing body. Ours has a public governing body, theirs a private. We have flexible interest rates set by the Bank Board; theirs is fixed. We think it is important to have flexible interest rates to accommodate to the changes in energy and fuel costs; and, thirdly, we make it clear that our bank should be funded out of the revenues generated by the windfall profits tax and fed into a energy security fund.

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In addition to that, we are announcing several new tax credits; one, a 20 percent tax credit up to a total of \$2,000 per home for new homes built using passive solar design. This has been a major request of those involved in the solar community for years. Now not simply for active solar energy systems installed, but for the design through a so-called passive system which takes into account the way in which a building is designed for heating and cooling, a tax credit will be provided. This provides a significant new incentive for cost-effective designs and materials for new homes with solar design.

In addition, the President has previously indicated that where it is available, the Federal auto fleet should begin using it.

We are increasing our planning target for solar development in fiscal 1981. The budget we are now concerned with developing by \$100 million and we are committing to an expenditure range for fiscal year 1980 of over \$1 billion to support a whole range of Federal Government activities, including the tax credits I have mentioned, certain existing tax credits and a strong Federal research and development program with emphasis on photovoltaics, the wind energy systems, biomass conversion, advanced passive designs and many others.

On page 2 of the fact sheet, we provide a comparison of the expenditures from fiscal year 1978 through fiscal year 1980 for solar and you can see there is almost a tripling of Federal expenditures for solar energy.

In choosing the national solar goal, 20 percent, we recognize the fact that today solar and other renewable resources, including high head hydropower installations, account for roughly 6 percent of our current energy need. We have made the 20 percent goal premised on \$32 a barrel price assumption, which is the price assumption that the interagency group recommended; that is, \$32 a barrel in 1977 dollars by the year 2000.

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We also are assuming, I think the assumption will bear up under scrutiny, that that is premised on a use of 25 quads of energy by the year 2000. The balance of the fact sheet describes each one of the proposals, including the proposal for the solar bank and the tax credits in some considerable detail.

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In addition to that, we increase by 15 percent up to 20 percent the existing investment tax credit to encourage the use of solar technology to provide processed heat for use in industry and agriculture. This, again, would add to the existing credit which we do not think is high enough to give a significant enough boost to that technology. Therefore, we are increasing it by 15 percent.

We also would propose a new 15 percent tax credit for the purchase and installation of air-tight wood burning stoves in principal residences and we limit it to principal residences so it cannot go into second homes and vacation homes. To encourage the development of gasohol, we would provide a permanent exemption for gasoline-alcohol mixtures from the current four cent Federal gas excise tax. There is currently an exemption which runs through 1984. We have determined, as part of this study, that that is an insufficient incentive to encourage the construction of the plants necessary to do the research and the development of gasohol. This would provide a permanent exemption.

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We also are assuming, I think the assumption will bear up under scrutiny, that that is premised on a use of 95 quads of energy by the year 2000. The balance of the fact sheet describes each one of the proposals, including the proposal for the solar bank and the tax credits in some considerable detail.

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It also describes existing programs, some of which will be accelerated. We have tried, in addition to major legislative initiatives, such as the one I have mentioned, to literally look across the government to see if there are any incremental efforts that can be made on an agency-by-agency basis and many of those are set out. Perhaps one that deserves flagging is described on page 14 of the fact sheet under which EPA, which now has a system which allows States to offset pollution from existing sources to bank and save those in response to the DPR recommendations, EPA will allow those pollutions savings from the conversion to solar energy by existing plants to be offered as an offset. And there are many other efforts by the Small Business Administration, TVA and others which will be accelerated.

I might also mention, just to put this in context, that we see this fitting into a three-part energy policy. Part 1, which is well along the way, is having a clearly understood, clearly mandated pricing policy for our major existing resources, oil and natural gas. Prior to our Administration, there were no clear rules, they were dependent on administrative action. It was unclear in terms of what was going to happen from month to month, dependent on administrative action with respect to the price of natural gas and crude oil. Because of the National Energy Act, there is now a clear price pattern for natural gas and because of the administrative actions we have taken on diesel control, a clear price pattern for crude oil, both of which will be going over a clearly defined schedule to world prices.

This will lead to increased conservation, increased production, and it will make technologies like solar more competitive. Solar cannot be competitive as long as we have an artificial set of controls, keeping down the actual market value of crude oil. If crude oil is controlled at \$5.80 a barrel when its real value is three times that, then technologies like solar, which we are going to be so dependent on in the future, can't get off the ground.

The second part of that policy is conservation. The National Energy Act establishes incentives and penalties for conservation. Conservation -- we have tried to build on that by things such as thermostat controls, voluntary action, and we are continuing to do so.

And, thirdly, is the acceleration of alternate technologies. This is where this program fits in. We will, through the vehicle of the windfall profits tax and the Energy Security Fund, be able to double the \$3-1/2 billion this Nation is spending on research and development for alternate technologies and through programs such as the solar program greatly accelerate the development of solar and many other available technologies.

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Dr. Schlesinger, I believe, is here and can continue.

Q Can you answer a question about the fact sheet of the system on the roof?

MR. EIZENSTAT: Val Giannini will answer the questions about that, if you want to get to that now. Why don't we have Jim do that and then Val will take questions.

SECRETARY SCHLESINGER: I am not sure precisely what to add to Stu's overview with regard to the DPR. As all of you know, the DPR was commenced as a result of the Presidential decision on Sun Day, May 3, 1978. It was presented to him last fall for review and the decisions that are announced today reflect his judgments with regard to where the United States can go over the course of the next 20, 21 years, and, in addition, reflect a commitment on the part of the Federal Government.

The goal that has been announced is an ambitious goal. The achievement of 20 percent of our total energy supplies by the year 2000 will require far more than a Federal effort. This is not akin to a man on the moon kind of program which the Federal Government essentially can handle the problem on its own. It will require support by State and local governments, facilitating activities, removal of impediments. Generally speaking, the biggest problem that we face in the solar energy area is the establishment of a fashion, the establishment of a habit of mind that looks at solar energy as a lively possibility so that it begins to move down into use by the American society at large rather than being an exotic curiosity which it has been to a considerable extent to this time.

The solar energy goal of 20 percent by the year 2000, one must recognize, reflects technical and economic uncertainties. At this juncture, we cannot provide a precise path to achievement of that goal. If one were to look back 25 or 30 years with regard to the development of the computer industry in this country or the introduction of jet aircraft, one would not at that time have projected so rapid an introduction of either of these new technologies. What we have in this case is a similar degree of technical and economic uncertainty.

On the other hand, one must recognize that just as those projections of 25 or 30 years ago might well have been in error if they had been based upon conservative judgments, similarly today, given the technical economic uncertainties, we may count, I think, on technical breakthroughs and improved economic performance that will carry us toward that 20 percent goal.

The other items that deserve emphasis are the improved package of financial incentives, including the solar bank, which Stu has described, and the reinvigoration and strengthening of the Federal Government's own programs. This, as far as the latter is concerned, is kind of a milestone.

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We have been engaged during the course of the last six months to nine months in the strengthening of our R&D programs. John Deutch, Acting Under Secretary of the Department of Energy, is here, and will be pleased to answer any questions you have with regard to those programs, but we believe the research and development programs are soundly based, and as we look out to the years ahead, they will be further strengthened.

I should point out that we have solar activities in various parts of the government. HUD, DOD has responsibility. We will be establishing a subcommittee of the Energy Coordinating Committee so that the Federal Government's activities overall can be thoroughly coordinated. I think that the underlying point that we all must recognize is that as we move into the 21st century, and the supply of fossil fuels continues to be depleted, we have no choice but to make greater use of renewable technologies. This represents the dedication by the President and will be reflected in the dedication of the solar unit here at the White House in something like three-quarters of an hour. I think that is sufficient.

Q Mr. Schlesinger, is there a comparable figure to the 20 percent goal for 2000 for nuclear energy?

SECRETARY SCHLESINGER: I think that we had a number in the National Energy Plan for nuclear power in the year 2000. That would be, what was it, on the order of 250 gigawatts, 300 gigawatts at 3500 barrels per day. It is on the order of 10 percent, I would think. Ten percent on nuclear at that time.

Once again, estimates of nuclear power, particularly in the wake of the uncertainties created by Three Mile Island, are subject to uncertainty as well.

Q Mr. Secretary, various studies by the Department of Defense and by FEA have pointed out how much the Federal Government could do to lower the cost of photovoltaic solar by aggressively buying these units and using them in places of military installations, so forth. On page 23, it indicates that \$16 million is going to be spent by the end of this year to begin installing photovoltaic projects. I wanted to ask you what your recommendation was for Federal purchases of solar equipment, not only next year, but in the years ahead, and whether you think that this proposal that is being issued today goes far enough in that direction?

SECRETARY SCHLESINGER: The strategy with regard to photovoltaics has got to be carefully designed, and the mass purchase of the photovoltaics has to be optimal in time. If the mass purchase starts at too early a point, we risk the freezing of technologies at a level that they are not sufficiently cost effective, ultimately to be introduced into mass use.

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If, by contrast, we were to delay such purchases too long, we would not have the appropriate boost for the photovoltaic industry. At this point, photovoltaics cost something on the order of \$10 per megawatt. We hope to get that down soon to the range, reasonably soon, into the range of \$2 per megawatt. Our ultimate goal is 50 cents per megawatt or below.

At this stage, however, a mass purchase of photovoltaics would result in a freezing of the technologies prematurely.

Q To follow up --

MR. EIZENSTAT: Let John finish.

MR. DEUTCH: In addition to the \$15 million which is referred to in the fact sheet, let me point out the day before yesterday, the Department of Energy announced \$22 million worth of photovoltaic demonstration projects throughout the country ranging from Beverly, Massachusetts, to Fort Worth-Dallas Airport. You can't just look at the Federal photovoltaic procurement, but everything we are doing in the photovoltaic demonstrations. I believe the sum, if you add up the demonstration projects along with the Federal procurement buyer, is substantially in excess of \$15 million.

Q I did have a follow-up on that. Do you regard this, I assume, as an adequate commitment at this point?

SECRETARY SCHLESINGER: Yes, indeed. I think it is more than an adequate commitment. It is an ambitious commitment on the part of the President. It is going to take active effort on the part of everybody in this society to reach the 20 percent goal.

Q Is it not, however, a commercialization program at this point?

SECRETARY SCHLESINGER: It is a --

Q For photovoltaic?

SECRETARY SCHLESINGER: Let me stop you there. We have a range of technologies, some are cost effective, some are near cost effective, some we have aspirations to be cost effective early in the 1980s. Some will come in later on and will begin to add to our supplies beyond the year 2000. We do not want to commercialize prematurely. Those elements of the overall solar program which are cost effective today are being boosted along by tax credits and the like.

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SECRETARY SCHLESINGER: That, I think, is not correct. We will start up the Bank as soon as the legislation passes and the funds are available from the Energy Security Fund.

MR. EIZENSTAT: I made that statement in my opening remarks. If we get the additional funds from the windfall tax --

Q Why do you say 81 here?

SECRETARY SCHLESINGER: That will be the first full year we anticipate. But if we get the funding earlier than that, of course, we will have partial activities during FY 1980.

Q Stu, even if the tax passes, isn't there another possible pitfall? Suppose the Congress re-shapes your proposal on the Energy Security Fund so there is not enough money set aside for energy development to pay for this package, will you at that point make up the difference elsewhere?

MR. EIZENSTAT: Again, that is a hypothetical which is unlikely to occur because it is clear the Congress wants the bulk, the great bulk of the funds from the windfall tax to go into energy development. Our fight is not going to be to keep it in energy development, it is going to be to keep a small part of it in aiding low income people and aiding mass transit, not to keep it going in the energy development. That is the least of our problems.

SECRETARY SCHLESINGER: I think that is a low risk possibility. Any examination of Congressional behavior in recent years does not suggest any desire to underfund solar activities.

Q Mr. Secretary, how do you plan to respond to the House resolution of last week asking for demonstration or proof that there is in fact a gasoline shortage?

SECRETARY SCHLESINGER: This session has been limited to discussion of the solar energy package. Generally speaking, however, we will provide all the materials that the House will require in this area.

Q Mr. Schlesinger, how do you respond then to complaints from solar advocates that neither HUD nor DOE wants a Solar Loan Bank, why is it being placed then in HUD?

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SECRETARY SCHLESINGER: The reason that the Solar Bank is being placed in HUD is that the primary residential and commercial building activity responsibility and the great volume of Federal expertise lie within that department. I think the existence of a Bank, the endorsement by the President, the request for legislation all very clearly point to the fact the Administration is solidly behind it.

MR. EIZENSTAT: I would also like to comment, the shape of the Bank, as it came out, was a joint recommendation of all the agencies participating, including HUD, and, in my experience in 2-1/2 years, I can't think of a program the Department of Housing and Urban Development has turned down that will go into its department. (Laughter)

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Q Is that a serious answer?

SECRETARY SCHLESINGER: That is a very serious answer. I think if you are looking at a discounted cash flow of 12 percent or thereabouts, no, it is not cost-competitive. If you look upon it at a lower interest rate, discount rate, the sort we have used for many dams and public works in this country, then it becomes cost-competitive. But the emphasis, I think, with regard to the facility

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Q Mr. Secretary, how much money can possibly come out of this Energy Security Fund? As you know, there is all this legislation in Congress for shale oil and synthetic fuels, the Administration has generally felt a lot of that ought to be funded out of the energy security fund. Now you are talking about solar, is there really going to be enough money in this fund to pay for all these things without going into the regular budget revenues?

SECRETARY SCHLESINGER: I think the answer to that, of course, depends upon the expectations with regard to world energy prices. If, in the near future, OPEC is broken and energy prices decline, then there may be a shortfall of funding. That is not a prospect that I think is very likely. The funding should be ample.

Q Mr. Secretary, have you set any interim goals? Twenty percent by the year 2000, most of us will have forgotten it by then. Have you set any goals for 1985 or anything that we can pin you down on a little more in the foreseeable future?

SECRETARY SCHLESINGER: I think, as Stu mentioned earlier, we are producing about six quads at the present time. We will go back and look at the pace of introduction. In part, the pace of introduction of these technologies depends upon an increase in world energy prices until these technologies become cost-effective, as the price of oil rises. At this juncture, many of these technologies are not cost-effective, therefore, cannot be expected to be rapidly introduced with the exception of such things as passive solar, solar hot water heating, and the like. As energy prices rise, these solar technologies become marginal.

We hope to see industrial processed heat substantially introduced in the -- for general, industrial and commercial use during the 1980s. I do not know precisely the time. That is the first segment, I think, of major expansion of solar energy in the total energy budget to be provided by direct solar. Hydropower, biomass, of course, are already in our energy budget and will be speeded up by this legislation. We expect to see rapid introduction of low-head hydro. It is now cost-competitive.

We have, in the department, surveyed, I believe, a thousand sites which are, indeed, cost-competitive. The 15 percent tax credit for wood burning stoves should lead to increased use immediately of wood as a way of holding down fuel bills and of avoiding oil imports.

Q Do you have any figures on what the average cost --

Q Do you consider the system on the roof to be cost-competitive today? The fact sheet implies there are now savings which will grow in the future.

SECRETARY SCHLESINGER: That depends on the discount rate that you want to apply.

Q Is that a serious answer?

SECRETARY SCHLESINGER: That is a very serious answer. I think if you are looking at a discounted cash flow of 12 percent or thereabouts, no, it is not cost-competitive. If you look upon it at a lower interest rate, discount rate, the sort we have used for many dams and public works in this country, then it becomes cost-competitive. But the emphasis, I think, with regard to the facility

is that this is symbolic of the national commitment here at the White House to the introduction of solar technology in the United States. Quite obviously, the solar technologies, the solar hot water system will be more rapidly introduced on new buildings rather than old buildings, such as the White House.

MR. EIZENSTAT: I think it is fair to say in broader perspective, hot water systems are, in many parts of the country quite competitive right now today.

Q That is what I was going to ask you about. To help us relate this to people who are going to be reading the stories we write, do you have figures on how much it would cost now to put on an average, what the average cost would be for residential solar units and also for wood burning stoves? Does anybody have --

SECRETARY SCHLESINGER: I don't know what an average solar unit is. You can buy them boxed for \$990 or thereabouts. The larger units, the more capable units, of course, increase in cost. A typical solar unit will provide you something on the order of 70, 80 percent of hot water requirements. You may have to supplement it.

THE PRESS: Thank you.

END (AT 1:17 P.M. EDT)