

The national scene . . .

# DOE executive paints gloomy oil outlook

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Jack O'Leary, the deputy secretary for the Department of Energy, has quit his post but some of the messages that he left at the Western Governor's Conference at Sun Valley recently should be taken with grave consideration.

O'Leary, the No.2 man in the DOE next to scholarly James A. Schlesinger, faced a hostile audience with the governors but he handled himself well in the exchanges.

Particularly vitropic against O'Leary were Govs. Victor Atiyeh of Oregon, Dixy Lee Ray of Washington, Thomas Judge of Montana and Jay Hammond of Alaska.

Substantially, O'Leary said the petroleum situation will not get any better and likely will get worse in the next decade.

O'Leary stoutly defended himself against charges by the governors that the DOE has sent out confusing and unnecessary directives regarding the worsening petroleum situation.

He contended the government had been very clear in telling the nation about the critical gasoline situation. He explained the federal government has now devised a program which is forcing refineries to give more accurate data on supplies.

He repeated the phrase "if you think there is a conspiracy, there is," explaining the oil-producing OPEC nations are restricting oil production to keep the prices high, even though they don't need the money. He predicted OPEC will keep oil production at 30 million barrels per day, and maybe drop to 28 million.

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Significantly, O'Leary made a strong point on nuclear energy. He deplored the fact that a strong vocal opposition is restricting the development of nuclear power. As a result, he said, the nation is producing far less nuclear power than formerly anticipated.

For example, he said, this nation will produce only 100,000 megawatts of nuclear power by the end of this year, rather than 285,000.

Miss Ray lashed O'Leary for failure of the federal government to adequately develop nuclear power. She contended the nuclear power industry's



Jack O'Leary

accident record is excellent, but agreed local minority groups are delaying nuclear production.

"We support nuclear energy as a viable option," said the fiery Miss Ray.

She then touched on the main cause for nuclear power development delays, saying utilities have taken such a beating on nuclear power they are reluctant to invest for more expansion.

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O'Leary contended there is a shortage of crude oil, but there are plenty of refineries in the world. He noted refiners are operating at 85 percent capacity in the U.S. and 60 percent in Europe, mainly because of the crude oil shortage.

Thus the announcement this week that Saudi Arabia will "substantially" raise crude oil

production comes as a pleasant surprise. The report indicates Saudi Arabia would increase its daily production from 500,000 to 1 million barrels a day.

O'Leary predicted the price would raise from \$14 per barrel to \$30 to \$40. Since then it has jumped to more than \$20 and additional increases are indicated.

O'Leary and the governors agreed synthetic fuel, other energy alternates and conservation programs are needed.

O'Leary is a career professional and his departure is obviously to serve as a scapegoat for Schlesinger. Most agree that Schlesinger rather than O'Leary should have left.

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One of the more optimistic reports comes from the latest edition of the DOE Weekly Petroleum Status.

This report states that domestic demand for a recent four weeks average totals 17 million barrels daily in the United States, or 6.2 percent lower than a comparable period in 1978 and 0.1 percent below the same period in 1977. This indicates people are voluntarily conserving oil and gasoline use.

The report said demand for the same four weeks was down 7.1 percent as of May 25, from the same period in 1978. Petroleum stocks was placed at 7.9 million barrels, up 8.9 percent from 1978.

The latest DOE Monthly Energy Review state domestic energy consumption as of February, 1979, total 7 quadrillion BTU (British Thermal Units), or 1.5 percent above February, 1978 and 7.4 percent above February, 1977.