

REMARKS OF SENATOR DOLE

37th ANNUAL MEETING
KANSAS INDEPENDENT OIL AND GAS ASSOCIATION
REGAL INN
WICHITA, KANSAS
THURSDAY, SEPTEMBER 12, 1974

AS THE 93d CONGRESS ENTERS ITS FINAL WEEKS, IT COULD WELL BE CALLED THE "ENERGY CONGRESS". AT LAST COUNT, NEARLY ONE HUNDRED MAJOR ENERGY-RELATED BILLS HAD BEEN INTRODUCED IN THE SENATE. I WANT TO EMPHASIZE THAT THIS NUMBER ONLY INCLUDES THE MAJOR BILLS AND THAT THERE ARE ADDITIONAL SCORES OF MINOR BILLS AND AMENDMENTS. THE NUMBER OF BILLS IN THE HOUSE OF REPRESENTATIVES IS EVEN GREATER.

2.

MISGUIDED POLITICIANS

THE STORY OF ENERGY LEGISLATION IN CONGRESS IS THE STORY OF A CONTINUING FIGHT AGAINST POLITICAL OPPORTUNISTS. THE FULL ACCOUNT INVOLVES THE ATTITUDES AND TACTICS OF SOME SENATORS AND CONGRESSMEN WHO -- GIVEN THE CHOICE BETWEEN THE PUBLIC INTEREST AND POLITICAL OPPORTUNISM -- HAVE REPEATEDLY SET THEIR OWN NARROW AMBITIONS ABOVE THE NATION'S INTEREST OF HAVING A SOUND NATIONAL ENERGY POLICY.

THESE POLITICIANS ARE THOSE WHO ADOPT SIMPLISTIC OR EXTREME POSITIONS IN ORDER TO ATTRACT HEADLINES AND MEDIA COVERAGE. THESE ARE POLITICIANS WHO LUMP ALL PETROLEUM PRODUCERS TOGETHER -- MAJORS AND INDEPENDENTS -- AND BRAND THEM INDISCRIMINATELY AS RECIPIENTS OF SOME ILL-DEFINED "WINDFALL PROFITS", AS IF THEY WERE SOME TYPE OF CRIMINALS.

3.

THESE POLITICIANS HAVE SOUGHT TO DESTROY THE PROFIT INCENTIVE OF THE OIL INDUSTRY. THEIR GOAL HAS BEEN OSTENSIBLY TO MEET THE INTERESTS OF CONSUMERS AS ESPOUSED BY SOME MISGUIDED MEMBERS OF THE PUBLIC MEDIA AND SOME SHORTSIGHTED CONSUMER GROUPS. THE PRODUCT HAS USUALLY BEEN GOOD FOR GETTING HEADLINES BUT ADVERSE TO THE LONG-TERM INTERESTS OF CONSUMERS IN HAVING AN ADEQUATE SUPPLY OF PETROLEUM PRODUCTS.

CONSUMER INTEREST

THIS IS NOT TO SAY THAT CONSUMERS DO NOT HAVE A SHORT-TERM INTEREST. ALL OF US ARE CONSUMERS, AND WE ALL KNOW THE EFFECT OF SKY-ROCKETING PRICES ON ELDERLY PEOPLE AND OTHERS WHO HAVE FIXED AND LOW INCOMES.

4.

BUT A MODERATE COURSE OF ACTION CAN AND MUST BE WORKED OUT. IT REQUIRES SOUND AND CAREFUL LEGISLATION IN THE HOUSE OF REPRESENTATIVES AND THE SENATE FINANCE COMMITTEE. OUR EFFORTS THERE MUST CONCENTRATE ON MAINTAINING THE VITALLY IMPORTANT INCENTIVE FOR DOING WHAT YOU DO BEST -- EXPANDING OIL AND GAS PRODUCTION.

WE MUST AVOID WHAT SOME LIBERALS IN CONGRESS HAVE ALREADY ATTEMPTED TO DO -- SMEAR THE NAME AND IMAGE OF THE ENTIRE INDUSTRY, INCLUDING INDEPENDENT PRODUCERS -- WITH A BLANKET ACCUSATION OF VAST AND IMPROPER PROFITS AT THE EXPENSE OF CONSUMERS AND THE SOCIETY AS A WHOLE.

5.

INCENTIVES ARE VITAL

IN MY ACTIONS AS A MEMBER OF THE SENATE FINANCE COMMITTEE, MY EFFORTS HAVE BEEN BASED ON MAINTAINING THE INCENTIVE TO EXPAND PRODUCTION. THIS INCENTIVE IS VITAL TO ENDING THE SHORTAGE OF PETROLEUM PRODUCTS AND WITHOUT IT THE INDEPENDENT PRODUCERS IN KANSAS AND OTHER STATES AS WELL CANNOT EXPAND THEIR PRODUCTION WHICH THE NATION SO DESPERATELY NEEDS.

THE DEMOCRAT CONTROLLED 93rd CONGRESS, INSTEAD OF TAKING ACTION TO INCREASE INCENTIVES IN THE OIL INDUSTRY, HAS CONTRIBUTED TO A WORSENING OF THE ENERGY CRISIS BY PROMOTING PUNITIVE LEGISLATION. SUCH LEGISLATION HAS BEEN DIRECTED AT THE ENERGY INDUSTRY AS PART OF A MAJOR DEMOCRATIC "SCAPEGOATING" EFFORT. THE EFFECT OF WHICH HAS BEEN TO IMPOSE OBSTACLES TO INCREASING ENERGY SUPPLIES. SUCH PROPOSALS, IF ENACTED, WOULD HAVE THE EFFECT OF "CUTTING OFF THE NOSE TO SPITE THE FACE".

6.

ONE SUCH EARLY DEMOCRATIC ACTION WAS TAKEN BY MY OPPONENT, CONGRESSMAN ROY, IN THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE. AT HIS REQUEST, AN AMENDMENT IMPOSING A WINDFALL PROFIT TAX WAS INCLUDED IN THE EMERGENCY ENERGY ACT OF 1973, WHICH WOULD HAVE INDISCRIMINATELY SUBJECTED INDEPENDENT PRODUCERS TO AN ILL-DEFINED WINDFALL PROFITS TAX. THIS MEASURE MET STRONG REPUBLICAN RESISTANCE IN THE HOUSE OF REPRESENTATIVES AND LATER IN THE SENATE. I OPPOSED THE WINDFALL PROFITS TAX AND LED THE EFFORT TO RECOMMIT THIS MEASURE TO THE CONFERENCE COMMITTEE, WHERE THE WINDFALL PROFITS TAX WAS REPLACED WITH A PRICE ROLLOVER PROVISION. OVER MY OPPOSITION, THE LIBERAL MAJORITY IN THE CONGRESS PASSED THIS PRICE ROLLOVER PROVISION AND SUBSEQUENTLY THE PRESIDENT WAS FORCED TO VETO THE ENTIRE EMERGENCY ENERGY ACT BECAUSE OF THAT PROVISION. AS YOU KNOW, THE VETO WAS SUSTAINED.

7.

HOWEVER, THE DEMOCRATS IN CONGRESS HAVE NOT CEASED THEIR EFFORTS TO DESTROY THE INCENTIVES OF OIL PRODUCERS. THE STANDBY ENERGY EMERGENCY AUTHORITY ACT WAS INTRODUCED BY SENATOR JACKSON AND AGAIN INCLUDED THE OIL PRICE ROLLBACK PROVISION. WITH STRONG REPUBLICAN OPPOSITION, THIS MEASURE HAS BEEN ESSENTIALLY KILLED IN THE SENATE AND NO FURTHER ACTION IS EXPECTED.

HOWEVER, THE HOUSE WAYS AND MEANS COMMITTEE, AGAIN UNDER THE INITIATIVE OF DEMOCRAT LEADERSHIP, IS PRESENTLY WORKING ON LEGISLATION TO PHASE OUT THE DEPLETION ALLOWANCE AND IMPOSE A WINDFALL PROFITS TAX. WHILE THE LIKELIHOOD OF THIS BILL BEING PASSED BY THE HOUSE THIS YEAR IS HIGHLY QUESTIONABLE, IT UNDOUBTEDLY WILL BE REINTRODUCED NEXT YEAR IN THE 94th CONGRESS. THIS MEASURE, IF IT PASSES THE HOUSE OF REPRESENTATIVES, WILL NECESSARILY BE REFERRED TO THE SENATE FINNACE COMMITTEE. I FULLY INTEND TO OPPOSE THIS OR ANY OTHER MEASURE WHICH WOULD DESTROY THE INCENTIVE FOR OIL PRODUCERS TO EXPAND THEIR DRILLING AND PRODUCTION ACTIVITIES. MAINTAINING THIS INCENTIVE, IN THE LONG RUN, IS ABSOLUTELY ESSENTIAL TO ALL AMERICANS.

8.

THIS POSITION IS CONSISTENT WITH MY VOTING RECORD WHICH WAS ESTABLISHED ON THE ISSUE OF PRICE CONTROLS ON PETROLEUM EARLY LAST YEAR. MY VOTING RECORD SHOWS OPPOSITION TO PRICE CONTROLS AND SUPPORT FOR A PRICE STRUCTURE WHICH WOULD BE FAVORABLE TO ENCOURAGING INCREASED PRODUCTION. KEY VOTES ON THIS ISSUE WERE MADE LAST YEAR IN NOVEMBER ON THE NATIONAL EMERGENCY ENERGY ACT.

WHEN IT BECAME APPARENT THAT THE LIBERAL MAJORITY HAD AN OVERWHELMING NUMBER OF VOTES TO FORCE PRICE CONTROLS OR ROLLBACKS ON THE OIL INDUSTRY, I VOTED TO MODERATE THESE MEASURES BY EXEMPTING SMALL PRODUCERS. IN MY OPINION, INDEPENDENT PRODUCERS SHOULD NOT BE PENALIZED BECAUSE OF ACTIONS OF THE ARAB COUNTRIES OR OF MAJOR OIL COMPANIES. THE DOLE VOTE HAS BEEN CONSISTENTLY IN SUPPORT OF EXEMPTING STRIPPER WELL PRODUCTION AND SMALL OIL PRODUCERS FROM PRICE CONTROLS AND OTHER PRICE MEASURES.

9.

WHEN THE FEDERAL ENERGY ADMINISTRATION BEGAN TO CONSIDER A PRICE ROLLBACK EARLY THIS YEAR, I LEAD THE EFFORT TO MODERATE THIS MEASURE AND TO EXEMPT SMALL PRODUCERS. MY CONCERN WAS THAT AN ADEQUATE INCENTIVE SHOULD BE MAINTAINED FOR INCREASED DISCOVERY AND PRODUCTION OF NEW DOMESTIC PETROLEUM SUPPLIES.

MORE RECENTLY, REPORTS INDICATE THAT THE SECRETARIES OF TREASURY AND INTERIOR SUPPORT MOVING TOWARD DECONTROL OF PETROLEUM PRICES. IN MY OPINION, THIS IS ABSOLUTELY ESSENTIAL IN ORDER TO MAINTAIN AN ADEQUATE SUPPLY OF PETROLEUM PRODUCTS.

10.

NATURAL GAS EXAMPLE

AN EXAMPLE OF WHAT CAN HAPPEN IF PRICE DECONTROL IS NOT ACHIEVED IS IN THE ISSUE OF NATURAL GAS DEREGULATION. IN 1952, THE PRESIDENT'S MATERIALS POLICY COMMISSION, KNOWN AS THE "PALEY COMMISSION", RECOMMENDED "THERE APPEARS TO BE NO ECONOMIC BASIS FOR DESIGNING CURBS WHICH WOULD BE ANY MORE SUITABLE AND VALID THAN THE NORMAL PRESSURES OF PRICE RELATIONSHIPS", CONCERNING THE PRICE REGULATION OF NATURAL GAS.

YET FOR 20 YEARS, THE DEMOCRATIC CONTROLLED CONGRESS HAS IGNORED THIS RECOMMENDATION. PRESENTLY, WE FIND OURSELVES IN AN EVER WORSENING SHORTAGE OF NATURAL GAS. INSTEAD OF DEREGULATING THE SALE OF NATURAL GAS, THE CONTINUED ARTIFICIAL SUPPRESSION OF NATURAL GAS PRICES HAS DESTROYED THE INCENTIVE TO DRILL AND EXPAND PRODUCTION.

11.

IT WAS TO RESOLVE THIS PROBLEM THAT I VOTED IN SUPPORT OF AN AMENDMENT TO DEREGULATE THE SALE AT THE WELL HEAD OF NEW NATURAL GAS PRODUCTION. THIS AMENDMENT WAS DEFEATED, AGAIN BY THE LIBERAL MAJORITY IN CONGRESS WHICH UNFORTUNATELY BELIEVES THAT THE INTERESTS OF CONSUMERS ARE BEING PROTECTED BY HOLDING DOWN THE PRICE OF NATURAL GAS.

IN MY OPINION, THE AMERICAN PUBLIC IS BECOMING MORE AWARE OF AND VOCAL ABOUT WHAT ACTION IS NEEDED TO PROMOTE THEIR INTERESTS IN CONGRESS. THE DISTORTIONS AND SCARCITIES RESULTING FROM REGULATION OF NATURAL GAS PRICES ARE CREATING INCREASING DISSATISFACTION AMONG THE PEOPLE. THE DEREGULATION ISSUE WILL AGAIN BE RAISED IN THE SENATE, WITHOUT A DOUBT. IT IS MY HOPE THAT THE MAJORITY OF THE CONGRESS WILL RECOGNIZE THE TRUE INTEREST OF THE PUBLIC BY VOTING DEREGULATION AT THAT TIME.

12.

OPPOSE GOVERNMENT INTERFERENCE

IN REGARD TO THE PUBLIC INTEREST, THE DEMOCRATS IN CONGRESS HAVE CONSISTENTLY IGNORED PUBLIC OPINION AND HAVE PROCEEDED TO PROMOTE LEGISLATION DIRECTLY IN CONFLICT WITH PUBLIC SENTIMENT. FOR EXAMPLE, THE MAJORITY PARTY IN CONGRESS FORCED THE PASSAGE OF LEGISLATION CONTAINING PROVISIONS FOR FUEL RATIONING AT A TIME WHEN 70 PERCENT OF THE AMERICAN PUBLIC PREFERRED A POLICY OF VOLUNTARY CONSERVATION RATHER THAN MANDATORY FEDERAL CONTROLS. THIS LEGISLATION, THE EMERGENCY ENERGY ACT, WAS VETOED BY THE PRESIDENT AND WAS SUSTAINED THROUGH EFFECTIVE LEADERSHIP OF THE SENATE REPUBLICANS.

13.

MY VOTE HAS CONSISTENTLY BEEN AGAINST COUNTER-PRODUCTIVE AND UNNECESSARY FEDERAL INTERFERENCE IN THE PETROLEUM INDUSTRY. FOR EXAMPLE, I OPPOSED THREE DEMOCRATIC SUPPORTED MEASURES DURING THE DEBATE ON THE NATIONAL EMERGENCY ENERGY ACT WHICH WOULD HAVE PERMITTED THE FEDERAL GOVERNMENT TO ORDER OIL PRODUCERS HOW MUCH TO PRODUCE AND WHEN TO SELL THEIR PRODUCT. WITH THE HELP OF CONSERVATIVES IN THE SENATE, TWO OF THESE MEASURES WERE DEFEATED AND THE THIRD WAS VETOED BY THE PRESIDENT.

IN ADDITION, SENATE DEMOCRATS HAVE PROPOSED MEASURES WHICH WOULD HAVE THE EFFECT OF RAISING FUEL PRICES DESPITE OVERWHELMING PUBLIC OPPOSITION TO INCREASED ENERGY PRICES. IN PARTICULAR, PUNITIVE TAX MEASURES PROPOSED BY SENATE DEMOCRATS WOULD HAVE THE EFFECT, IF ENACTED, OF FORCING A GREATER TAX BURDEN ON ENERGY COMPANIES, THEREBY CAUSING THEM TO RAISE PRICES TO CONSUMERS. MANY SUCH MEASURES HAVE BEEN DEFEATED BUT OTHERS UNDOUBTEDLY WILL CONTINUE TO BE BROUGHT UP IN COMING MONTHS.

14.

THE EFFECTIVENESS OF THOSE OF US IN THE SENATE CONCERNED WITH EXPANDING THE OUTPUT OF PETROLEUM PRODUCTS WILL DEPEND GREATLY ON THE SUCCESS OF THE PUBLIC IN EXPRESSING ITS REAL INTEREST. THE EFFORTS OF PRODUCERS THEMSELVES, SUCH AS THE MEMBERS OF THE KANSAS INDEPENDENT OIL AND GAS ASSOCIATION, ARE VERY IMPORTANT IN EXPRESSING TO THE PUBLIC AT LARGE THE PRICE INCENTIVE AND ABSENCE OF GOVERNMENT INTERFERENCE WHICH ARE SO VITAL TO AVOIDING AN AGGRAVATION OF THE ENERGY CRISIS. IT WILL BE A HARD FIGHT TO AVOID IMPOSITION OF STRICTER CONTROLS. OUR CONTINUED EFFORTS ALONG THIS LINE ARE ABSOLUTELY ESSENTIAL.

15.

EQUIPMENT NECESSARY

ANOTHER PROBLEM WHICH HAS BEEN ESPECIALLY BURDENSOME TO OIL PRODUCERS HAS BEEN THE SHORTAGE OF OIL FIELD EQUIPMENT. IT IS A SOLID FACT THAT THE INDEPENDENT PRODUCERS IN THIS COUNTRY HAVE BEEN PRIMARILY RESPONSIBLE FOR THE EFFORTS TO EXPAND OUR DOMESTIC OUTPUT. YET IT IS CLEAR THAT NO INDEPENDENT PRODUCER CAN DRILL NEW WELLS WITHOUT THE NECESSARY EQUIPMENT. THIS IS WHY I INTRODUCED AN AMENDMENT IN NOVEMBER OF LAST YEAR TO PROHIBIT THE EXPORT OF OIL FIELD EQUIPMENT TO THE ARAB COUNTRIES. IN MY OPINION, IT WAS EXTREMELY IRONIC THAT WE CONTINUED TO SHIP DRILLING EQUIPMENT TO THE ARAB NATIONS WHILE THEY REFUSED TO EXPORT THEIR OIL PRODUCTS TO US. WHILE MY AMENDMENT WAS SUCCESSFUL, IT HAS SINCE BEEN TIED UP IN A JOINT SENATE-HOUSE CONFERENCE COMMITTEE ON THE SOCIAL SECURITY ACT.

16.

IN SPITE OF THIS LEGISLATIVE TIE-UP, I HAVE TAKEN A LEADING
ROLE IN INCREASING THE SUPPLY OF TUBULAR GOODS AND OIL FIELD EQUIPMENT FOR
INDEPENDENT PRODUCERS. I HAVE CONTACTED EVERY PRODUCER OF STEEL TUBULAR
GOODS INQUIRING ABOUT THEIR SET-ASIDE PROGRAMS TO INSURE AN ADEQUATE
SUPPLY OF CASING FOR INDEPENDENT OIL DRILLERS. THE INFORMATION I HAVE
RECEIVED HAS BEEN SHARED WITH KIOGA. IN ADDITION, IN MY FREQUENT MEETINGS
WITH FEDERAL ENERGY ADMINISTRATORS SIMON AND SAWHILL EARLIER THIS YEAR,
I URGED THAT MORE ACTIVE EFFORTS BE INITIATED TO INSURE GREATER
AVAILABILITY OF OIL FIELD EQUIPMENT. SUBSEQUENTLY, THE FEDERAL ENERGY
ADMINISTRATION HAS DONE AN EXTENSIVE AMOUNT OF JAWBONING AND HAS
ESTABLISHED A HOT-LINE WHERE INDEPENDENT PRODUCERS CAN SEEK ASSISTANCE
IN OBTAINING THE EQUIPMENT THEY NEED.

17.

AS THE PALEY COMMISSION STATED IN 1952, "PRIVATE BUSINESS CAN BE COUNTED UPON TO BRING ABOUT THE BULK OF NECESSARY ADJUSTMENTS AT THE APPROPRIATION PACE, IF NO ECONOMIC IMPEDIMENTS TO DOMESTIC CRUDE OIL EXPLORATION AND PRODUCTION ARE ALLOWED TO DEVELOP."

THE DOLE VOTE HAS BEEN CONSISTENT WITH THIS RECOMMENDATION. PRICE INCENTIVE IS ABSOLUTELY ESSENTIAL IF WE ARE TO ACHIEVE ENERGY INDEPENDENCE. IN MY OPINION, THE ENERGY CRISIS OF 1973-74 COULD HAVE BEEN AVOIDED IF THE DEMOCRATIC-DOMINATED CONGRESS HAD NOT WAITED 20 YEARS TO FOLLOW THIS ADVICE.

AND WE CAN SEE THAT THE DEMOCRATIC LIBERALS IN CONGRESS ARE NOT PREPARED TO ACCEPT THIS ADVICE EVEN AT THIS POINT. THEREFORE, WE MUST CONTINUE TO FIGHT INCREASED GOVERNMENT INTERFERENCE AND EFFORTS TO DESTROY THE INITIATIVE AND INCENTIVE IN THE OIL INDUSTRY, WHICH IN THE PAST HAS GIVEN US THE WORLD'S CHEAPEST SOURCE OF FUEL.