

REMARKS OF SENATOR JOHN HEINZ

KEYSTONE BITUMINOUS COAL ASSN.

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(As Actually given according to JH Notes.)

I want to talk tonight about the great opportunity Pennsylvania has to become one of our nation's leading centers of energy research and production.

But I don't want to just repeat the things we've been saying to ourselves and to the nation for the last ten years I want to talk specifically about the ambitious agenda which we can set and which will capitalize on this opportunity and make a reality the use of coal for vastly more power generation, to produce high and low BTU gas and to create new liquid fuels -- the synfuels we hear so much about but see so little of. Success in doing so is not just in your self interest as operators or only a question in our interest as citizens of a state rich in this invaluable energy resource, it is also essential to our economic and social survival as a nation.

I expect that most here listened to President Reagan's address on the economy last week. I wholeheartedly agree with the President that our first priority in the 97th Congress must be to straighten out our national economic mess. And we must proceed urgently while we still have the time, the determination and the national goodwill in order to reverse the trends of the last decade. That trend, simply put, has been more spending, more taxes, more regulation and higher deficits.

The economic consequences are high unemployment, high inflation, low productivity and staggering interest rates. So far the vast majority of the American people have not given up and still believe in the incentive system, but we cannot assume that this notion is ultimately invulnerable. Failure to get the economy together quickly is something our people cannot afford . . . and without a strong national economy, we won't have much of a market for our coal or much of anything else.

I am strongly encouraged by the direct approach President Reagan wants to take to the economy overall, and some of his specific proposals, such as reducing the regulatory burdens on industry, and providing accelerated depreciation are going to help revitalize you and your consumers.

Where energy specifically is concerned, I have also been encouraged by the remarks of James Edwards, the new Secretary of Energy, and James Watt, at Interior.

When I listened to their testimony before the Energy Committee last month, everything I heard indicates that they and the Administration are depending on coal to play a major role in America's energy future. Secretary Edwards outlined his ideas very specifically:

"We need to allow our people to mine coal and the restrictions are pretty tough on the miners . . . We need to develop means of transportation to get the coal from where it is to where we need to burn it . . . and we need to burn the coal and we need to allow our people to burn it a little more freely and a little more easily without the absolute restrictions that they have to work under today."

In a nutshell, that is what the coal industry needs today . . . and it is also what the world needs.

The World Coal Study forecasts that coal will have to supply two-thirds of the increased energy needs of the U.S. between 1980 - 2000 . . . Today we supply less than 20 percent of our energy needs from coal, we who are the OPEC of coal. As one of the nation's top coal producing states, we know that meeting our nation's energy goals will be impossible without a healthy, aggressive coal industry in our commonwealth, moving at top speed.

We are no less than a Saudi Arabia of coal. But for Pennsylvania to develop its potential, we will need the combined talents and support of industry, labor and government at all levels.

On the state level, we first need to concentrate our efforts to make certain we have a dependable system of roads, rails and waterways to transport our coal.

We've got the coal and we've got access to some of the fastest growing markets in the world . . . but I am concerned that we are dangerously behind when it comes to getting Pennsylvania coal where it's needed.

Our port facilities at Erie on the lake are non-existent, the Monongahela and Chil Locks and Dams are old or undersized and the Port of Philadelphia is a bottleneck so bad that there is a six-week backlog of ships in the Delaware estuary waiting to get coal, that can't be loaded because facilities are inadequate.

I am pleased with the progress on the renovation of Pier 124. I will also continue to seek federal funding to increase the coal loading capacity at Pier 18 at Port Richmond through Conrail.

In addition, the depth of the Delaware bay puts Pennsylvania at a

disadvantage compared to Hampton Roads, currently the busiest coal port in the world.

I will be seeking enactment of Legislation to develop our east coast deep-water port capacity not only in the Delaware Bay but also New York, Hampton Road and Charleston or Savannah. Together, with improved port facilities in Philadelphia, we can begin to compete effectively for Pennsylvania's share of the coming coal boom.

I have also recently co-sponsored new legislation to provide federal funds for the improvement of our coal-haul roads which, if passed, will eventually provide a \$500 million fund by FY 1986 from the windfall profits tax.

Until we can get my bill passed we must press on at the state level to maintain our coal haul roads given the current national budget situation federal funding is not likely in the immediate future.

As head of the Coal Caucus in the Senate, let me assure you we will take the lead in the 97th Congress to improve the climate for mining and marketing of coal. At the outset we must set our priorities, and I believe our immediate priorities, should be three in number: (1) coal conversion; (2) port and waterways improvement; and (3) a coordinated national effort for coal development.

Last year, as vice chairman of the Coal Caucus, I introduced Coal Conversion legislation which would have mandated about 8- currently oil-burning power plants to convert to coal.

Had the House passed the bill, it would have meant the creation of 9,000 new jobs in coal mining and it would have made this country 400,000 barrels a day less dependent on imported oil.

I and other members of the Coal Caucus will be introducing new Coal Conversion legislation in a few weeks, rewritten to take into account budget and other considerations. As chairman of the Coal Caucus, I look to the new Coal Conversion bill as the most immediate legislative priority on our agenda this spring. While I am confident of affirmative Senate action, we will need strong support from you and many others that we have success in the House of Representatives.

Our second priority will be to draw and secure a concensus for a port and the current tangle of OSM regulations. Last year, a number of us offered an amendment which would have given the flexibility in issuing and enforcing regulations.

It passed the Senate but, once again, was defeated in the House.

I expect changes in those regulations but we will have to wait and see specifically what the new Administration has in mind.

I also know that the coal industry has numerous proposals for amending the Clean Air Act when hearings on it come up in March of this year.

My office will be open to any of your suggestions and I will listen to what you have to say. But I don't want to mislead anyone.

Regardless of whatever modifications to the Act are finally decided, there will still be pollution controls on the use of coal.

What we need to see, in addition to any clean air act amendments, are increased tax incentives for industry and utilities making government mandated investments in pollution control equipment.

As it stands now, industry has to invest between 10 and 20 percent of its capital in non-productive pollution control equipment. Our tax laws actually penalize industry for having a social conscience and I think we have to change that way of thinking.

In the area of synfuels production, we have everything going for us in Pennsylvania. We have the coal . . . we have a large labor force . . . and we have access to major markets in the Northeast and overseas.

We also have the technological resources in companies like Gulf Oil, Westinghouse and Koppers . . . and we have the research facilities of Penn State and Carnegie Mellon Universities.

More importantly, we have the political support from all levels of government to make Pennsylvania a leader in this field -- from local and state to the Congress.

The proposed \$700 million A-C Valley Corporation's Plant is a prime example of that kind of political cooperation.

You have heard of the OMB proposals to cut DOE grants and loan guarantees for the commercialization of synfuels projects. We will have to work to find more funds from other areas if we are to get projects like A-C Valley's off the ground.

There will be, at least in the short-term, some problems in finding available capital financing for projects going beyond the demonstration range.

I am studying at the moment, the need for the development of a state or regional synfuels financing authority which would help in getting initial or swing investment capital for specific synfuels facilities to be built in Pennsylvania

Although this is still tentative, I believe it offers a great opportunity to forge a working alliance between industry and government which will help provide a new industrial base for the future.

In addition to this, I believe we need more coordination for national coal policy in the Executive Branch.

One of the first things we need is a special assistant to the President for coal, and I have asked the President to create such a position. The main job of the Special Assistant for coal would be to coordinate the overall strategy for coal and to straighten out the problems between the wide range of federal agencies who have some, and often overlapping, policy influence on coal.

I met last week with several national organizations from the coal industry to exchange ideas and was extremely pleased with the result. I believe we have an agenda that is reasonable, responsible and reliable, and here, tonight, I have outlined in brief my thoughts on what we must do to realize coal's potential. But if we are to make progress, the industry itself must coordinate and maintain a unified front within its own ranks.

The differences within the coal industry — East versus West, Bituminous versus anthracite, strippers versus deep mining — must be put aside. The coal industry must learn to speak with a single unified voice.

We cannot afford to continue spending \$80 billion a year on foreign oil . . . And we cannot continue to let coal, our most abundant natural energy source, to be relegated to supplying less than 20 percent of our energy needs.

The agenda that I have outlined for coal, for Pennsylvania and for our country, is ambitious but it is achievable if we work together.

Increased use of our coal means that Pennsylvania will have more jobs and more industry . . . and a better way of life for its citizens.

For our country, it means that Americans will be more energy self-sufficient, our growth more secure, our resources base strong and dependable. In other words, coal can restore this country's control over its own future.