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AN
ENERGY POLICY WHITE PAPER

CONTAINING POSITIONS ON:
OUTER CONTINENTAL SHELF DRILLING FOR OIL AND NATURAL GAS;
DEEPWATER PORT CONSTRUCTION; and,
THE GOVERNMENTAL PLACEMENT OF THE STATE ENERGY OFFICE.

PRESENTED TO
THE LEGISLATURE OF THE STATE OF NEW JERSEY
BY
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I. INTRODUCTION

The purpose of this "White Paper" is to assist in the formulation and adoption of a comprehensive "Energy Policy" for the State of New Jersey by developing a coherent position on three of the most essential components of that policy: "Outer Continental Shelf Drilling for Oil and Natural Gas," "Deepwater Port Construction," and "The Governmental Placement of the State Energy Office."

The positions presented herein are the results of more than two years of research into energy and energy-related matters, the review of thousands of pages of "expert witness" testimony and technical information, and numerous interviews and discussions with federal, State and local government officials, and with representatives of labor unions, chambers of commerce, "environmentalists," oil company executives and individual private citizens of this State. However, notwithstanding all the time and effort that have been devoted, and despite the diligence with which "objectivity" has been pursued throughout this work, we do not, because we cannot, claim that our positions are "definitive," "conclusive" or "exhaustive." Reasonable men may well differ reasonably on matters where reason is relevant, and it is probable that unanimous agreement is impossible on issues of such transcendental importance to the lives and well being of the citizens of this State and Nation as those raised here. But this "White Paper" will be deemed a success by its authors if it reduces (or, rather, "elevates") our consideration of these issues to "reason," and frees us from the blinders of "emotionalism" and "personal perspective" which have for far too long obscured and clouded our vision in this area.

Several years ago it was said more than once by professional economists charged with the task of developing the fiscal and monetary policies of this nation that, "We are all Keynesians now." We may appropriately modify that phrase for our present purposes and say, "We are all environmentalists now; and so too are we all consumers and citizens of the wealthiest, most powerful nation the world has ever known." All of us in the United States share possession of the most magnificent physical scenery and surroundings, the most fertile land, most abundant natural resources, and the highest standard of living any people in any place have ever experienced at any time. The decisions we make in the development of an "Energy Policy" will have implications on all these aspects and attributes of our lives. We must, therefore, make such decisions with an awareness of all those aspects and attributes. We may not be able to deny the particular perspective from whence we view "energy," but we must recognize that such a particular perspective is but part of the whole and cannot, as such, provide the complete and comprehensive solution we all seek. Just as professional economists must

weigh and take the balance of the need for controlled budget deficits and the need for increased government spending and economic expansion, so must we in the context of "Energy Policy" formulation, weigh and take the balance of the need to preserve the environment and the need to provide work for our working men and women; power for our commercial and industrial businesses which offer employment opportunities; and the promise of prosperity in the present for those of our citizens who have been deprived of its fruits for so long in the past. To the weighing and the balancing of these very needs this "White Paper" is devoted.

II. SUMMARY OF POSITIONS

Insofar as "Outer Continental Shelf Drilling for Oil and Natural Gas" is concerned, we believe that such activity is necessary (indeed, even vital) to the "national interest," and that it will, if accompanied by the proper environmental protections and safeguards, equitable economic provisions and compensations, and the development of comprehensive, coherent and cooperative planning by the federal, State and local governments, prove beneficial to, and very much in the best interests of, the citizens of New Jersey. In light of our belief that such activity is in the "national interest" we further believe that regardless of whatever position New Jersey adopts concerning "Outer Continental Shelf Drilling for Oil and Natural Gas," such activity is certain to take place off the New Jersey shore within a relatively short period of time, and that the choice for this State is NOT whether or not to PERMIT such activity to occur, but, rather, whether to choose to derive as many benefits as possible from such activity or, as it were, to cut off our economic "nose" to spite our environmental "face." (1)

We believe that the current methods, procedures and practices of the United States Department of the Interior concerning the issuance of permits, licenses and leases; and the supervision, inspection and regulation of resource exploration and exploitation activities in, on and under the Outer Continental Shelf should be thoroughly reviewed and, where necessary, revised, in light of the fact that the conditions and circumstances of Outer Continental Shelf activity in any of the Atlantic Ocean "frontier areas" (Georges Bank, Baltimore Canyon, Blake Plateau) are quite likely to be very different from those prevailing in the Gulf of Mexico and off the California Coast, where most Outer Continental Shelf activity currently takes place. We believe, however, that no change should be made in the basic policy of authorizing the exploration and exploitation of Outer Continental Shelf Resources by private industry. Closer supervision, inspection and regulation of private industry by the federal and State governments and a revision of the financial arrangements of Outer Continental Shelf leases, royalties and taxation, in the public interest, do not imply the substitution of government for private industry in the actual (2) (3)

conduct of resource exploration and exploitation activities. The high costs and great financial risk aspects of exploring for and exploiting the resources of the Outer Continental Shelf make it appropriate for these activities to be financed by private industry with private capital raised by private financing, and NOT by the federal or State governments with public capital raised by public taxation.

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Insofar as "Deepwater Port Construction" off the New Jersey shore is concerned, we believe that a State agency should be created immediately with the responsibility to plan and provide for the construction and operation of a crude oil and refined petroleum product off-loading device of the "mono-buoy" type located 10 to 20 miles off the New Jersey shore, with submerged, under-seabed pipelines extending onshore either to existing refinery storage areas, or to environmentally safe, scenically suitable, newly selected storage areas located inland. We hold that such a Deepwater Port facility is environmentally essential if New Jersey is to reduce the pollution inevitably associated with tanker crossings in close proximity to our shores; to reduce the congestion of our harbours and shipping lanes; and, to lessen the risk of collision between tankers carrying their toxic cargoes up and down the Delaware, Raritan and other rivers and waterways of this State. We hold that such a Deepwater Port facility is economically essential if New Jersey citizens and businesses are to receive the benefits of a consistent, stable and secure supply of crude oil and refined petroleum products at the lowest possible prices. We hold that such a Deepwater Port facility should be owned by the State of New Jersey and operated by private business under lease and other contractual agreements with the State, in order to guarantee that the site ultimately selected for such a facility will be the most environmentally suitable for its location; that all Deepwater Port activities will be performed in conformity with the highest standards of economic efficiency and environmental efficacy by private professionals possessing the most extensive experience and expertise; and that the State Government, through its ownership, will not only be able to insure that the citizens of New Jersey will receive both the direct and indirect economic benefits derived from the utilization of such a facility, but will be able to effectively regulate and control the flow of crude oil and refined petroleum products to this State. (4)

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Insofar as the "Governmental Placement of the State Energy Office" is concerned, we believe that agency performs essential governmental functions in the area of energy allocation and distribution; that the performance of these functions will be as necessary in the future as they have proven to be in the past; and, therefore, that the State Energy Office ought to be continued beyond June 30, 1975, when the "Emergency Energy Fair Practices Act of 1974" (P.L. 1974, c. 2) which created it, expires. We believe that the State Energy Office should be permanently placed within either the State Department of Labor and Industry, or the Department of Law and Public Safety. In either case, we hold that the independence of the State Energy Office is essential to the effectiveness of its operations and that it should, therefore, be "in, but not of," the designated department and, as such, free from direct supervision and control by either the Commissioner of Labor and Industry, or the Attorney General. 5 5(a)

If the Constitution of the State of New Jersey so permitted, serious consideration would be given to placing the State Energy Office in the Governor's Office, where it existed from the date of its creation, on February 5, 1974 (pursuant to Executive Order Number 1) to the date of its transfer to the Public Utilities Commission, on October 2, 1974 (pursuant to Executive Order Number 9). As it is, however (pursuant to Article V, Section IV, paragraph 1), "[A]ll executive and administrative offices, departments, and instrumentalities of the State Government, including the offices of Secretary of State and Attorney General, and their respective functions, powers and duties, shall be allocated by law among and within not more than twenty principal departments, in such manner as to group the same according to major purposes so far as practicable." In light of the above, the placement of the State Energy Office within the Governor's Office does not appear to be a viable alternative.

Although the formal placement of the State Energy Office within one of the existing departments of the State Government is necessary, primarily, for "Constitutional" reasons, we hold that there is a great deal "substantively," to recommend such placement within either the Department of Labor and Industry, or the Department of Law and Public Safety. We hold, further, that there is an equally great deal "substantively," to recommend against such placement within the Department of Public Utilities; and, therefore, that it is particularly important for the State Energy Office to be not only independent of, but totally separate from, the Department of Public Utilities. 5(b)

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Each of the "positions" summarized above is considered at length and in detail in a separate section below. This may, however, be an appropriate place to restate the "disclaimer" made in the "Introduction" to this "White Paper,"...i.e. that "notwithstanding all the time and effort that have been devoted, and despite the diligence with which 'objectivity' has been pursued throughout this work, we do not, because we cannot, claim that the positions presented herein are 'definitive,' 'conclusive' or 'exhaustive.'" And, too, our recognition that "reasonable men may well differ reasonably on matters where reason is relevant, and it is probable that unanimous agreement is impossible on issues of such transcendental importance to the lives and well being of the citizens of this State and Nation as those raised here."

We realize that the three issues we consider in this "White Paper" will compose only a part of a comprehensive "Energy Policy" for the State of New Jersey, but we believe that they will provide the essential foundation upon which the remainder of that "Energy Policy" may be based. The positions we have taken herein are not intended as conscious "counters" to positions taken by any other public or private group, agency or individual; nor in stating our positions do we intend any criticism of others who may hold different positions on these issues. We do, however, believe that our positions derive from the most extensive and intensive review of the energy and energy-related problems of this State, and of the various alternatives which have been offered as possible solutions. We further believe that our positions derive from the most detailed analysis of the implications of those problems and those solutions for all of our citizens and for every aspect and attribute of life in New Jersey. We believe, therefore, that having derived from what may well be the "broadest-based" energy effort, our positions offer the "broadest-based" energy solutions, and the ones that will yield the most benefits to the most citizens of New Jersey now and in the future.

OUTER CONTINENTAL SHELF DRILLING FOR OIL AND NATURAL GAS

On March 17, 1975, the United States Supreme Court unanimously ruled in "United States v. Maine et al." that the sole and exclusive possession and use of the lands (and of the natural resources in, on, and under those lands) of the Outer Continental Shelf off the coast of the United States were vested in the United States as a nation, and not in the several States individually, as the States had claimed. Thus ended what was, probably, a necessary, but almost inevitably futile, legal confrontation between the federal government and the several "common-counsel" States over issues which, ostensibly at least, purported to involve the most fundamental of political abstractions....."national sovereignty" versus "States' Rights".....but issues which were, in fact, as mercenary as money itself, and which turned on legalistic language almost as biased as the billions of dollars which were actually at stake. New Jersey was one of the 12 "common counsel" States in "United States v. Maine et al.," but we need feel no shame either for joining the litigation at the outset, or for losing it at the end. It was, quite simply, the "biggest game in town," with the highest stakes. And we, who owned nothing but our claim upon entering the fray, and who had, therefore, absolutely nothing to lose in asserting it, came away, finally, with at least no less than that very same "nothing" (and we are probably far better off without that baseless claim, for now we may devote our attention to economic and physical facts rather than to legal and theoretical fictions). Our conscience was comforted by our confrontation with the federal government in "United States v. Maine et al."; our pride was preserved by our posture therein. The United States of America began with the right to exploit all Outer Continental Shelf natural resources; that right was confirmed by the highest court in the land; that right, that "national right", must, and inevitably will, be exercised in the national interest.

Our policy concerning "Outer Continental Shelf Drilling for Oil and Natural Gas" contains two elements: An analysis of the very basic issue of whether or not such drilling activity "ought to" or "will" take place off the New Jersey Shore; and, a consideration of "how" such activity should be undertaken, and by "whom" (assuming, of course, that it is determined to be "a good thing" for such activity to be undertaken at all).

Insofar as whether or not Outer Continental Shelf drilling for oil and natural gas off the New Jersey shore "ought to" or "will" take place, our beliefs may be very simply expressed:

We believe that such activity is necessary (indeed, even vital) to the "national interest" and that it will, if accompanied by the proper environmental protections and safeguards, equitable economic provisions and compensations, and the development of

*Maine, New Hampshire, Massachusetts, Rhode Island, New York, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina and Georgia. Florida was a defendant initially, but the controversy between the United States and Florida was severed and consolidated with another proceeding concerning the seabed rights of the State of Florida in the Gulf of Mexico.

comprehensive, coherent and cooperative planning by the federal, State and local governments, prove beneficial to, and very much in the best interests of, the citizens of New Jersey. In light of our belief that such activity is in the "national interest," and, particularly, in light of the Supreme Court's decision in "United States v. Maine, et al.," we further believe that regardless of whatever position New Jersey adopts concerning "Outer Continental Shelf Drilling for Oil and Natural Gas," such activity is certain to take place off the New Jersey shore, and that the choice for this State today is NOT whether or not to permit such activity to occur, but, rather, whether to choose to derive as many benefits as possible from such activity, or, as it were, to cut off our economic "nose" to spite our environmental "face."

Insofar as "how" and by "whom" such Outer Continental Shelf drilling activity should be undertaken:

We believe that the current methods, procedures and practices of the United States Department of the Interior concerning issuance of permits, licenses and leases; and the supervision, inspection and regulation of resource exploration and exploitation activities in, on and under the Outer Continental Shelf should be thoroughly reviewed and, where necessary, revised, in light of the fact that the conditions and circumstances of Outer Continental Shelf activity in any of the Atlantic Ocean "frontier areas" (Georges Bank, Baltimore Canyon, Blake Plateau) are quite likely to be very different from those prevailing in the Gulf of Mexico and off the California Coast, where most Outer Continental Shelf activity currently takes place. We believe, however, that no change should be made in the basic policy of authorizing the exploration and exploitation of Outer Continental Shelf resources by private industry. Closer supervision, inspection and regulation of private industry by the federal and State governments and a revision of the financial arrangements of Outer Continental Shelf leases, royalties and taxation, in the public interest, do not imply the substitution of government for private industry in the actual conduct of resource exploration and exploitation activities. The high costs and great financial risk aspects of exploring for and exploiting the resources of the Outer Continental Shelf make it appropriate for these activities to be financed by private industry with private capital raised by private financing, and NOT by the federal or State governments with public capital raised by public taxation.

It is, perhaps, not too much to say that too much has already been said, and almost as much has already been written, about the inevitably disastrous results for the environment of New Jersey upon the commencement of Outer Continental Shelf drilling for oil and natural gas off the shores of our State; and, that too much of what has been said has been shrill and largely incoherent; while much of what has been written has been

either unreadable and confusing to the layman, or unfounded, unsubstantiated and, even, untrue, to the scientist. The sincere concerns of individual citizens genuinely troubled by the prospects of hitherto unknown drilling activities in close proximity to their homes and holiday resorts have been "packaged" by groups whose arguments for preserving environmental quality too often fail to consider the equally legitimate need to preserve (or even permit) economic growth.

A particularly unfortunate aspect of the organized vocal environmental opposition to Outer Continental Shelf drilling is that those who appear to view such activity from a positive perspective (those who see future economic and, even, environmental benefits and who are well aware of the potential environmental liabilities from such Outer Continental Shelf drilling) are accused of sins, faults, flaws and errors that range from "blindness to beauty," to the "selfish pursuit of personal profit." Such shrill, incoherent accusations may well be only very much sound and a great deal of fury signifying nothing of genuine substance, but they also obscure the very real issues at stake, and prevent the proper questions from being asked, much less resolved. Prophets of gloom and doom are always prevalent when a society confronts crisis; fortunately, such prophets rarely prevail.

Let there be no mistake about the facts and the feasible forecasts! The 12 "common counsel" States in "United States v. Maine, et al.," are a minority of this nation. Our very un-one-man-one-vote United States Congress will very likely.....regardless of how we in New Jersey act or react....soon insist upon Outer Continental Shelf drilling for oil and natural gas; and the Baltimore Canyon Trough, lying as a silhouette of our State at sea, some 40 to 100 miles from the New Jersey shore, is one of the most likely sites for the drilling activity to commence.

It is absolutely inconceivable to us that any American in April, 1975, could sincerely doubt or even seriously question the inevitability of exploring the Outer Continental Shelf lands off the coast of this nation including those off New Jersey. Nor ought there to be any doubts concerning the necessity of determining the extent of the oil and natural gas resources in, on, and under the Outer Continental Shelf; and developing a comprehensive, coherent, and coordinated program for the "exploitation" of these natural resources, and for their utilization by the citizens and commercial, industrial and service businesses in New Jersey, our 49 sister States, and, even, the blessed District of Columbia.

Here we are, in April, 1975, in the midst of a national economic "recession," a New Jersey economic "depression," and with the monetary system of the western world more endangered in a period of ostensible "peace" than ever it was in past periods of actual war. Here we are, in April, 1975, with once "Imperial" Britain and once "glorious" France now forced to reorient their foreign policies at the demand of once lowly colonies that have

become economically mighty nations; with the formerly "free enterprise" economic system of the United States of America now being held to ransom by Middle Eastern monarchs whose people have always been "enterprising," but never "free"; and with Sheiks, Emirs and other petty potentates who formerly pleaded for American foreign aid now purchasing not only American products and services, but the commercial, industrial and service corporations and companies which provide them. That the world has turned "topsy-turvy" may well represent a kind of "poetic justice," and, perhaps, few tears should be shed for the once "mighty" who have now "fallen". Few tears would, indeed, be shed were it not for the fact that the political stability of the western world is endangered by the state of the international economy and we, as the world's greatest democracy have the greatest amount to lose if international economic chaos leads to international political turmoil and disintegration.

And here, too, we are, in April, 1975, sitting some 40 miles west of what geologists tell us may be between 20 to 200 trillion cubic feet of natural gas, and from 2 to 48 billion barrels of oil (which estimates are based on current technology, and which range much higher if improved "extraction" technology is considered). Here we are, in April, 1975, with "United States v. Maine, et al.," now just another "asterisk" or "gold star" in the "won-and-lost" record of some federal attorney. Here we are indeed! Are we going to deny the facts and forces we face? We must not! Are we going to sulk in our tents (borrowed, no doubt, from the Arabs, who we should thank for forcing us to realize the folly of our former wasteful ways) and refuse to accommodate our State governmental policies to the circumstances and conditions confronted by the nation of which we are very much more than a 50th part, and by every one of our New Jersey citizens? We must not!

Of course, the geologists' projections recorded above are just that..."projections".... Rock configurations, strata thicknesses, and sedimentary formations to the contrary notwithstanding, all the seismic surveys in the world cannot locate hydrocarbons in the form of oil and natural gas beneath the sea. We may "think" oil and natural gas exist off the New Jersey shore; we have excellent geophysical reasons for thinking that such resources are present in quantities which would justify their incredibly high costs of exploration and exploitation; but we will never know for certain unless and until we "drill." And until we DO know for certain what oil and natural gas resources exist off the New Jersey shore, it will be impossible to accurately account for the onshore economic and environmental impacts deriving from the exploitation of these resources. Only this much is certain: those who believe that Outer Continental Shelf oil and natural gas will produce hundreds of thousands of jobs, provide billions of dollars in State revenues, turn New Jersey into the Texas of the East, and prove a panacea for every economic problem this State is presently experiencing or may expect to experience in future, are, for all their optimism, probably as mistaken as those who believe that the exploitation of those resources will permanently cover

New Jersey's beaches with oil, irreparably ruin our wetlands, eliminate our wildlife sanctuaries and fishery breeding grounds, and turn New Jersey into the world's largest (and worst) tank farm for the storage of liquefied natural gas, crude oil and refined petroleum products. Neither the most optimistic oil company executive nor the most pessimistic shore-county environmentalist is likely to see his hopes-fears fulfilled.

There is, however, little doubt but that the discovery of oil and natural gas off the New Jersey shore is certain to have significant environmental and economic impact upon this State. A stable, secure supply of energy available at competitive prices will prove a positive inducement to the location of all forms of business in New Jersey; it will attract new business operations; it will encourage the retention of businesses which might otherwise relocate in other States; new employment opportunities will most certainly be created; present jobs will be retained. New Jersey's petrochemical industry, already one of the largest of its kind in the nation and the "major" industry in New Jersey, will increase its operations, expand its facilities, and create, thereby, new employment opportunities. The exact number of new opportunities created and present jobs retained will, of course, depend upon the extent of the oil and natural gas resources located off New Jersey, and upon the efficiency and effectiveness with which these resources are exploited. So too will an exact quantification (or even a responsible estimate) of the environmental impacts of Outer Continental Shelf drilling depend upon a great deal more knowledge than any of us possesses at present as to the extent of oil and natural gas resources off New Jersey, and upon detailed studies and analyses of the genuine effects of bringing these resources onshore in this State.

Outer Continental Shelf drilling for oil and natural gas off the New Jersey shore is a matter about which relatively few "hard facts"....both positive and negative....are known; but about which far too much nonsense and emotionalism....both positive and negative...has been, and is being, expressed. In light of the energy and economic problems of the United States today, and in light of the energy, economic and political problems of the entire western world (which problems will, ultimately, affect every citizen of the United States) which are caused, at least in part, by an increasing dependence upon Middle Eastern oil, the United States has no choice but to explore our Outer Continental Shelf areas in search of domestic supplies of oil and natural gas. In light of New Jersey's very own energy and economic problems, we not only have no choice but to encourage such exploration and the exploitation of whatever resources are actually discovered, we have a positive obligation to do all we can as a State to secure as many benefits as possible from whatever oil and natural gas reserves are located off our shores.

We believe that every reasonable measure which may be taken to preserve and protect the quality of the environment of New Jersey, both our shore areas and our inland regions, should be taken. We believe that every "baseline study" and all "time-series data and trend information" which may reasonably be performed and accumulated, should be performed and accumulated. We believe that every environmental impact statement which may reasonably be required, should be efficiently, expertly, and expeditiously written by the most responsible authorities. But we do not believe that measures which purport to preserve the environment, but which are, in fact, mere cloaks to conceal opposition to the exploration and exploitation of vitally needed oil and natural gas resources, should be permitted to delay, hinder or prevent the commencement of activities so necessary in the national and New Jersey interest. We see no reason why environmental study and analysis cannot proceed simultaneously with the preliminary steps necessary to prepare for Outer Continental Shelf drilling for oil and natural gas off the New Jersey shore. Those preliminary steps include issuing a call for "nominations" of those areas of the Outer Continental Shelf determined both by federal geologists and those of the private petroleum companies to hold the most promise of the presence of oil and natural gas. They should also include the actual conduct of lease auctions; and they may certainly include the establishment of a formal time-table for specific exploratory drilling programs to determine the actual existence of oil and natural gas resources in the leased lands. If the aforesaid "preliminary steps" and procedures were to be commenced today, it would be March, 1980, at the earliest, and very much more likely, March, 1982, before the first barrel of oil or the first cubic foot of natural gas would flow from the first off-shore well through the first sub-sea pipeline to the first on-shore tank farm or storage area, or to one of our already existing (in 1975) oil refineries or natural gas processing plants. We include within our definition of a "reasonable environmental measure" all those that may be performed within that time. All the studies, all the "impact statements," all the data and information, all the public hearings and all the plans ought to be commenced forthwith. And when the oil and natural gas begin to flow, continuous environmental review, analysis and planning will proceed apace.

We do not believe that there is any environmental need to separate the period of exploration for oil and natural gas from the period of exploitation of those resources that are actually discovered. While we would not wish to go so far as to place the assertion of such a need in the category of "mere cloaks to conceal opposition to the exploration and exploitation of vitally needed oil and natural gas resources," we respectfully suggest that if we efficiently and expeditiously perform all reasonable environmental measures, there is no reason why we should not equally efficiently and expeditiously perform all reasonable resource

exploitation after the extent of those resources has been ascertained. We believe that the natural and inevitable "lead-times" between the commencement of resource exploration and the development of the necessary resource exploitation capacity will provide more than sufficient time for the development and implementation of all reasonable environmental protections and safeguards. Any additional delay between exploration and exploitation will not only prevent those who have invested capital in exploration from receiving the fruits of their investments upon exploitation (which may create serious problems of "capital generation," and may significantly discourage incentive), it would also, and most importantly, delay the day when the American people may expect to receive the benefits promised from the "national" natural resources of the Outer Continental Shelf. We further believe that a rapid and smooth transition from Outer Continental Shelf exploration to exploitation is not only essential for economic reasons, but would tend to preserve and protect the environment of New Jersey, since the "exploration" stage of Outer Continental Shelf operations is the most dangerous from an environmental perspective. It is at that "exploration" stage that some of the most serious "accidents" can occur: the drilling rigs are not permanently fixed; numerous holes are being simultaneously drilled; the safest "blow-out" prevention equipment is rarely available; the navigation charts cannot be changed every time an exploratory rig is moved. It would be ironic, but none the less tragic, if we accepted all the admitted environmental risks associated with Outer Continental Shelf exploration and then, because we had not responsibly performed our environmental responsibilities, capped the wells drilled, marked the areas explored, withdrew the rigs and delayed our receipt of the economic benefits from oil and natural gas exploitation, while the studies we should have made in the exploratory stage are belatedly undertaken. It is only at the exploitation stage that the proper "accident" prevention equipment is available; it is only at that stage that permanent plans for coping with potential environmental damage become feasible; it is only at that stage that the environmental risks that have already been taken may begin to pay their economic dividends.

Now that the United States of America has been declared the "owner" of the Outer Continental Shelf, we believe that it is the United States Government which should finance the greatest portion of the costs of all necessary environmental measures. Whether those federal funds are provided pursuant to "Coastal Zone Management" programs, or from new programs especially developed to deal with the environmental intricacies of Outer Continental Shelf oil and natural gas drilling; whether those federal funds are to be dispensed by the National Oceanic and Atmospheric Administration, the Department of the Interior, the Department of Labor, or any other federal department; and, whether those federal funds are to derive from lease revenues, or oil and natural gas royalty revenues, or out of "general appropriations" by the Congress of the United States, the important point, the quint-

essential point, is that we in New Jersey are entitled to all reasonable financial support for all reasonable environmental measures to protect our shores, our inland areas, and the quality of life in this State. If the federal government, which administers the Outer Continental Shelf in the name of the United States of America, determines that the oil and natural gas which may exist off the coast of New Jersey ought to be explored and exploited in the "national interest," then we in New Jersey, as citizens of this State and of this Nation, are entitled to federal funds to support our efforts to preserve our environment.

We are also entitled to be "guaranteed" by the federal government that all damage to our lands, our wildlife, our economy, or our citizens as a result of spills, leaks, "blow-outs," fires, collisions, explosions, and "accidents" of any nature whatsoever deriving from Outer Continental Shelf drilling operations will be fully compensated by funds provided either by the federal government, or by the "responsible party" pursuant to federal law, or both. An "environmental impact statement" is of no worth whatsoever if there is no means to cope with, or make amends for, the "environmental impact" when it actually occurs. What we do not need in New Jersey is another report which merely projects oil spills and shore destruction. What we do very much need, and what we have every right to expect, is that the federal government will accept its responsibility to provide us with the means to clean up those spills and restore those shores, if that which is projected should actually occur.

We also believe that the United States should grant New Jersey, and all other States off whose shores Outer Continental Shelf drilling activities are to occur, a "First Right of Refusal" on the location of all pipelines bringing oil and natural gas onshore. We believe that all leasees exploiting Outer Continental Shelf lands off New Jersey, pursuant to federal law, should be required to consult with the State Government prior to routing pipelines. Only if New Jersey refuses a pipeline right-of-way should such pipelines be routed to lands under the jurisdiction of any other State. We base our position on the fact that the winds, the tides, and the currents of the sea do not particularly care where the sub-sea pipelines carry oil and natural gas onshore from offshore drilling rigs. If a spill, leak, "blow-out," fire, collision, explosion or any other accident damages one of those rigs located off the New Jersey shore, the winds, the tides, and the currents will almost inevitably carry toxic crude oil or potentially harmful gaseous clouds to New Jersey. Since New Jersey is guaranteed by the laws of nature every potential environmental hazard, we believe New Jersey should be equally guaranteed by the laws of the national government every potential economic benefit.

We believe that if the federal government takes all the actions and measures outlined above, and if it enacts all the legislation and appropriates all the funds necessary to implement those actions and measures, New Jersey, and every State off whose shores oil and natural gas resources may be found, would have the

responsibility of determining whether or not, (and if so, to what extent) it wished to receive any of the economic benefits which may reasonably be anticipated from the development of those off-shore oil and natural gas resources. It is a "responsibility" simply stated, but one which will involve very much more clear, coherent, and comprehensive planning and policy making than has ever before been required of the New Jersey State Government.

Regardless of what the official, duly elected State Government of New Jersey believes or determines, we are convinced that the people of this great State will DEMAND that THEY receive every conceivable economic benefit from all oil and natural gas activities that take place off our shores. We believe that the fundamental common sense and good judgment inherent in our people will insist that we in New Jersey, who will have all the environmental effects of Outer Continental Shelf drilling regardless of whether or not we choose to accept the economic effects as well, MUST not only accept those economic effects, but must turn them to our ever greater advantage. We must have oil and natural gas to run our motor cars, heat, cool and light our homes, and provide fuel and energy supplies for our commercial and industrial businesses. We in State Government may fail to remember that genuine need; the people of this State will never forget it; nor will they ever forgive us for forgetting it.

If the federal government determines to permit oil and natural gas drilling off our New Jersey shore (and we most certainly think it will so determine), then the Government of New Jersey must immediately undertake all those economic and land use studies and analyses necessary to develop and implement all those economic and land use plans essential to provide the citizens of this State with every conceivable economic advantage from that oil and natural gas. We must plan where the pipelines should go, routing their rights-of-way through those lands most environmentally suitable for them, to storage areas or tank farms sited in the most environmentally suitable situations. We must determine the most environmentally suitable locations for power generating plants and natural gas processing facilities; and we must regulate refinery expansion and all new refinery construction. And we must take all those actions and measures in our economic interest, recognizing that the oil and natural gas which may exist off our shores can make an actual "economic blessing" for all citizens of this State out of what now appears to so many to be an "environmental curse." And all those actions and measures which we will be taking in our economic interest will ultimately have beneficial environmental effects for all of our people. For those actions and measures will rationalize the planning processes of the State Government, and eliminate the unplanned, uncoordinated and so often irrational physical development that has characterized New Jersey for so long, and which has had far greater adverse effect over the years upon the environment of this State than any single oil spill or pipeline leak could ever have in the future.

Having stated our beliefs that Outer Continental Shelf drilling for oil and natural gas "ought to" and "will" take place off the New Jersey shore; and, that such drilling activity may reasonably be expected to prove economically (and, perhaps, even environmentally) beneficial to the citizens of this State, it remains for us now to consider "How" and by "Whom" such activity should be undertaken.

In our discussion above of the virtual inevitability of Outer Continental Shelf drilling activity we specifically called for the immediate commencement of all manner of environmental studies, data collection, information accumulation and impact statement preparation; and we equally specifically called for substantial funding of these activities by the federal government. We have also indicated our belief (page 7) that the "conditions and circumstances of Outer Continental Shelf activity in any of the Atlantic Ocean 'frontier areas' (Georges Bank, Baltimore Canyon, Blake Plateau) are quite likely to be very different from those prevailing in the Gulf of Mexico and off the California Coast, where most Outer Continental Shelf activity currently takes place." We recommended that the methods, procedures and practices of the United States Department of the Interior be "thoroughly reviewed and, where necessary, revised," in light of those very different conditions and circumstances. We believe that review should particularly concern the "environmental impact statement" process, and that a determination should be made concerning the number of such "statements" that should be filed, and the stage (or stages) in the "drilling" process at which they should be filed (e.g. Should environmental impact statements be required on all submissions of exploratory drilling plans; or on all submissions of field development plans and applications for drilling?).

We further believe that the federal government should enter into agreements concerning Outer Continental Shelf oil and natural gas exploratory activity with ALL States off whose shores leases are to be granted, which agreements should be identical to those entered into already by the United States Department of the Interior with the States of Alabama, California, Florida, Georgia, Louisiana and Texas. These existing agreements require that permission be obtained from the U.S. Army Corps of Engineers before any exploratory activity may be commenced, and that a stipulation be filed with the Area Oil and Gas Supervisor of the United States Geological Survey and with appropriate agencies of the States adjoining the areas to be explored. In the stipulation, the applicant agrees to comply with all the regulations of the adjoining States which govern and, in some cases, restrict the exploratory techniques which may be used by the applicant. The Corps' permission is intended to prevent obstacles to navigation; the stipulation is intended to insure that aquatic life is protected and conserved. Here, again, our desire that all Outer Continental Shelf drilling activity off the New Jersey shore be conducted in the most environmentally sound manner will place a great responsibility upon the State Government. We believe that this is a responsibility we must assume in the interests of the citizens of our State. We will have to carefully formulate and develop rules and regulations

concerning exploratory techniques off the New Jersey shore, taking care all the while that the measures we ultimately promulgate are genuinely intended to protect our environment and not, merely, to hinder or unduly delay exploratory activity.

In short, we believe that Outer Continental Shelf drilling for oil and natural gas off the New Jersey shore ought to be undertaken; that it will be undertaken; that it must be undertaken in the most environmentally efficacious and economically efficient manner, and that whatever plans, projections, analyses and studies are necessary to insure that environmental efficacy and economic efficiency should be undertaken forthwith by the federal government; by the State Government, with funds largely federal; and by the local governments of the State of New Jersey, with funds from both the federal and State governments.

In considering by "Whom" Outer Continental Shelf Drilling ought to be performed, we have already stated our belief (page 7) "that no change should be made in the basic policy of authorizing the exploration and exploitation of Outer Continental Shelf resources by private industry." And we have also stated that "closer supervision, inspection and regulation of private industry by the federal and State governments and a revision of the financial arrangements of Outer Continental Shelf leases, royalties and taxation, in the public interest, do not imply the substitution of government for private industry in the actual conduct of resource exploration or exploitation activities."

An overly simplistic, but nonetheless superficially attractive, argument has been advanced by some to the effect that since the "people of the United States" own the natural resources in, on, and under the Outer Continental Shelf (a point which must be true because the Supreme Court says so), it is the "people of the United States" who ought to benefit from the exploitation of those resources; and, in order to insure that the "people of the United States" receive the benefits to which they are entitled by "right," it is necessary for the "people of the United States" to explore and exploit those resources themselves. Upon advancing this argument, its proponents need only remind us that since the "federal government" always acts on behalf of the "people of the United States," all we need do to bring the promised benefits to the "people of the United States" is create a "federal government corporation," or organize a "federal government program," to actually conduct Outer Continental Shelf oil and natural gas exploration activity, or oil and natural gas exploitation activity, or both such activities.

We cannot agree with the superficial argument adduced above. We cannot agree, firstly, because although the Supreme Court has forced us to accept the ownership by the "people of the United States" of the resources in, on, and under the Outer Continental Shelf, and although we surely believe that the "people of the

United States" ought to benefit from the exploitation of those resources, we absolutely cannot believe that it is essential for the "people of the United States" to either explore or exploit those resources themselves if we are to insure that they receive the benefits to which they are entitled. In fact, we believe that one of the most certain ways to guarantee that the "people of the United States" will receive few benefits (and much grief and pain for promised joy) from any exploration or exploitation of the oil and natural gas resources of the Outer Continental Shelf is to have those activities performed by the federal government. We cannot agree with the superficial argument adduced above, secondly, because we refuse to accept the assumption implicit in that argument that there is something inherently good and true and beautiful about that which is performed by the federal government, and something obversely evil and deceitful and ugly about that which is performed by private business and industry. Nor can we accept the assumption equally implicit in that superficial argument that only the federal government acts on behalf of "the people of the United States" while private business and industry acts always for selfish reasons and always against the public interest. We see nothing inherently evil about profits; and nothing inherently wrong in private business and industry extracting resources, producing and selling products, and collecting receipts from which the taxes that support the federal government are paid, and from which those private citizens who have invested their private capital in these private businesses and industries may receive their private dividends. And we think it unfortunate, and more than a little ironic, that a nation which is about to experience the 200th anniversary of its birth, and is in the process of commemorating every single event of any significance in achieving that birth (and a good many events of no significance therein whatsoever) should need to be reminded that the "free enterprise" economic system, which permitted a man to retain the fruits of his labors, proved very attractive to the American "patriots" of the 18th century who considered themselves oppressed by excessive taxation and the presence of governmental monopolies administered by Great Britain.

But leaving aside our philosophical beliefs, and letting pass, too, our rejection of the most important assumption implicit in the superficial argument adduced above (i.e. that private business is somehow "unAmerican"), there are some very real, very practical, very factual reasons why the creation of a "federal government corporation" or the organization of a "federal government program" to actually conduct Outer Continental Shelf Oil and natural gas exploration activity, or oil and natural gas exploitation activity, or both such activities, would be the very worst way to serve the interests of the "people of the United States."

It has already been noted that seismic surveys only reveal where to look for oil and natural gas; they do not reveal whether or not oil and natural gas actually exist anywhere. To be

certain, exploratory drilling must be undertaken. A few facts concerning exploratory drilling are, therefore, particularly relevant to any consideration of by "Whom" Outer Continental Shelf activity ought to be performed.

The geophysical reports presently available indicate that whatever oil and natural gas resources actually exist in the Baltimore Canyon Trough off New Jersey may lie in sedimentary deposits between 7,000 and 12,000 feet below the ocean floor, in water depths between 100 and 600 + feet.

An exploratory drilling rig for operating in 150 feet of water in the Gulf of Mexico costs approximately \$2,000,000.00. As water depths increase to 400 feet the cost of such drilling rigs rises to as much as \$6,000,000.00. Over 400 feet, as water depths increase to 800 feet (the maximum feasible drilling depth with present technology), the cost of such rigs may rise to as high as \$30,000,000.00.

The costs of operating drilling rigs rise with increased water depths and distances from shore as rapidly as the costs of the rigs themselves. Since it may cost as much as \$65,000 a day to operate a drilling rig in the North Sea, it is not unrealistic to project daily operation costs of between \$40,000 and \$60,000 in the Atlantic Ocean over the Baltimore Canyon Trough off New Jersey.

Exclusive of the cost of the drilling rig, the average natural gas well in the Gulf of Mexico costs more than \$700,000 from the moment exploration is commenced to the moment the well goes "into production" and the first natural gas is transported ashore. The water depths and weather conditions prevailing in the Atlantic Ocean indicate that the costs of "completing" wells in this region may substantially exceed those incurred in the Gulf of Mexico. Several oil company estimates indicate that the cost of exploratory drilling alone may approach \$2,000,000.00 for each well drilled.

As substantial as all these costs may appear...the basic costs of equipment; the daily costs of operation; the total operating costs to "completion" and the commencement of production..... they must be compounded (perhaps several times over) in light of past and present offshore experience in the North Sea, the Gulf of Mexico, and off the California, Alaska and Nova Scotia coasts. The drilling record of these areas indicates that only one exploratory well in ten finds gas or oil in quantities producible under the technology now available, and only one in as many as 50 produces what may be considered truly significant new reserves (such as those discovered in the Cook Inlet, in Alaska).

All the costs cited above are those presently incurred by private businesses in drilling offshore for oil and natural gas

pursuant to federal lease agreements. To those costs of actually conducting drilling activities must be added the enormous sums paid by these private businesses to the United States for leases of offshore lands and drilling rights. Between 1954 and 1974 these private businesses paid the United States Treasury more than \$13 billion in "bonuses" just for the right to look for oil and natural gas. In the Destin Dome area off the west coast of Florida, \$900,000,000.00 was spent by these private businesses for leases. After the drilling of six dry holes to date, this area is still nonproductive.

If the federal government were to undertake oil and natural gas exploration activities offshore it could expect to confront the same costs confronted by the private businesses engaged in those activities today. One estimate of the cost of oil and natural gas exploration activity from 1959 to 1973 places the total expenditure by private businesses at more than \$100 billion.

To provide an accurate picture of the total cost to the federal government of undertaking such activities, there would have to be added to the "federal money" actually spent on exploration activity all that "private money" which otherwise would have been received from private businesses on lease bonus bids for offshore tracts and drilling rights. That is to say that had the federal government been engaged in oil and natural gas exploration activity since 1954, to the exclusion of private businesses, the total costs of such activity to the federal government would have included not only equipment, personnel and operating costs, but the more than \$13 billion paid by private businesses.

Of course, if the federal government were only to explore for oil and natural gas (assuming that it possessed, developed, or "bought" the expertise with which to undertake such sophisticated activities), and then lease the right to exploit those resources actually discovered to private businesses, then most, if not all, of that \$13 billion which has already been spent by private businesses, and most, if not all, of the many billions more quite likely to be spent by private businesses for Atlantic Outer Continental Shelf leases, might well be repaid to the federal government from leases of "proven reserve" rather than of "hopeful possibility" areas. In that event the federal government would only need to bear the millions upon millions of exploration costs....the costs of equipment, personnel, and the operating costs of exploratory rigs.... Only those millions upon millions. Only those. Only those, indeed!

To all of which we ask, "WHY?" and "To what end?" "For what reason?"

Has the federal government demonstrated a competence in offshore oil and natural gas exploration (of which we are unaware)

that is so superior to that demonstrated by private business that all such activity should be made an exclusive federal prerogative? We think not!

Is the federal government expected to discover any more oil and natural gas offshore, for all its expenditure of millions upon millions of dollars derived from taxation, than is private business, for all its expenditure of millions upon millions derived from reinvested profits and the investment capital freely provided by other businesses and private citizens? We think not!

We do very clearly see the need for very close supervision and, if necessary, even closer regulation of those private businesses engaged in oil and natural gas exploration and exploitation offshore, in, on, and under the Outer Continental Shelf of the United States. Now that the Supreme Court has ruled that the Outer Continental Shelf belongs to the United States of America, we do indeed believe that the exploration for, and the exploitation of, its oil and natural gas resources should be performed in the best interests of the American people. Where we differ with those who propose that such exploration or exploitation activities, or both such activities, should be undertaken by the federal government, is in our belief, our very practical belief (for we have promised to put aside our philosophical predilections in support of free enterprise, and to refrain from recounting the economic history of the United States) that the federal government would more properly serve the best interests of the citizens of this nation if it expended federal tax revenues on measures to restore, protect and preserve the environment, and to provide for the economic and social well being and welfare of the American people, than if it expended those same federal tax revenues on incredibly expensive oil and natural gas activities that could be, and have always been, performed more efficiently, effectively and economically by private business.

The very sincere and totally understandable desire of millions of Americans to force the private oil companies operating in the United States to recognize their legitimate and lawful responsibilities must not be taken to imply that the American people want the federal government to perform the functions of private business. It is, unfortunately, all too true in America that private business is, at times, its own worst enemy. Allegations have been made by responsible persons that conspiracies have been entered into by private oil companies to fix the prices of refined petroleum products, and to freeze development from existing oil and natural gas wells to force prices still higher. We do not know whether or not such allegations are true, but we firmly believe that they should be thoroughly investigated by the highest federal law enforcement authorities and the most severe fines and penalties should be imposed upon the guilty parties. But while we cannot condone unlawful actions, and while we cannot tolerate abuses of the public trust and actions organized against the public interest by private

business, we can see no legitimate purpose to be served by whatcolloquially....might be called, throwing out the "baby" of private business and free enterprise, with the dirty "bath-water" of corruption and illegal actions. If the federal government were to spend millions on enforcing the laws against conspiracies and anti-trust combinations "in restraint of trade," and on developing, promulgating and implementing the most comprehensive guidelines, criteria and standards which would regulate all phases of oil and natural gas activity; and which would require the submission of the most detailed periodic reports of discoveries, "finds," and reserves, we would support those expenditures and use whatever influence we may possess to persuade our fellow citizens to support them as well. We would, however, and we do most vigorously, oppose all direct federal expenditures on oil and natural gas exploration and exploitation activities.

In sum, then, we believe that private business is better equipped and is by far the more appropriate entity to undertake Outer Continental Shelf oil and natural gas exploration and exploitation activities than the federal government. We believe, too, that closer federal supervision and, possibly, regulation of the activities of private business in performing such activities is necessary in the public interest and should be viewed as the principal federal government responsibility insofar as direct intervention in Outer Continental Shelf activity is concerned.

If these beliefs concerning by "Whom" Outer Continental Shelf activity is to be performed are taken together with our beliefs concerning "How" and in what manner such activity should be performed, it will easily be seen that we have great confidence in the power of government to protect the public interest against economic hardship, environmental deterioration, and the abuses of an unsupervised, unregulated "free enterprise" system. So too, do we have great confidence in the capacity of private business in America to provide the products most needed at the lowest possible cost; and when private business strays from the path prescribed by law, it is for government to set things straight once again.

Because our national need for increased safe, stable, and secure supplies of energy is so great; because the "lead-times" to explore for, and commence the exploitation of, such resources are so long; and because private business, acting pursuant to federal law and under close federal government supervision and regulation, is most qualified to engage in exploration and exploitation activities, we believe that Outer Continental Shelf leases should be let as expeditiously as possible; that the federal government should provide the funds and lend its expertise for the most extensive and intensive economic and environmental studies, analyses and plans; that all economic and environmental measures should be undertaken simultaneously with the most efficient and comprehensive

Outer Continental Shelf exploratory activities; and that nothing should be permitted to delay the responsible exploitation of whatever oil and natural gas is actually discovered off our shores. We believe that all the above should be "national" policy; we are certain that it should be "New Jersey" policy.

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New Jersey State Library

DEEPWATER PORT CONSTRUCTION

The temptation is great to commence this section concerning "Deepwater Port Construction" with a horror story or two, or twenty or two hundred, of tanker explosions, rammings, collisions, fires and groundings in close proximity to our coasts and beaches, at our harbor entrances, inside our harbors, and at piers affixed to shore. The temptation is great indeed, but we shall resist it out of a desire to remain constant to our promised purpose of reducing (or, rather, "raising") our consideration of these energy-related issues to "reason" and freeing us from the blinders of "emotionalism" and "personal perspective" which have for far too long obscured and clouded our vision in this area. We will, therefore, dispense with the dramatic effects of recounting the physical disasters and human tragedies that have occurred and are occurring still when fully loaded tankerships do not pass but collide in the night; and we will, instead, direct our analysis of the issue of "Deepwater Port Construction" to the facts concerning our present methods of unloading crude oil and refined petroleum products carried by sea, and to our reasons for recommending radical changes in these methods as rapidly as possible.

In its simplest form, our policy concerning "Deepwater Port Construction" may be stated as follows:

We believe that an agency of the State of New Jersey should be created immediately with the responsibility to plan and provide for the construction and operation of a crude oil and refined petroleum product off-loading device of the "mono-buoy" type located 10 to 20 miles off the New Jersey shore, with submerged, under-seabed pipelines extending onshore either to existing refinery storage areas, or to environmentally safe, scenically suitable, newly selected storage areas located inland. We hold that such a Deepwater Port facility is environmentally essential if New Jersey is to reduce the pollution inevitably associated with tanker crossing in close proximity to our shores; to reduce the congestion of our harbors and shipping lanes; and to lessen the risk of collision between tankers carrying their toxic cargoes up and down the Delaware, Raritan and other rivers and waterways within the jurisdiction of this State. We hold that such a Deepwater Port facility is economically essential if New Jersey citizens are to receive the benefits of a consistent, stable and secure supply of crude oil and refined petroleum products at the lowest possible prices. We hold that such a Deepwater Port facility should be owned by the State of New Jersey and operated by private business under lease and other contractual agreements with the State, in order to guarantee that the site ultimately selected for such a facility will be the most environmentally suitable for its location; that all Deepwater Port activities will be performed in conformity with the highest standards of economic efficiency and environmental efficacy by private professionals possessing the

most extensive experience and expertise; and that the State Government, through its ownership, will not only be able to insure that the citizens of New Jersey will receive both the direct and indirect economic benefits derived from the utilization of such a facility, but will be able to effectively regulate and control the flow of crude oil and refined petroleum products to this State.

In our consideration of the issues involved in "Outer Continental Shelf Drilling for oil and natural gas" we observed that "too much of what has been said (in opposition to such drilling) has been shrill and largely incoherent; while much of what has been written (again, in opposition to such activity) has been either unreadable and confusing to the layman, or unfounded, unsubstantiated and, even, untrue to the scientist." While we might make virtually identical observations concerning the organized opposition to "Deepwater Port Construction," we must, in fairness, note an essential difference in our reactions thereto. We attributed opposition to "Outer Continental Shelf Drilling for Oil and Natural Gas" to an honest misunderstanding of the genuine issues involved and to a less honest (in the intellectual sense) though no less sincere misplacement of priorities. In the case of Outer Continental Shelf Drilling we took issue with those who, we felt, had failed to recognize both the "inevitability" of such drilling activity "in the national interest," and the very positive economic (and, even, environmental) advantages which would accrue to the citizens and businesses of New Jersey as a result of such activity. And to those who, it appeared to us, were implying that we don't require increased supplies of oil and natural gas because "dining by candlelight can be fun," we answered explicitly that such dining is, indeed, "fun," but only when one does so by choice and not out of necessity, and even then only when one has the funds with which to purchase appropriate candelabra.

But in this issue of "Deepwater Port Construction" we who have already stated our most sincere beliefs in its economic benefits and its environmental necessity must concede that we ourselves are most responsible for most of the opposition our beliefs have encountered. We have done a shameful and shockingly poor job of explaining our proposals, our policies, our purposes and our objectives. We have used "code words" such as "Deepwater Port" which conjure monstrous images of mammoth dredging and platform construction activities at sea, without providing adequate delimiting definitions. We have permitted those who support our beliefs to base that support on the purported economic and environmental advantages of "Supertankers," without explaining that the case for "Deepwater Port Construction" is solid regardless of the size of ships carrying crude oil and refined petroleum products to New Jersey, and without explaining that we are concerned only with getting as many ships as possible of all possible sizes as far away as possible from our congested coasts, harbors and waterways. Thus, we have permitted our genuine fears concerning the environmental

efficacy of our present methods of unloading crude oil and refined petroleum products to appear less important than the arguments of those who own and charter ships concerning the economic efficiency of "Supertankers." While our real reasons for advocating "Deep-water Port Construction" are principally "environmental" and only secondly "economic," we have so inadequately stated those reasons that they appear to many to be just the reverse, and worse, and advanced only for the benefit of private ship owners and charter companies.

Far from criticizing those who oppose our beliefs we can only offer belated, but sincere, apologies for permitting them to be misled. Far from challenging the contentions of our opponents, we can only state our own clearly, concisely, and, unfortunately, for the very first time.

Before that, however, we must define our terms.

The term "Deepwater Port," "Deepwater Terminal," or "Oil Transfer Facility" includes three types of facilities:

- 1.) Artificial islands with fixed berths resembling convential piers and tank farms. These facilities can cost well over \$1 billion, require massive dredging, and must be located in naturally protected waters;
- 2.) Sea Islands or fixed offshore piers with onshore storage facilities. These facilities must be protected either naturally or by the construction of artificial breakwaters; and,
- 3.) Single Point Mooring systems (SPM's), or clusters of monobuoys located offshore, with connecting pipelines to pumping stations and onshore storage facilities. SPM's have been constructed in more than 100 locations throughout the world (though nowhere in the United States) in either one of the two following varieties:
 - a.) Single Anchor Leg Mooring (SALM)
 - b.) Catenary Anchor Leg Mooring (CALM)

In the SALM variety, the buoy, fluid swivel and hose connection below the water surface all rotate with the ship. Anchorage to the ocean floor is through a piled base. Oil is discharged to a chamber located in the piled base of the unit on the ocean floor.

In the CALM variety, there is limited buoy movement. A turntable on top of the buoy permits a tanker to "weathervane" (rotate) about the buoy. Anchorage to the ocean floor is through anchor chains with a breaking strength of 1,750 tons each. Oil is discharged from a tanker to a chamber located in

the floating turntable.

When we speak of a "Deepwater Port" in this "White Paper" we are speaking of one or the other variety of the "Single Point Mooring" system described above. Although we accept the validity of all the estimates of economic benefit to be derived from Artificial Islands and Sea Islands we shudder upon contemplation of their potential environmental liabilities -- e. g. the disruption and possible destruction of the offshore biota through dredging and construction operations, and the permanent elimination from productivity of the area of sea floor and volume of water occupied by the breakwater or island construction. The SPM which we favor will require no extensive dredging, and the maximum disruption of offshore biota will derive from the placement of pipelines buried beneath the floor of the ocean. Studies of such pipelines placed with the most modern methods indicate that the ocean floor disturbance is only temporary and quickly restored by the natural movement of the sea. It may be possible to reasonably question whether or not this nation or New Jersey requires any Deepwater Port of any type whatsoever, It is, however, quite impossible to reasonably question the fact that the SPM type of Deepwater Port is not only the least expensive to initially construct, but is easily the safest to construct from an environmental perspective. Since it is, once again, principally from this environmental perspective that we view the entire question of "Deepwater Port Construction," we naturally and logically favor the Single Point Mooring (SPM) system.

The environmental case for the construction of a Deepwater Port off the New Jersey shore appears, to us, unchallengeable.

At the present time, the New Jersey-Philadelphia area contains 10 major refineries with a total refining capacity of some 1.3 million barrels per day. The five New Jersey refineries (of which only four are presently refining crude oil) have a capacity of some 600,000+ barrels per day.

Until 1971, most of the crude oil refined in the New Jersey-Philadelphia area refineries came from domestic sources, principally from the Gulf of Mexico. By 1973, almost 60% of the crude oil refined in this area came from Middle Eastern sources. Regardless of its source, all this crude oil arrived, and still arrives, by sea. Until 1970, most crude oil was delivered by tankers that averaged 30,000 Deadweight Tons (DWT) with a cargo capacity of 220,000 barrels maximum, or by oil barges with a significantly smaller cargo capacity. Six ship calls per day of the 30,000 DWT

tankers were necessary to meet the refinery capacity of the New Jersey-Philadelphia area. Since 1970, the tankers most commonly used to supply the refineries of this area average some 50,000 DWT with a cargo capacity of 360,000 barrels maximum, necessitating an average of just under four ship calls per day.

In addition, although the New Jersey-Philadelphia area possesses a refining capacity of 1.3 million barrels per day, the refined petroleum product demand in the region of which we are a part is in excess of 6 million barrels per day. While more than half of these refined petroleum products are moved by land and through interstate pipelines, a minimum of another 6 daily ship calls of tankers in the 30,000 DWT class, or 4 such calls of tankers in the 50,000 DWT class, are necessary to deliver these refined petroleum products to our citizens and businesses.

Although tankers 10 times and more the size of the 50,000 DWT ships carrying crude oil to New Jersey-Philadelphia area refineries have been constructed and placed in operation throughout the world, the fact is that neither the Arthur Kill - Kill Van Kull nor the Delaware estuary and river areas which tankers must negotiate to deliver their crude oil and refined petroleum product cargoes is capable of accommodating vessels with a maximum draft in excess of 40 feet, effectively placing a maximum load-limit on tankers of some 65,000 DWT. If the larger ships are used they must be partially unloaded or "lightered" in order to enter the shallow tanker waterways of this State. This "lightering" is not only economically expensive, it is environmentally hazardous: it increases the number of ships polluting the water through normal tanker operations, and it greatly increases the risk of tanker collisions, ramming, groundings, explosions, fires and all other accidents. Numerous studies have shown that more than two-thirds of the tanker casualties that cause significant oil pollution occur within 50 miles of the shoreline, with the most serious and numerous of these occurring at the entrances to harbors, rivers, and bays; inside those harbors, rivers and bays; and at piers, wharfs, docks and quays, with tankers physically moored thereto. These same studies reveal that more than 60% of all tanker collisions occur in harbor, river and bay entrance ways, within harbors themselves, or at piers.

The simple fact to be derived from these tedious (or tragic) statistics, is the obvious one, that the more ships there are moving about at any one time within the narrow and restricted confines of harbors, rivers and bays, the more chance there is of a serious accident damaging to property, to persons, and to the sea itself.

As serious as is this present situation, the future looks worse.

Since the demand for refined petroleum products is expected to increase for the foreseeable future (though, hopefully, at a lower rate than it has increased since 1970), and since the East Coast refines only approximately 25% of the refined petroleum products it uses every day, it would appear that if we are even going to attempt to meet our needs (and the dependence of our economy upon petroleum demands that we make that attempt) the only realistic choices we have are either to construct new refineries on the East Coast, or to expand the present New Jersey-Philadelphia area refineries, or both. We will shortly have some serious words to say to our sister States of the East Coast who have consistently refused to permit refinery construction within their respective jurisdictions, but who have equally consistently made increasing demands upon the refinery capacity of the New Jersey-Philadelphia area. For the present, however, suffice it to say that we see no reason whatsoever to construct a single new refinery in this area now and for as far into the future as we can see. Since our present refineries can almost double their present refining capacity without extending their operations beyond the land they presently occupy (from 1.3 to 2.3 million barrels per day), we respectfully suggest that whatever increase in East Coast refinery capacity is necessary be accomplished in New Jersey only through the controlled expansion of our existing refineries at their present locations.

However, a virtual doubling of New Jersey-Philadelphia refining capacity means, inevitably, a virtual doubling of the number of ship calls necessary to feed these expanded refineries; and that will inevitably double the risk of collisions, rammings, groundings, explosions, fires and all other accidents which tankers may experience. In New York Harbor alone, just to serve the expanded Bayway (Exxon), Perth Amboy (Chevron) and Seawaren (Hess, assuming it is re-opened) refineries will require 14 ship calls per week of tankers in the 60,000 - 65,000 DWT class. To this must be added the larger number of tankers calling daily with cargoes of refined petroleum products.

We must remove these environmental risks, and these very clear and present dangers to the property and lives of our citizens, from our harbors, rivers and bays. We will never remove them unless and until we provide for the construction of a Deepwater Port of the SPM-type we have discussed above, capable of unloading, ultimately, between 1.3 and 2.3 million barrels of crude oil and refined petroleum products per day from tankers of any and every size. We believe that our Deepwater Port should be located well outside the shipping lanes leading to our ports, harbors, rivers and bays, and some 10 to 20 miles off our shores.

We believe that the experience of other "mono-buoy" SPM-type Deepwater Ports located throughout the world, indicates that maximum environmental safety can be achieved from proper operations conducted with the most modern equipment and performed by the most highly trained personnel.

We believe that a Deepwater Port of the capacity we contemplate, located in the most environmentally suitable location offshore would not only prevent actual damage to, and pollution of, our harbors, rivers, and bays, but would significantly diminish the frequency of tanker crossings all along our New Jersey shore and reduce, therefore, all risks of groundings and collisions in this area as well as the pollution deriving from normal tanker operations. The facility we contemplate would not be visible from shore; the pipelines carrying crude oil or refined petroleum products to shore would be buried beneath the ocean floor. On land those pipelines could be buried until they reached "tank farm" storage areas which we definitely do not believe should be located anywhere on or near the shore, but which should be sited inland with as much environmental care and concern as must be shown in sea-siting the "mono-buoy" SPM-type Deepwater Port facility itself.

Upon the construction of such a facility tankers of any and every size could unload their crude oil or petroleum product cargoes far from shore. Ecologically sensitive bays, estuaries and river waterways will not be harmed by minor accidental spills as they are at present. In the event of a spill at the Deepwater Port facility, the toxic portion of the oil will have a chance to "weather" and diminish in toxicity before any possibility reaching shore. In addition, the existence of an offshore Deepwater Port further reduces the chance of tanker accidents not only by reducing the number of tanker calls to congested harbors, rivers and bays, but by allowing these ships to maneuver in the open sea rather than in the narrow, winding channels and restricted harbors and bays of New Jersey.

It would, of course, be deceitful to deny that spills from the Deepwater Port, leaks from the submerged sub-seabed pipelines, or cracks in the land based storage tanks are possible. They are possible, and, to be sure, they will occur. But we must, in 1975, accept the fact that environmental perfection is quite beyond our grasp, and has ever been so since the first man walked on the face of the earth and, wantonly no doubt, disposed of the core of his first eaten apple. We must, in 1975, accept the equally indisputable fact that environmental preservation is itself always a matter of balancing and fine-tuning so that society may continue to prosper and economically grow at the maximum rate conducive to the maintenance of a high quality, healthful and clean environment. Every action taken by

a sophisticated industrial society (especially one such as ours, with the highest standard of living any society at any time in the whole history of the world has ever known) potentially threatens the environment. We must force ourselves always to balance our economic demands with our environmental needs. In the case of "Deepwater Port Construction" that balance is before us. The construction of such a facility will reduce the risks we bear and suffer from today. It is true that some risks must still be faced -- risks of oil spills reaching our shores and ruining our beaches. But these very risks face us today with our present crude oil and refined petroleum product delivery methods, and not only will those risks not be significantly increased by locating a Deepwater Port off our shores, there is every reason to believe that they will be significantly reduced. A single Deepwater Port of sufficient size to unload virtually the total daily crude oil refinery capacity of the New Jersey-Philadelphia area will permit all the most modern safety and oil spill prevention, clean-up and abatement equipment materials and supplies to be concentrated at a single location, to be operated by the very most highly trained personnel. All the tension booms, portable booms, skimmers, oil mops, drip pans, quick disconnect couplings, electronic monitoring devices, curtains, screens and launches now in use to prevent, contain, collect and clean-up oil spills....and all those new devices being developed today, and those that will be developed in future.....will be stored at, or in close proximity to, the single Deepwater Port facility we contemplate. And if a sincere concern for environmental quality is not a sufficient inducement for the operators of the Deepwater Port and the vessels who use its facilities to pursue environmental preservation with zeal and enthusiasm, then the laws of the United States and of New Jersey will require them to take every measure necessary to protect the environment, or pay for every mistake they may make.

The federal "Deepwater Port Act of 1974" (Public Law 93-627), will require not only the closest federal supervision of any Deepwater Port constructed anywhere off the coasts of the United States, it will make all port operators and all vessels using the port liable "without regard to fault" for all clean-up and damages that result from the operations of the port or of the vessels using it. Such liability is limited to \$100,000,000.00 in the case of the port, and \$20,000,000.00 in the case of the vessels, "provided, that if it can be shown that such damage was the result of gross negligence or willful misconduct within the privity and knowledge of the licensee (or the vessel owner or operator), such licensee (or the vessel owner or operator) shall be liable for the full amount of all clean-up costs and damages" (section 18 (e)). The act further provides that the federal government will supply funds for all clean-up costs and all damages in excess of those actually compensated by the port operators and vessel owners. A "Deepwater Port Liability Fund" is created (section 18 (f)), and provided with revenue collected from a fee of 2 cents per barrel of oil, or the metric equivalent of natural gas, loaded or unloaded at the Deepwater Port. If the Fund is not capable of meeting claims against it, the act

specifically requires the Fund to "borrow the balance required to pay such claims from the United States Treasury at an interest rate determined by the Secretary of the Treasury."

It is our firm belief that the aforesaid provisions of the "Deepwater Port Act of 1974" will encourage Deepwater Port and vessel owners and operators to effectively protect the environment. It is our equally firm belief that they will encourage the federal government to carefully supervise all Deepwater Port operations in the interests of environmental preservation. It is, finally, our most firmly held belief that the construction of a Deepwater Port off the Coast of New Jersey will not only not increase, but will substantially decrease, the present risks of polluting our precious shores with oil spills from normal tanker operations and extraordinary tanker accidents, and will provide us with the first genuine opportunity we have had since the first tanker carried the first cargo of crude oil in New Jersey's waterways to cleanse and beautify the harbors, rivers and bays under the jurisdiction of this State.

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We promised above (page 28) to have "some serious words to say to our sister States of the East Coast who have consistently refused to permit refinery construction within their respective jurisdictions, but who have equally consistently made increasing demands upon the refinery capacity of the New Jersey-Philadelphia area." Since much of the opposition to "Deepwater Port Construction" derives NOT from challenging the positive environmental advantages of unloading tankers carrying crude oil and refined petroleum products at a Deepwater Port facility located far at sea (instead of forcing these tankers, in the absence of such a facility, to enter narrow and congested harbours, rivers and bays), but from sincere concerns and genuine fears of the potentially adverse environmental effects of new refinery construction and other forms of "induced onshore development" as a result of the construction of a Deepwater Port facility off the New Jersey shore, the time for those "serious words" is now.

Quite simply, we do not want New Jersey to become the oil refining capital of the United States. We are already the oil refining capital of the East Coast, with some 2% of the East Coast land area and some 38% of the East Coast refining capacity. We are already doing not only OUR "Fair Share" of East Coast refining, but the "Fair Share" of Maine, Massachusetts, Rhode Island, Connecticut, etc., etc., etc. And we say that now is the time to stop! What we DO want is to protect New Jersey's environment and stimulate New Jersey's economy. And we believe that we can do that with a closely controlled rate of Outer Continental Shelf oil and natural gas drilling activity, and with a Deepwater Port at a State-sited location and of a fixed capacity of "throughput." We have already stated our belief that no new refineries need be constructed in the New Jersey-Philadelphia area, and we have specifically called for the construction of a "Deepwater Port of the SPM type...capable of unloading, ultimately, between 1.3 and 2.3 million barrels of crude oil and refined petroleum products per day...", which just happens to be the present capacity of refineries in this area (1.3) and the maximum expanded capacity of those refineries without new refinery construction (2.3). And if we are shown by our friends from New England that a "throughput" of some 6 million barrels per day for our Deepwater Port will enable us to reap ever greater economic rewards through new refinery and petrochemical industry construction, we intend to resist those economic pressures in the interests of environmental preservation. As we said above, we do not want New Jersey to become the oil refining capital of the United States. When Massachusetts (and every other East Coast State which draws upon the refining capacity of New Jersey and Philadelphia) refines a single barrel of crude oil, we will begin to listen to Massachusetts. When refining capacity in Massachusetts begins to match refined petroleum product demand and consumption in Massachusetts, we may take the "energy crisis" in Massachusetts seriously. When Massachusetts and every other State on the East Coast acts responsibly to meet the petroleum demands each such State is responsible for generating, then New Jersey may closely consult with them all to resolve our common problems. Until then, New Jersey's Deepwater Port should have no greater

capacity than is determined sufficient for the needs of the citizens of this State.

In our consideration of "Outer Continental Shelf Drilling for Oil and Natural Gas" we said (page 14): (I)f the federal government determines to permit oil and natural gas drilling off our New Jersey shore (and we most certainly think it will so determine), then the Government of New Jersey must immediately undertake all those economic and land use studies and analyses necessary to develop and implement all those economic and land use plans essential to provide the citizens of this State with every conceivable economic advantage from that oil and natural gas. We must plan where the pipelines should go, routing their rights-of-way through those lands most environmentally suitable for them, to storage areas or tank farms sited in the most environmentally suitable locations. We must determine the most environmentally suitable locations for power generating plants and natural gas processing facilities; and we must regulate refinery expansion and all new refinery construction." Those very words are as relevant to our present consideration of "Deepwater Port Construction" as they were in the "Outer Continental Shelf" context in which they were originally used; and the "environmental measures" which we called for in the case of "Outer Continental Shelf" activity are, if anything, more essential in the case of "Deepwater Port Construction," particularly in light of the fact that BOTH "Outer Continental Shelf Drilling for Oil and Natural Gas" and "Deepwater Port Construction" are likely to occur off New Jersey (the one because it is, in the "national interest," inevitable; the other, because it is in the environmental and economic interest of New Jersey, essential).

If the provisions of the "Coastal Area Facility Review Act" (P.L. 1973, c.185; C. 13:19-1 et seq.) are not sufficient to regulate and control the "induced onshore development" anticipated as a result of "Deepwater Port Construction" off New Jersey, then that act should be amended, or a new act, or a whole new series of acts, should be written which will give the State Government and the counties and municipalities of New Jersey all the "land use" powers required to preserve the environment of this State from any harm deriving from the construction of the limited-capacity Deepwater Port we propose.

Insofar as the economic case for "Deepwater Port Construction" is concerned, we believe that many of the same arguments advanced in support of an expeditious commencement of "Outer Continental Shelf Drilling for Oil and Natural Gas" are equally relevant here. We see no need to repeat those arguments in detail and would only note that a stable, safe and secure supply of crude oil and refined petroleum products is absolutely essential to the economic health of New Jersey. To the extent that a Deepwater Port would provide such a stable, safe and secure supply of these commodities such a facility is itself essential. The future of oil as an energy source in the United States will be longer than the physical and economic life of any Deepwater Port facility we would construct. Notwithstanding all the billions being spent and expected to be spent on research and development of feasible nuclear fusion technology, solar energy storage cells, geothermal power for electric generation, wind power storage and transmission, energy generation from hydrogen, and other as yet unknown energy forms, oil will be used in this nation to provide more than 40% of our total energy supply in 1985, and will continue to make a statistically significant contribution to that supply well into the twenty-first century. A Deepwater Port constructed today could be expected to fully pay for itself, provide substantial profits, and perform safe service for a maximum of twenty years. It will be very much longer than those twenty years, or even another twenty after that, before its operation will be no longer required.

The real argument over the economic justification of a Deepwater Port does not involve any questioning of the savings in crude oil and refined petroleum product shipping costs from which we may expect to benefit upon the construction of such a facility; nor does it involve any serious doubts as to the extent of the "demand" by the businesses, industries and citizens of New Jersey for both crude oil and refined petroleum products. That real economic argument involves the sincere and serious confusion in the minds of many citizens concerning the relationship between such a Deepwater Port and "Outer Continental Shelf Drilling for Oil and Natural Gas."

While few serious doubts are heard from citizens as to the dependence of our economic prosperity upon a stable, safe, and secure supply of crude oil and refined petroleum products, there are, indeed, serious doubts that we in New Jersey require both Outer Continental Shelf Drilling and a Deepwater Port. "After all," it is said, "is it not true that the commencement of Outer Continental Shelf Drilling will obviate the need (and, therefore, destroy the economic justification) for a Deepwater Port?" So it may well seem; but so it is not in fact!

Since it will take between five and seven years for the first barrel of oil and the first cubic foot of natural gas drilled in the Outer Continental Shelf off New Jersey to reach the first New Jersey refinery and processing plant; since it will take between five and seven years after that (or, between 1980 or 1982 and 1985

or 1987) for Outer Continental Shelf Oil development to approach the present refining capacity in 1975 of some 1.3 million barrels per day in the New Jersey-Philadelphia area; and since it will be some time after that before there is sufficient crude oil from the Outer Continental Shelf off New Jersey to match the expanded refinery capacity we expect (without the construction of a single new refinery) by 1985, there is little doubt that the New Jersey-Philadelphia area refineries will continue to "import" (either from Middle Eastern sources, or from the North Sea, Canada, Venezuela, Alaska or the Gulf of Mexico) crude oil in significant quantities well into the 1990's.

Notwithstanding the extent of oil and natural gas activity in the Outer Continental Shelf, the economic justification of Deepwater Port Construction is even stronger when one realizes that even with an expanded refinery capacity in the New Jersey-Philadelphia area, there will still be a "shortfall" between that capacity and the demand for refined petroleum products in this region. Even if we manage to double their capacity, our businesses and citizens will demand between two and three times the quantity of refined petroleum products we will be able to provide out of our own refineries. A Deepwater Port which may expect to commence its operations as a crude oil carrier primarily, could easily become a refined petroleum product carrier primarily, before its service was ended. In that event, not only would the economic case for "Deepwater Port Construction" be strengthened, but the environmental case therefor would be even more unquestionable, since more and more ships would be removed thereby from the harbours, rivers and bays of New Jersey.

In fact, we see no reason why the economic justification of "Deepwater Port Construction" should depend to any extent whatsoever upon "Outer Continental Shelf Drilling for Oil and Natural Gas" off New Jersey. We are, of course, on "record" as supporting Outer Continental Shelf drilling activity, and we believe that it will significantly benefit the economy of New Jersey (and is, in fact, quite essential thereto). We hereby place ourselves on that same "record" as supporting "Deepwater Port Construction" for all the environmental reasons we have already advanced, and with great confidence that such a facility will also significantly benefit the economy of New Jersey by providing an efficient means of delivering a stable, safe and secure supply of crude oil and refined petroleum products to the businesses, industries and citizens of this State.

And to those who may fear that the economic viability of a Deepwater Port foretells the economic destruction of the present ports, harbours and marine terminals of New Jersey, we would hope to assuage that fear by stating the fact that the overwhelming majority of crude oil and refined petroleum product shipping and unloading operations are handled by the petroleum companies themselves and by those private companies that service the petroleum industry. Thus, not only is there no need to fear the economic destruction of public port, pier and terminal facilities upon the construction of a Deepwater Port, but these public facilities may actually expect to benefit from the increased safety of their container, bulk and other dry-cargo and non-hazardous liquid cargo operations as a result

diminished tanker traffic in their vicinity.

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Superficially, at least, there may appear to be a contradiction between our strongly held belief "that no change should be made in the basic policy of authorizing the exploration and exploitation of Outer Continental Shelf Resources by private industry" (page 7) and our equally strongly held belief that "a Deepwater Port facility should be owned by the State of New Jersey..." (page 23). In the one case we pose as "capitalists"; in the other we pose as something rather different. But once again, appearances may be deceiving, particularly when they are only superficial. In fact, there is no contradiction at all.

The Supreme Court of the United States has said that the United States of America owns the Outer Continental Shelf and has the sole and exclusive right to the resources therein, thereon, thereover and thereunder. We accept the Supreme Court's ruling. Indeed, we have no choice but to accept it! And what we propose is that the United States Government proceed forthwith to commence the leasing of Outer Continental Shelf tracts to private businesses and the formulation, development and implementation of all those measures necessary to protect the environment of those land areas most likely to be affected by Outer Continental Shelf Drilling activities. As the declared "owner" of the Outer Continental Shelf we believe the federal government is entitled to demand a strict accounting of all their activities from those private businesses actually engaged in Outer Continental Shelf activity; and we believe, equally, that we are entitled to hold the federal government responsible for guaranteeing us every reasonable environmental protection and every potential economic benefit.

Insofar as "Deepwater Port Construction" is concerned, while the location of such a facility some 10 to 20 miles off the New Jersey shore will place it in the "federal domain," as it were, and therefore, under federal jurisdiction, supervision, regulation and control, we feel that the citizens of New Jersey have every bit as much right to hold their State Government accountable for Deepwater Port activities as we in State Government intend to hold the federal government accountable for all Outer Continental Shelf drilling activities. We believe, in addition, that the State Government is in a far better position (and is, in fact,

specifically charged with the responsibility) to protect the interests of the citizens of New Jersey, both vis-a-vis the federal government, and vis-a-vis Deepwater Port and vessel owners and operators, than private business could (or should) be expected to be. We believe, in other words, NOT that the State Government should build and operate a Deepwater Port with public employees (anymore than we believe that the federal government should build and operate oil and natural gas drilling rigs with public employees), but, rather, that the State Government should provide the greatest possible protection of the interests of New Jersey citizens by applying for and securing a Deepwater Port license from the federal government pursuant to the aforesaid "Deepwater Port Act of 1974"; that the State government, as the "licensee" under that act, should select the most environmentally suitable site off New Jersey for the location of a Deepwater Port; that the State Government should determine the size and capacity of the Deepwater Port and the specific location and capacity of all "appurtenant" pipelines and inland storage facilities; and that the State Government should enter into leases and other contractual agreements with private business for the actual construction and operation of the Deepwater Port facility.

Just as we believe that the federal government should carefully regulate the extent of oil and natural gas exploration and exploitation, and demand the most detailed periodic submissions of reports and statistics on all Outer Continental Shelf activities engaged in, pursuant to federal permits, by private business, so do we believe that the location of any Deepwater Port off New Jersey should be determined by the State Government in the best interests of the citizens of New Jersey; that the size and capacity of every component of that Deepwater Port should be carefully controlled by the State so as to provide the maximum environmental and economic benefits at the least risk and cost; and that the identical detailed periodic submissions of reports and statistics required by the federal government of all private business activities in the Outer Continental Shelf should be required by the State Government of all Deepwater Port activities conducted by private business pursuant to State contracts and leases.

We do not anticipate an "economic bonanza" to result from Deepwater Port Construction. Just as we were in our consideration of the potential economic effects of Outer Continental Shelf drilling activity, we prefer to be extremely conservative in estimating the economic effects of Deepwater Port Construction; and we have not even noted the revenues the State may expect to receive from its ownership of the Deepwater Port in our consideration of the economic justification for the construction of such a facility. We will, in fact, be more than conservative and categorically state that we would consider a New Jersey Deepwater Port to be an unqualified economic success if it merely permitted and maintained full employment now and in the future in the oil refining and petrochemical industry, and all those service and supply businesses "appurtenant" thereto.

We discuss this "economic" point in the context of our consideration of "State-ownership" of a New Jersey Deepwater Port because we are convinced that only State ownership will give us the power to regulate, supervise, control and direct that Deepwater Port to the fulfillment of our economic and environmental ends.

We have already indicated our strong opposition to New Jersey becoming the refining capital of the United States (page 32), and we firmly believe that only as long as New Jersey legally controls the Deepwater Port located off our shores will we be absolutely certain of our ability to limit the "throughput" capacity of that facility; and that only upon the exercise of that ability will we be able to experience all the environmental benefits of reduced tanker-ship calls to our harbors, rivers and bays, and all the economic benefits of a stable, safe and secure supply of crude oil and refined petroleum products. If we do not legally control that facility, we may very well find ourselves, our environment, and our economy, at the mercy of whoever does. We said above that we do not expect an "economic bonanza" to result from "Deepwater Port Construction" off the New Jersey shore. We say now that just as we believe in "Deepwater Port Construction" for reasons which are principally environmental, just so do we not want any "economic bonanza" which would in any way threaten the very environment we seek to preserve.

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There is only one final point we would wish to make, and we make it "finally" because it concerns rather more the "form" of our presentation in these pages than the "substance" thereof. No engineer, scientist, technician, member of the Legislature or "concerned" and "informed" citizen will have failed to note the almost total absence from our consideration of "Deepwater Port Construction" of any mention of "Supertankers" (indeed, in the one instance we did mention "Supertankers," it was to apologize for permitting the Deepwater Port issue to be confused with the economics of the shipping industry). Our omission has been conscious, considered and absolutely intentional, for we believe that a Deepwater Port is environmentally essential and will be economically beneficial regardless of the size of the ships carrying crude oil and refined petroleum products to our shores. We would, however, be less than honest, and this "White Paper" would, therefore, be less well reasoned than we wish it to be, if we did not at least record our beliefs concerning "Supertankers,"

and our estimation of the impacts we may expect from their use.

It is our considered opinion that the same "inevitability" with which we face "Outer Continental Shelf Drilling for Oil and Natural Gas" is facing us with respect to "Supertankers." We believe that the very same economic forces far beyond our control that caused these enormous ships (up to 1,000,000 DWT) to be built, will require them to be used. We do not see the United States Government preventing their use; and we are neither so bold nor so arrogant as to suggest that New Jersey may prevent them. Nor, really, do we wish to suggest that their use should be prevented, for there is absolutely no doubt about the tremendous "economies of scale" they permit in their construction, operation, and in their costs of carrying crude oil and refined petroleum products.

Known as "VLCC's" (Very Large Crude Carriers) to oilmen, and "Superships" to certain "popular" writers, these vessels have been built in the 500,000 DWT class, and planned in the 1,000,000 DWT class. A 500,000 DWT VLCC costs more than \$80,000,000.00 to construct and can carry 3.6 million barrels of crude oil (over 15 times the cargo capacity of a 30,000 DWT vessel). The 1.3 million barrel per day capacity of New Jersey-Philadelphia refineries which is presently supplied by 6 ships of the 30,000 DWT class each day (or just under 4 ships of the 50,000 DWT class) could be supplied by one 500,000 DWT VLCC arrival every 3 days. Insofar as carrying costs are concerned, the "VLCC's" offer substantial economic advantages over smaller vessels. A 250,000 DWT tanker can carry crude oil for about 45% of the cost per barrel of a 30,000 DWT ship. The relative cost of a 500,000 DWT tanker is only 38% of the cost of the 30,000 DWT ship. Of course, these so-called "savings" can be very misleading (particularly if they do not include "transshipping terminals" which already exist in Canada and the Caribbean, and which permit VLCC's to travel from the Persian Gulf to the "transshipping terminal" where the crude oil is unloaded into smaller vessels which can enter existing East Coast ports), but even the most conservative estimates project some savings in the cost of moving oil by VLCC's (the lowest estimate of which we are aware being 3 to 11 cents per barrel saving for shipping from the Persian Gulf to the United States, compared to transshipping), and the economics of operating costs (including equipment and personnel) make the use of these vessels attractive to their owners.

As a result of all these "economies of scale" we have no doubt that "Supertankers," "VLCC's," or "Superships" will be used to transport crude oil and refined petroleum products whether we would wish them to or not. And whether or not these vessels are, as has been often claimed, environmentally hazardous, the point we would wish to make is that if economic realities dictate their use we must take all reasonable and responsible actions to protect our environment. We believe that the construction of

a Deepwater Port off New Jersey would be such a reasonable and responsible action. And we further believe that although our economic and environmental arguments in favor of "Deepwater Port Construction" stand quite securely on their merits whether or not "Supertankers" deliver crude oil and refined petroleum products to the East Coast of the United States, there is no doubt but that those arguments would receive significant support if (or, perhaps more accurately, when) "Supertankers" are, in fact, used for these purposes. We do, moreover, very much believe that our Deepwater Port proposals become increasingly essential environmentally, and promise to be increasingly beneficial economically, in light of the existence and probable use of "Supertankers." And to those who will claim that our Deepwater Port proposals will encourage the use of "Supertankers," we would reverse that inference and claim, rather, that it has been the existence of "Supertankers" since the late 1960's that caused the federal government to take seriously the total lack of Deepwater Ports in the United States, and, ultimately, to enact the "Deepwater Port Act of 1974."

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THE GOVERNMENTAL PLACEMENT OF THE STATE ENERGY OFFICE

On February 4, 1974, at the worst point in the "Energy Crisis" of the Winter of 1973-74, Senate Bill Number 775 was introduced, passed by both Houses of the Legislature, and signed into law by the Governor as the "Emergency Energy Fair Practices Act of 1974," P.L. 1974, c. 2. The purposes of this law and the reasons for its enactment were all described in its second section, as follows:

"2. The Legislature finds and determines that because of world conditions and the manner in which energy sources and fuels are allocated and distributed that an energy shortage now exists and may continue for the foreseeable future; that State Government does not have available sufficient information as to the amounts of energy and fuels available and mechanisms by which energy and fuel are distributed; that there does not now exist adequate governmental authority to insure that available energy and fuel supplies are allocated fairly and equitably; and that it is in the public interest that the distribution of energy and fuel be regulated in a manner which will insure fair and equitable distribution of available supplies of energy resources."

Pursuant to section 3 of the "Emergency Energy Fair Practices Act of 1974":

"a. The Governor is hereby authorized to proclaim by Executive Order the existence of an energy emergency; to establish a State Energy Office; and, to appoint an Administrator with the advice and consent of the Senate who shall serve at his pleasure and who shall be responsible for carrying out the provisions of this act and an Executive Director, and to fix their compensation, powers and duties."

On February 5, 1974, the Governor issued Executive Order Number 1, which proclaimed the existence of an "Energy Emergency" and established a "State Energy Office," as authorized pursuant to the just-approved "Emergency Energy Fair Practices Act of 1974."

From its creation in February, 1974, the State Energy Office acted expeditiously and efficiently to alleviate the most adverse effects experienced by New Jersey citizens as a result of the Arab oil "embargo." Pursuant to federal guidelines, rules and regulations, the State Energy Office, acting independently of any other department of the State Government, but in close consultation and cooperation with the Departments of Defense, Labor and Industry,

Law and Public Safety and, in somewhat lesser degree, the Department of Public Utilities, proceeded to establish priorities for the distribution of fuel, issue its allocation and distribution orders, and regulate and control the distribution and sale of motor fuels. The sense of "fear" and the atmosphere of public "frustration" so evident in January and early February, 1974, began to dissipate in March as the actions of the State Energy Office restored a measure of public confidence in the capacity of government to act in crisis conditions.

It was altogether fitting and proper that New Jersey, which suffered most from the total disorientation of petroleum supply patterns in those seemingly distant, dark days of the Winter of 1973-74, was also the first State to formally establish a State Agency with legal power to order the fair and equitable allocation and distribution of energy supplies. It is equally appropriate that New Jersey's State Energy Office earned an enviable national reputation due to its zealous pursuit of the "public interest" and the scrupulous enforcement of its regulatory powers, and was the model for other States in creating their own energy offices and agencies. The Winter of 1973-74 was, indeed, hard on the citizens of New Jersey insofar as their access to adequate supplies of natural gas, motor fuel and heating oil at reasonable prices was concerned. But that period of hardship could so easily (and, perhaps, would so easily) have been a period of tragedy for many had not the State Energy Office acted to allocate and distribute available energy stocks in a manner which recognized the legitimate needs of all citizens and all segments of business and industry in all areas of New Jersey.

By early Spring, 1974, the worst of the "Winter-Crisis" was over, and the State Energy Office turned its attention to intermediate and long term planning for the energy needs of New Jersey....planning which considered the new laws which would be necessary, and the new governmental mechanisms that would be required, if the Winter of 1975, and every subsequent Winter was to avoid the "crisis" of 1973-74....planning without which every Spring, every Summer and Autumn, would be affected by spot-shortages, distribution dislocations, and the constant threat of economic and personal hardship. If the activities of the State Energy Office in the Winter of 1973-74 could be characterized as "public advocacy" to insure fair and equitable allocation and distribution of energy supplies, those activities proposed by the agency for the future could be characterized as "public policy planning" to insure that whatever else State Government accomplished in the area of energy, it did not institutionalize "crisis" and the perpetuation of "chaos" through the adoption of fragmented, uncoordinated, and "reactive" measures which had the effect of cutting down "trees" with no clear realization that a "forest" might well be destroyed.

The Summer of 1974 passed quietly, at least insofar as "energy" was concerned. Service stations remained open, supplies of gasoline were always available, if not plentiful, and, although prices had most assuredly risen significantly, it was not too terribly difficult to believe that the Winter of 1973-74 was nothing much more than a very bad nightmare, but one not expected to occur again. In September, Autumn arrived on schedule, thereby confirming a kind of cosmic order. In October (on the 2nd), the Governor issued Executive Order Number 9, pursuant to which the State Energy Office was directed to report to the "Commissioners of the Public Utilities Commission", thereby confirming that "cosmic order" is confined to seasons. At the same time a "Cabinet Energy Committee" was created and charged with the responsibility "of considering and reviewing all energy-related decisions that are to be rendered by any member of the Executive Branch of State Government".....and....."for coordinating communication between the State Government and federal and local governments."

In light of the fact that the "Emergency Energy Fair Practices Act of 1974," expires on June 30, 1975 (unless, as provided in section 18 thereof, it is "sooner terminated by Executive Order of the Governor"), formal legislative action will be required in the very near future to maintain the powers of the State Government with regard to energy allocation and distribution, and to sustain the existence of the State Energy Office as the principal State agency charged with implementing those powers.

This section of our "White Paper" is based on three premises, in the validity of each of which we are absolutely confident:

- 1.) The powers of State Government with regard to energy allocation and distribution should not only be maintained, they should be strengthened;
- 2.) The State Energy Office should be formally and permanently established within one of the existing State departments, and designated as the principal State agency charged with implementing the State's energy allocation and distribution powers; and
- 3.) Regardless of which department is ultimately selected for the State Energy Office, we believe that this agency should be "in, but not of," the designated department and, as such, should be independent in its operation and free from direct supervision and control by the head of that department.

We believe that the governmental placement of the State Energy Office is particularly relevant to any effort at formulating an Energy Policy for the State of New Jersey (and, therefore, to this "White Paper") both because the continued existence of that agency will contribute to, and facilitate the formulation and implementation of, any such Energy Policy, and because the ultimate

choice for placement of the State Energy Office will reveal much about the way we in State Government view the nature of the energy problems faced by our citizens; and much, too, about the kinds of measures we are prepared to propose to attack the causes of those problems or, at least, to resolve or alleviate their most adverse effects.

If the Constitution of the State of New Jersey permitted it, we would recommend that serious consideration be given to placing the State Energy Office in the Governor's Office, and to having it report directly to him and to the Legislature. As it is, however (pursuant to Article V, Section IV, paragraph 1 of the Constitution), "[A]ll executive and administrative offices, departments, and instrumentalities of the State government, including the offices of Secretary of State and Attorney General, and their respective functions, powers and duties, shall be allocated by law among and within not more than twenty principal departments, in such manner as to group the same according to major purposes so far as practicable. In light of the above, the placement of the State Energy Office within the Governor's Office does not appear to be a viable alternative.

Although the formal placement of the State Energy Office is necessary, primarily, for "constitutional" reasons, we hold that there is a great deal, "substantively," recommend such placement within either the Department of Labor and Industry, or the Department of Law and Public Safety. We further hold that it is particularly important that the State Energy Office be not only independent of, but absolutely separate from, the Department of Public Utilities. As such, we recognize that we are in clear conflict with the aforesaid Executive Order Number 9, of October 2, 1974, which directed the State Energy Office to report to the "Commissioners of the Public Utilities Commission." It is (unfortunately), therefore, necessary to commence this consideration of the proper governmental placement of the State Energy Office with an analysis of why that agency should not be placed permanently where it is placed presently, in the Department of Public Utilities. Only then may we proceed to consider why either the Department of Labor and Industry, or the Department of Law and Public Safety would be a more suitable placement.

A. WHY THE STATE ENERGY OFFICE SHOULD NOT BE PLACED WITHIN THE DEPARTMENT OF PUBLIC UTILITIES.

We believe that the State agency charged with responsibility for insuring the fair and equitable allocation and distribution of petroleum products and natural gas should be separate from, and independent of, the State Department of Public Utilities which is charged with exercising general supervision and regulation of, and jurisdiction and control over, all "public utilities... and their property, property rights, equipment, facilities and franchises" (R.S. 48:2-13).

We hold that belief because the placement of the State Energy Office within the Department of Public Utilities would be logical only if the major petroleum companies operating in New Jersey were "public utilities" and only if the rates charged to the citizens and businesses of New Jersey by the major suppliers of natural gas to this State were likely to be influenced by the determinations or regulations of the New Jersey Department of Public Utilities. Since the major petroleum companies operating in New Jersey and presently supplying approximately 77% of the total energy consumed in this State are not now "public utilities" as such may be properly or legitimately defined (nor should such companies be considered "public utilities" and regulated as such in future by the State of New Jersey acting alone and in the absence of federal legislation treating such major petroleum companies as "public utilities" nationally); and since the major suppliers of natural gas to this State are very much more likely to be influenced by the federal government, which controls their interstate operations, than by the New Jersey Department of Public Utilities, which will have little choice but to formally ratify rates determined either by "market forces" or the "forces of the federal government," or both; there is no logical reason why the State Energy Office should be placed within the Department of Public Utilities.

Since there is no logical reason for placing the State Energy Office within the Department of Public Utilities, we are concerned that such a placement might well create the impression that State Government considered the entire energy industry in New Jersey to be a "public utility," and that every aspect and component of that energy industry ought, therefore, to be regulated as such. We have already noted our belief that the "ultimate choice the placement of the State Energy Office will reveal much about the way we in State Government view the nature of the energy problems faced by our citizens; and much too, about the kinds of measures we are prepared to propose to attack the causes of those problems or, at least, to resolve or alleviate their most adverse effects." We do not believe that the best

interests of the citizens of the State of New Jersey will be properly served either by declaring every aspect and every component of the energy industry in this State to be a "public utility," or by taking any governmental action which would create the impression that we viewed that energy industry as a "public utility," and were seriously contemplating the measures necessary to exercise general supervision and regulation of, and jurisdiction and control over, that energy industry as a "public utility."

Our opposition to any State governmental action which would declare, or would tend to create the impression that we considered, the major petroleum companies operating in New Jersey to be "public utilities derives from the following:

We see a great need for increased State planning for, and supervision, regulation, and, even, control over, the environmental aspects of refining petroleum, processing natural gas, and producing all other energy sources. We see, too, an equally great need for such initiatives with regard to insuring the fair and equitable allocation and distribution of all forms of energy. We see, however, only the most ineffective (at best) or positively disastrous (at worst) consequences for every citizen of New Jersey deriving from any attempt on the part of this State Government to unilaterally act to fix the rates, fees, and prices charged by the very un-public-utility-like petroleum companies operating in New Jersey today.

The fixing of rates, fees, and prices charged by monopolistic electric power and telephonic communications utilities operating within formally designated and assigned franchise areas from which all competition is excluded (and, therefore, within which all customers are "captive,") does not provide a particularly relevant or happy model for the supervision, regulation and control of the economic aspects of motor fuel, heating oil and petroleum product pricing. The Department of Public Utilities, which is statutorily assigned all rate, fee, and price regulation responsibility for the former (electric power and telephonic communications utilities), and which may or may not perform those responsibilities adequately, possesses neither the experience nor the expertise to perform such responsibilities for the latter (motor fuel, heating oil and petroleum products); nor are such responsibilities relevant in the case of the latter. The monopolistic characteristics prevalent in the operations of the major petroleum companies in New Jersey derive from the scope and extent of their national and international operations. It is, therefore, appropriate that whatever controls are determined essential and in the "public interest" with regard to those monopolistic characteristics, ought to be imposed by the national, federal government and not by the State of New Jersey acting alone.

We believe that the State Energy Office should continue in future to perform the functions it has so very much more than adequately performed in the past; it should, in other words, supervise the fair and equitable allocation and distribution of all forms of energy in New Jersey, particularly that deriving from petroleum and natural gas. The Department of Public Utilities, for its part, should continue to fix prices, rates, fees and standards for all genuine public utilities operating in New Jersey. If any level of government is to interfere with the free market mechanism in setting oil and petroleum product prices, it is the federal, not the State level from whence such interference should come. We do not recommend such interference, we merely note that New Jersey, acting alone, could not possibly interfere effectively.

In 1974, the Legislature and the Governor very wisely left the regulation of oil and petroleum product prices to the federal government, which was then and is now, for all its faults, deficiencies and inefficiencies, far more capable than New Jersey alone of insuring national price equity (if not equality) for nationally produced petroleum products. We would do well in 1975, and ever after, to follow our own 1974 example. Let us take every conceivable State governmental action to insure the fair and equitable allocation and distribution of energy in New Jersey; but let us not arbitrarily and unilaterally act, or create the impression that we intend to act, in the area of price fixing, fee regulation, and rate setting, where our actions can have none but adverse effects upon the lives and livelihood of our citizens. If this State determines to fix the prices, fees, and rates of the major petroleum companies presently operating in New Jersey as we now fix those of the electric power utility companies; and if such a determination is made in the absence of rigidly written and scrupulously enforced federal laws to fix national petroleum prices, and formally designate federal franchise areas within which those companies may operate free from "outside" competition, the results of such New Jersey action may ultimately be the departure of the petroleum industry from this State; the decline of all those commercial and industrial businesses dependent upon ready access to the refined products of that petroleum industry; the loss, permanently, of thousands of present jobs and future employment opportunities; and, finally, and inevitably, increased economic hardship for every individual citizen of this State. There may well be some who view such a scenario with few tears and fewer regrets. We are not among such as those; nor do we feel that any responsible official in State Government, or any concerned and informed citizen of New Jersey could possibly advocate such action.

In a period when every dollar of increased governmental expenditure must be weighed in terms of the benefits anticipated by our citizens as a result of that expenditure, it is incumbent upon the Legislature to determine whether or not the establishment of an enormous bureaucracy in the Department of Public Utilities to regulate the petroleum industry would really reduce the petroleum prices paid by New Jersey citizens. Let there be no mistake about it: if the petroleum industry were, indeed, to be regulated as a "public utility" in New Jersey, the bureaucracy necessary to implement those public utility regulations, and to exercise those public utilities controls, would be enormous. Since the prices charged by petroleum companies are significantly influenced by

national and international conditions, it is doubtful almost to the point of being inconceivable that State Government petroleum price regulation would actually result in reduced petroleum product prices, notwithstanding the size of the State bureaucracy. Indeed, if the recent experience of the citizens of this State with their electric utility bills is any indication, petroleum product price regulation is likely to result in those prices being regulated "upwards" to account for the increased costs of production and of crude oil, just as the price of electric power has been regulated "upwards" to reflect those very same increased costs. Just as the Department of Public Utilities is forced to fix prices which will insure the regulated public utilities a "fair rate of return" on their invested capital, and which will account for their increased costs of operation, and just as these obligations have caused the Department to grant significant electricity rate increases in recent years, so would the Department be under the same obligations with regard to the major petroleum companies were they to be officially designated "public utilities." And so, too, would citizens of this State experience increased petroleum product prices as a result of the Department's thoroughly "lawful" performance of its duties in the implementation of its statutory obligations. Such petroleum price increases might well be "lawful" mandates of the Department of Public Utilities, just as electricity price increases have been such "lawful" mandates. It is questionable, however, whether or not the citizens of New Jersey regard such increases in electricity rates, or would regard similar such increases in petroleum product rates, as in their very "public interest."

We believe that the price the public would be forced to pay for designating the petroleum industry in New Jersey a "public utility".....the price both in absolute dollars for petroleum products, and in the loss of the freedom of choice now possessed by consumers.....would be excessive; far more excessive than the price of petroleum products today; far more excessive than the price petroleum products need be in the future.

That we hold the aforesaid "truths to be self evident" does not particularly please us; nor does it imply that we are content, or satisfied with the present supervision, regulation and control over the operations of the major petroleum companies by the federal government in Washington. But as long as the aforesaid "truths" are, indeed, "self evident," we are forced...for reality's sake.... to recognize them as such. And with that recognition we are forced....again, for reality's sake....to conclude that in the absence of overriding federal legislation (or, at least, a unanimous agreement among the several States), any unilateral action by New Jersey to fix the prices, rates and fees of the major petroleum companies operating within this State, and any action which in any way connotes that it is the policy of this State to regulate such companies as "public utilities," would be disastrous for our entire economy and a cruel blow to the well-being of all of our more than 8 million citizens.

This "White Paper" is directed to the energy problems we face today in New Jersey, to those we may reasonably be expected to face in the future, and to the steps we as a single State (but, of course, the single most important State to us all) may take to deal with these problems. This is, therefore, not an appropriate place to propose or oppose actions which the federal government ought or ought not to take, nationally or internationally, to solve the energy problems of either the western world or the East Coast States of the United States of America. For that reason we take no formal position on the question of whether or not major petroleum companies ought to be supervised, regulated and controlled as "national public utilities" by the federal government. If such supervision, regulation and control were to be fixed federal policy pursuant to duly enacted federal laws at some time in the future, it may then be appropriate for us to review our State laws in this area, and to consider another governmental placement of the State Energy Office, or its successor agencies. For the present, however, and for as far into the future as men may reasonably see, the most important responsibility of the State Government is to insure the fair and equitable allocation and distribution of fuel and energy supplies in New Jersey. That allocation and distribution can be (as it has been) performed most adequately by a State Energy Office operating independently, "in, but not of," one of several existing departments of the State Government. The Department of Public Utilities is definitely not one of those "several"; it is not only not the "last choice" we would make for the placement of the State Energy Office, it is no choice we would make at all.

B. WHY THE STATE ENERGY OFFICE SHOULD BE PLACED WITHIN THE DEPARTMENT OF LABOR AND INDUSTRY.

We recommend the placement of the State Energy Office within the Department of Labor and Industry:

Because on the "energy situation" in New Jersey depends the "economic situation" in New Jersey. Because with all of its implications for the environment and for influencing "social" conditions in New Jersey, the most important aspect of "energy" in New Jersey is its effect upon the "economy" of this State. Because the prosperity of New Jersey depends upon the prosperity of the citizens of New Jersey; because the prosperity of the citizens of New Jersey depends upon the prosperity of the commercial and industrial businesses of this State; and because the prosperity of the commercial and industrial businesses of this State depends, in large part, upon a safe, secure, and stable supply of energy available at sober, sane and sensible prices.

We have already twice stated our belief (page 44), that "the ultimate choice for the placement of the State Energy Office will reveal much about the way we in State Government view the nature of the energy problems faced by our citizens, and much, too, about the kinds of measures we are prepared to propose to attack the causes of those problems or, at least, to resolve or alleviate their most adverse effects." We have also already stated our belief (page 43) that "regardless of which department is ultimately selected for the State Energy Office, we believe that this agency should be 'in, but not of,' the designated department and, as such, should be independent in its operation and free from direct supervision and control by the head of that department." We now state our belief that the State Energy Office ought to be placed within the State Department of Labor and Industry because such placement will reveal that we accept as "truths" the "economic" implications of "energy" in New Jersey, and will demonstrate our awareness of the genuine economic problems that are created for the citizens of New Jersey whenever genuine energy problems exist in this State. We now state our further belief that while the energy allocation and distribution responsibilities of the State Energy Office can be, and OUGHT to be, performed by the administrator of that agency, independent of any supervision or control by the Commissioner of Labor and Industry, the functions presently performed by, and the statistics and information presently available from, the Department of Labor and Industry relevant to the present (and projected future) trends of commerce and industry in New Jersey, will prove of great assistance to the State Energy Office in devising its allocation and distribution formulas and programs. So too, will the information on energy availability, energy supply and energy demand, possessed by the State Energy Office, be of significant assistance to the present divisions, bureaus and instrumentalities of the Department of Labor and Industry in the performance of their own statutorily assigned functions. It is, in other words, logical for the State Energy Office to be

placed within the State Department of Labor and Industry, and there need be no fears that such placement would in any way prejudice the "independence" of the operations of the State Energy Office in administering and implementing its energy allocation and distribution responsibilities.

Both because of the "substantive" benefits to be derived from the free interchange of "economic" and "energy" information between the State Energy Office and the other divisions, bureaus and instrumentalities of the Department of Labor and Industry, and because of the less tangible, though equally important, "psychological" benefits to be derived from a clear recognition of the inherent relationship that exists between "economic prosperity" and "energy availability" (benefits which we may legitimately expect to lead wisely considered "energy-related" decisions in future), we recommend the placement of the State Energy Office within the Department of Labor and Industry as our "first," "best" choice.

If we were required to recommend a "second" choice for the placement of the State Energy Office, the Department of Law and Safety would be that recommendation. It is not unreasonable to suggest that the success of any energy allocation and distribution program devised by the State Energy Office will depend, in large measure, on the ability of that agency to enforce its directives. The most comprehensive energy program, with the most noble objectives and the best of intentions will inevitably fail if it is not efficiently implemented and effectively enforced. This is not at all to deny that every existing department of the State Government has its own laws and its own enforcement mechanisms and procedures with which to secure compliance with its mandates. It is, however, very much to say that the Department of Law and Public Safety is the principal law enforcement department in State Government, and that it possesses the most comprehensive law enforcement powers as well as the most extensive and highly trained network of law enforcement personnel.

An additional "fact" in favor of the placement of the State Energy Office within the Department of Law and Public Safety is that said department is "neutral" insofar as the functions hereby proposed for it to perform are concerned. It is not, in other words, accountable to, dependent upon, or influenced by an "environmental" constituency, a "labor" constituency, or a "business" constituency. The Department of Law and Public Safety does not build roads, pay unemployment compensation benefits, or promulgate "environmental" rules or regulations. The Department of Law and Public Safety enforces the law, any law, every law, everyone's law. We do not feel that this "neutrality" possessed by the Department of Law and Public Safety outweighs the benefits we anticipate from a conscious connection between "energy"

and "economy" that would be the fruit of placing the **State** Energy Office within the Department of Labor and Industry. But we do very much feel that the "neutrality" of the Department of Law and Public Safety insofar as "energy" is concerned, makes it a far more appropriate placement for the State Energy Office than any other existing department of the State Government, and, of course, an infinitely more appropriate placement than the Department of Public Utilities.