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United States synthetic fuels corporation : its rise and demise



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Abstract

The energy crisis during the presidency of Jimmy Carter stimulated several major pieces of legislation that together produced the Department of Energy (DOE), the National Energy Plan (NEP), the windfall profits tax, and the Energy Security Act of 1980 (ESA). This

dissertation focuses on the Energy Security Act, which was signed into law on June 30, 1980, and created the congressionally chartered United States Synthetic Fuels Corporation (SFC), one of the initial efforts to provide the United States energy security. John Sawhill, nominated by Carter as the first SFC chair, was responsible for managing the corporation along with six other directors. The Senate confirmed none of these seven individuals. This inaction forced Carter to make recess appointments of Sawhill and four others to the SFC board. With the election of former California governor Ronald Reagan as president in November 1980, emphasis on the SFC and financial assistance for development of a domestic synthetic fuels industry diminished -- so much so that the corporation closed its doors in April 1986. The SFC funded four synthetic fuels projects. None survive today. During its life, Synfuels Corporation spent approximately \$960 million. Congress authorized funding of \$88 billion plus \$35 million in annual administrative expenses (adjusted for inflation) for the SFC, with a maximum of three hundred full-time professional employees, over its legislated twelve-year existence. The mandated goal was the production of at least five hundred thousand barrels of crude oil equivalent per day of synthetic fuels from domestic sources by 1987 and at least two million per day by 1992. The SFC was legislatively chartered to be free of normal government rules, regulations, and procedures. Carter did not want the synthetic fuels effort to be housed within the Department of Energy. He knew that to meet the goals of the act, any entity must be able to move with speed and be permitted to pay above government-level salaries. Reagan, who did not like the SFC or its mandate, preferred the free market with little or no government interference. Congress simply could not leave the SFC alone, however. So instead of a seven-member board of directors, the SFC ended up with a board of 542 -- counting members of Congress. This dissertation provides an in-depth look at the SFC, Carter's solution to the energy crisis as presented in his July 15, 1979 address to the nation on energy and national goals, commonly referred to as "The Malaise Speech." This talk from the Oval Office, was unique, and remains today the most unusual presidential address in the nation's history. Historians have written and analyzed the first half, a sermon emphasizing all that was wrong with America, but few writers have done the same for second half of the speech, which is the subject of this paper. In the latter part of his speech, Carter emphasized his solution to the country's malaise: solving America's energy shortage, to be accomplished by what he termed an "energy security corporation." Only two authors have examined the SFC. Sabrina Willis penned a 1987 essay titled "The Synthetic Fuels Corporation as an Organizational Failure in Policy Mobilization," which appeared in *The Unfilled Promise of Synthetic Fuels*, edited by Ernest J. Yanarella and William Green. She argued that SFC problems were "so many and so serious that it is difficult to determine exactly why the corporation failed to come [even] close to achieving the goals set for it by Congress" Willis was particularly critical of Ed Noble, appointed as chair of the board of directors by Reagan, when she wrote, "his [Noble] managerial style was too weak to effectively guide a controversial organization." Willis did not have access to the SFC papers, staff or members of the board of directors. Furthermore, she did not research or make use of the plethora of published congressional hearings. Although her examination was superficial, it was definitely pointed. In 2011, Ralph L. Bayrer, former SFC vice president of projects, published his account, *The Saga of the U.S. Synthetic Fuels Corporation: A Cautionary Tale*.

Bayrer, an engineer by education and profession, addressed primarily the engineering aspects of the SFC projects. He presented a favorable assessment of Noble and his leadership. Noble, in Bayrer's opinion, "had a clear view of what he [Noble] wanted to achieve at the SFC," and several "accomplishments" while chair of the Synthetic Fuels Corporation. Bayrer dedicated his book to Noble, noting the SFC "came to a premature end," and had David Stockman, Reagan's director of the Office of Management and Budget not intervened, Noble would have been almost successful in his strategic vision. Bayrer, however, did not interview former employees, former board members, or congressional leaders and their staffs. He relied instead on congressional hearings and his own papers. Because Bayrer worked for the SFC from its beginning to the end, the viewpoints in his publication are thus clouded by personal involvement. He did provide invaluable assistance to the author though, answering questions about the projects and providing needed documents, for which the author is most grateful. Yet, after considerable research and numerous interviews, the author does not agree with Bayrer's assessment of the SFC. The United States Synthetic Fuels Corporation was a superb idea. Its objective was a bold step by a president to address America's addiction to imported crude oil, which had made the nation vulnerable to the vagaries of an unstable region of the world. Unfortunately, a vacuum of presidential leadership, congressional meddling, and embarrassingly poor management cursed the SFC from its very creation. Almost a full year -- 351 days -- passed from the date Carter offered the concept of the SFC to the nation until its enactment into law. Moreover, Carter's distraction with a possible primary opponent, Sen. Edward Kennedy (D-MA), whom he disliked intensely, hampered the president's ability to remain focused on the issue, as well as his view of the presidency as a trusteeship, above politics. After the election of Ronald Reagan to the presidency, all interest in supporting synthetic fuels evaporated. The SFC became merely a place to repay political donors and friends -- and minor ones at that. By thoroughly examining the rise and demise of the United States Synthetic Fuels Corporation, historians will be able to see prima facie evidence of the importance of commitment, persistence, and leadership -- both presidentially and managerially -- and how it is possible for a government entity to vanish into the dust bin of history. And, we will be able to answer the questions: what was the SFC, what did it accomplish, what happened to it, and why?

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