

SYNTHETIC FUELS - PITFALLS AND PROMISE. Fred Schulman. Energy Systems Technology Corp., 927-15th St., N.W., Washington, D.C. 20005

Technical process improvements and policy restraints on OPEC's ability to increase oil prices at will are two essential components of a viable synthetic fuels industry. One without the other spells frustration and failure. The Arab oil embargo of 1973-74 and the subsequent five-fold increase in petroleum prices led to multibillion dollar programs to develop synthetic fuels. Expectations of a great new synthetic fuels industry were unfulfilled as prices and costs rose toward their equivalent-value-to-oil. Cost differentials in favor of imported oil continue to increase year by year despite many chemical and engineering innovations. For example, estimated costs of producing shale oil rose from \$7 per bbl in 1973 to \$30/bbl today. When the OPEC cartel raised oil prices another 54% last June, it became even more important to encourage domestic oil production and to develop energy alternatives. OPEC's new prices will force the base price of synthetic fuels to rise to \$46-50 by 1983. Rising feedstock costs imperil the domestic petrochemical industry and endanger chemical exports. This paper details some of these problems and suggests a number of energy policy actions aimed at establishment of the domestic fuels industry on a sound basis.