

A Perspective on the Future of Synthetic Fuels

by

Michael S. Koleda

President  
Council on Synthetic Fuels  
Washington, D.C.

In a letter from Office of Management and Budget Director James Miller to Members of Congress in the final days of the 99th Congress, the Reagan Administration stated that "continued funding of the Synthetic Fuels Corporation serves no useful purpose". The Congress reacted by eliminating funding for the SFC. A four month phase down period is coming to an end as we meet here today. Of course, only time will tell whether abolition of the SFC was a wise and prudent move or a short-sighted act of folly. What should be clear, however, is that development of synthetic fuels technologies in the U.S. and worldwide will continue for reasons that are rooted in the necessity of industries and governments to be assured of an adequate supply of energy at reasonable prices amid a glut of uncertain signals over the nature of our energy future.

This paper looks at the American experience with synthetic fuels development in the wake of the energy crises of the 1970s, assesses the progress that has occurred, and analyzes the political and economic factors contributing to the abolition of the U.S. Synthetic Fuels Corporation.

Looking ahead, the paper presents the author's views on the future of advanced fossil fuel technologies in the utility, industrial, and transportation sectors in the absence of the federal synthetic fuels incentives of the early 1980's.

The paper concludes by discussing the major uncertainties and institutional complexities that must be considered in private sector decisions with respect to synfuels investments and that will play a role in shaping energy policy in future administrations.