Congress kills the U.S. Synfuels Corp.

President Reagan's recent signing of a bill abolishing the U.S. Synthetic Fuels Corp. (SFC) gives the agency 120 days to pack up its files, to lay off its 130 employees and to transfer the administration of its five financial awards to the Department of the Treasury. By May the Synfuels Corp. will be history.

Launched by President Carter with fanfare in 1980, SFC's mission was to shepherd in a new industry — one that would tap unconventional resources like coal, tar sands, oil shale and heavy crude to meet future U.S. oil and natural gas needs.

As a sign of its commitment to this mission, Congress had empowered the new investment bank to spend up to $88 billion. While the price tag was high, public sentiment in the wake of Arab-oil embargoes suggested that the independence from foreign oil supplies that it promised was worth every penny.

But dissatisfaction with SFC developed quickly. The Reagan administration complained that the new agency's charter — providing subsidies to private industry for commercial-scale projects — ran counter to free-market principles. Congressional supporters of the agency in turn challenged the good faith of officers President Reagan nominated to run the bank. (For example, prior to chairing the agency, Edward Noble is widely reported to have advised President Reagan to abolish the agency.)

Before long, complaints developed over SFC's sluggish activity. The agency had initially been expected to approve up to $20 billion in financial backing of loans and product prices to reach its first milestone: the production of 500,000 barrels of crude-oil equivalent daily by 1987. As of July 1985, however, SFC had committed only $1.2 billion toward three projects — and they would yield less than 2 percent of that 1987 production target Congress had set. Then there were scandals, charges of lavish spending and mismanagement by SFC officials (SN: 8/4/84, p. 74).

In retrospect, it's no surprise SFC died, says Michael Koleda, president of the Washington, D.C.-based trade association, Council on Synthetic Fuels. The Synfuels Corp. was envisioned as a program on the scale of the Manhattan Project. But to succeed, he says, a program this massive and coordinated would have needed the active support of the President, the energy industry and the Congress. In fact, President Reagan's support for the program "was always weak at best," he says, and the unlikely prospect that industry would reap any immediate financial benefits garnered it only lukewarm support there. It was in the Congress that SFC's support was initially strongest. And there dissatisfaction has been growing steadily, Koleda observes — "fueled originally by mismanagement issues, and increasingly by falling oil prices."

Despite SFC's checkered record, Koleda believes its demise "will have a negative impact on [synfuels development] activities within the private sector." How much it will slow investments in these technologies remains to be seen, he says, but the measure has certainly sent a chill through the energy production community.

Several members of that community were frozen by the move, which took place Dec. 19. Gilbert Shale Oil Co., based in Omaha, Neb., and Geokinetics, based in Salt Lake City, were to have been partners in the commercial-scale Seep Ridge Oil Shale Project. While small-scale tests of the technology it would employ indicated promise, says Kenneth Stinson, president of Gilbert Shale Oil, SFC support was essential for its commercial-scale development. And after three years of reviewing the request, SFC had agreed to provide that support.

Signing of the contracts, postponed in Sept., was rescheduled for SFC's Dec. 17 board meeting. "But the meeting was called off in light of what was going on on Capitol Hill," explains SFC spokesperson Karen Hutchison. Before it could be rescheduled, the agency was dead.

— J. Raloff

SFC AWARD RECIPIENTS

PROJECT	TYPE	AWARD	AMOUNT (in millions)	CONTRACT DATE
Cool Water Gasification Project Dagget, Calif.	Coal Gasification	Price Guarantee	$120	July 1983
Dow Syngas Project Plaquemine, La.	Coal Gasification	Price Guarantee	$620	April 1984
Forest Hill Heavy Oil Project Wood Co., Tex.	Heavy Oil	Loan & Price Guarantees	$60	Sept. 1985
Union Oil Parachute Creek Shale Oil Project Parachute Creek, Colo.	Oil Shale	a) Price Guarantee	$400	July 1981
		b) Loan Guarantee	$500	Oct. 1985
		Price Guarantee	undecided	Oct. 1985

Radwaste crisis narrowly averted

A threatened Jan. 1 closure of the United States' three low-level radioactive waste landfills was headed off by eleventh-hour passage of a compromise bill in the House and Senate. The new law, expected to be signed by the President imminently, will for the first time provide a series of economic sanctions for states that do not move to develop their own radioactive waste dump or that do not band with other states into a compact that will share a waste dump.

"It's a triumph for the country," says Wright Andrews, an attorney representing the states of South Carolina, Nevada and Washington on the issue of low-level waste. His clients, tired of being the repository of everyone else's wastes, had vowed that if something wasn't done to put teeth into the existing federal law mandating creation of additional low-level waste sites, they would simply shut down their facilities to out-of-state generators. But as a result of a complex congressional compromise reached on Dec. 19, Andrews says, "now all generators have real assurance there will be somewhere to send their wastes."

The proposed shutdown could have proved devastating, not only to research but also to medicine, points out Michael Welch, past president of the New York City-based Society of Nuclear Medicine and a researcher at Washington University Medical School in St. Louis. A July 12 letter from the Nuclear Regulatory Commission to all generators of low-level radwastes advised them to make contingency plans for dealing with those wastes in the event the existing repositories closed.

"We believe that by compacting our wastes we can in fact store them [at the university] for 10 years," he said at an American Chemical Society meeting in Chicago last September. But that's because the university does not generate large quantities of waste. Among those who do, he noted, are the makers of radiopharmaceuticals and radioisotopes for use in medicine and industry. And if they lost their ability to store wastes, he said, they might be forced to shut down production of those materials.

"At least 322 people with academic positions in our medical center are approved users of radioisotopes," Welch noted, "and about 60 percent of the [center's] grant money is for research that uses radioisotopes." In other words, he