Department of Energy

Timeline of Growth

by Chris Edwards

- **1866:** Mining laws of 1866 and 1872 officially open federal lands to mineral development. Prior to these laws, mining on federal lands was illegal but widely practiced.
- **1900:** The conservation movement prompts presidents to begin withdrawing millions of acres of federal land from minerals development. Further lands are withdrawn when projections of oil shortages spur officials to reserve areas with oil deposits for federal use.
- **1911:** Breakup of Standard Oil as a result of a Supreme Court antitrust case.
- **1917:** A World War I agency, the U.S. Fuel Administration, familiarizes oil companies with central planning from Washington. The companies enjoy the benefits of being in a quasi-cartel, and they form the American Petroleum Institute after the war to coordinate their actions.[1]
- **1920:** The Mineral Leasing Act is passed, which forms the basis of modern leasing rules for oil, gas, and coal resources on federal lands. The Act allows the government to raise substantial royalty revenue. It is administered by the Department of Interior, which handles many energy activities until the Department of Energy is created in 1977.
- **1920:** Congress establishes the Federal Power Commission to oversee hydroelectric projects. In the 1930s, the FPC is given power to regulate the natural gas and electricity industries. In 1977, the agency's name if changed to the Federal Energy Regulatory Commission, and today it has extensive regulatory powers over the oil, natural gas, and electricity industries.
- **1922:** News of the Teapot Dome bribery scandal breaks. The Teapot Dome is a federal oil reserve in Wyoming. Investigations reveal that Secretary of the Interior, Albert Fall, gave oil leases to companies and received $400,000 from them in return. Fall is sentenced to a year in prison.
- **1932:** The federal government imposes an excise tax on gasoline at one cent per gallon.
- **1933:** The petroleum industry is favorably disposed toward the cartel-like Code of Fair Competition under the New Deal's National Industrial Recovery Act.
- **1935:** The Rural Electrification Administration is created to provide subsidized loans to rural electric power cooperatives.
- **1935:** The Public Utility Holding Company Act imposes regulations on electric and gas utilities, including regulations on ownership, service territories, competition, and investments in nonutility activities.
- **1935:** The Guffey Coal Act imposes price controls and various labor regulations on the coal industry. The effects are to limit competition and to favor high-cost Appalachian coal at the expense of coal from other regions. The Supreme Court strikes down the Act as unconstitutional, but similar legislation is enacted in 1937.
- **1935:** The Connally Hot Oil Act regulates the shipment of oil between the states, which has the cartel-like effect of restricting competition and raising prices.
- **1937:** The Bonneville Power Administration is created to market hydroelectric power in the Pacific Northwest. Today, the Department of Energy operates Bonneville and three other Power Marketing Administrations that were created in 1943, 1950, and 1977. The four PMAs sell power from hydroelectric dams in 33 states. A fifth PMA—the Alaska Power Administration—was privatized in 1995.
- **1938:** The Natural Gas Act authorizes the Federal Power Commission to regulate prices on interstate natural gas sales and restrict interstate pipeline construction. This has negative effects on investment and competition in the industry. The Act leaves uncertain whether the FPC has regulatory power over wellhead gas prices. That uncertainty leads to intense political battles until the Supreme Court decides the issue in the affirmative in 1954.
- **1941:** Wartime central planning of the petroleum industry is imposed from 1941 to 1946, and it is reinstated from 1950 to 1953 during the Korean War.
- **1942:** As part of the Manhattan Project, numerous national research laboratories are established, including Los Alamos in New Mexico.
- **1946:** Petroleum activities within 30 federal agencies are consolidated in the Interior Department.[2]
- **1946:** The Atomic Energy Commission is established to oversee atomic research and development.
- **1954:** The Atomic Energy Act ends exclusive government control of atomic research, paving the way for the growth of the nuclear power industry.
- **1954:** The Supreme Court decides the *Phillips* case, which allows for federal regulation of wellhead natural gas prices. The government imposes detailed controls on gas prices, generating huge growth in the FPC bureaucracy to deal with thousands of company filings. The price controls lead to underinvestment in new supply and stagnant levels of proven reserves, distortions that ultimately lead to widespread natural gas shortages in the 1970s.
- **1956:** President Eisenhower vetoes a bill to decontrol wellhead natural gas prices.[3] Eisenhower generally supports deregulation, but he disapproves of the lobbying activity surrounding this particular bill.
- **1959:** The government imposes "mandatory oil import quotas" to limit low-cost oil imports. One effect is to drive down international oil prices, which in turn helps spur the creation of the Organization of Petroleum Exporting Countries in 1960.
- **1971:** President Richard Nixon imposes general price and wage controls on the economy, based on the broad-ranging powers granted in the Economic Stabilization Act of 1970. Price controls on most industries were soon phased-out, but controls on energy were retained and sometimes strengthened in subsequent years.
- **1972:** The Federal Power Commission imposes tight price ceilings on heating oil, which causes winter heating oil shortages.

- **1973:** OPEC nations engineer a rise in crude oil prices. They also raise royalty rates and nationalize oil production. In the United States, federal price controls lead to gasoline shortages, which shuts down many gas stations and creates huge line-ups at others. Congress passes the Emergency Petroleum Allocation Act, which further micromanages energy markets and makes matters worse. The OPEC oil embargo of October 1973 was mainly a symbolic event; it was federal price controls that caused gasoline shortages in the United States.
- **1973:** President Richard Nixon initiates "Project Independence" to achieve energy independence by 1980. He calls for a huge federal effort akin to the Manhattan Project.
- **1973:** Nixon creates a Federal Energy Office to set prices and allocate supplies of oil and oil products, such as gasoline. The controls create a massive administrative burden for both government and industry.
- **1974:** A new Federal Energy Administration takes over duties of the FEO. The agency prints 4.8 billion gasoline rationing coupons, but these are never used.
- **1974:** The Energy Reorganization Act creates the Energy Research and Development Administration. It also replaces the Atomic Energy Commission with the Nuclear Regulatory Commission.
- **1974:** The Energy Supply and Environmental Coordination Act encourages power plants to burn coal instead of natural gas or oil in the name of energy self-sufficiency.
- **1975:** The Energy Policy and Conservation Act extends oil price controls through 1979. It also creates the Strategic Petroleum Reserve and mandates automobile fuel efficiency standards.[4]
- **1977:** The Surface Mining Control and Reclamation Act regulates surface coal mines and imposes new fees on the coal industry.
- **1977:** As a consequence of price controls, many parts of the country experience severe natural gas shortages, and thousands of industrial plants and schools are closed.
- **1977:** At the urging of President Jimmy Carter, Congress creates the Department of Energy, which combines the Federal Energy Administration, the Energy Research and Development Administration, and the Federal Energy Regulatory Commission.[5]At birth, the department has about 20,000 employees. Today, it has 16,000 permanent employees and about 100,000 contract employees, who work in the national laboratories and other facilities.
- **1978:** President Carter signs the National Energy Act, which is a massive piece of legislation nine inches thick containing a slew of subsidies and tax incentives for conservation and alternative energy.
- **1978:** The NEA includes the Natural Gas Policy Act, which responds to natural gas shortages with an extremely complex and gradual phase-out of wellhead price controls by 1985, although additional legislation in 1989 is needed to complete the job.
- **1979:** Political turmoil in Iran, as well as OPEC actions, cause crude oil prices to soar. President Carter proposes bureaucratic solutions such as mandating allowable room temperatures in buildings and creating rationing coupons for gasoline. Shortages create automobile line-ups at gas stations in some regions, and "strike forces" of Department of Energy auditors swoop down on refiners and gas stations across the country looking for price-ceiling violators.
- **1979:** President Carter invites the media to the roof of the White House to see his new solar panel display, and promises to increase subsidies for alternative fuel technologies. President Ronald Reagan removes the panels in 1986.
- **1979:** President Carter proposes a gradual lifting of domestic oil price controls, but in a swap for a windfall profits tax on oil. Carter's tax idea is not new: both the Nixon and Ford administrations had pushed for a windfall profits tax.[6]
- **1980:** Congress passes the Crude Oil Windfall Profit Tax Act, which imposes an excise tax on earnings from domestic crude oil sales above a base or "normal" rate of profit. The tax is expected to generate massive revenues of $227 billion during the 1980s.[7] But it is repealed in 1988 as a complete failure—it raises a lot less revenue than expected, it stifles domestic oil production, and it increases oil imports.
- **1980:** President Carter signs the Energy Security Act, which includes a range of new subsidies and tax breaks for conservation and alternative energy.
- **1980:** As part of the ESA, Congress creates the Synthetic Fuels Corporation to develop alternatives to imported oil. The project is a giant boondoggle, and it is closed down in 1986 after wasting $4 billion of taxpayer money.[8]
- **1980:** Ronald Reagan is elected president promising to abolish the Department of Energy, arguing that it "hasn't produced a quart of oil or a lump of coal, or anything else in the line of energy."[9]
- **1981:** President Reagan issues executive order 12287 to repeal price controls on oil and oil products, as well as restrictions on oil imports.
- **1982:** The Nuclear Waste Policy Act aims to create a permanent disposal site for radioactive waste to be ready by 1998. Yucca Mountain is chosen as the site in 1987, and engineers and construction crews go to work. By 2009, the project had consumed $10 billion of taxpayer funds. The Obama administration plans to permanently close the Yucca facility.[10]
- **1982:** President Reagan proposes legislation to close down the Department of Energy and transfer needed activities to other departments, mainly the Department of Commerce. However, Reagan makes no headway in Congress.
- **1983:** Congress cancels the Clinch River Breeder Reactor project, which had been plagued by delays and cost overruns since its inception in 1971. The project was originally estimated to cost $700 million, but by 1983 $1.7 billion had been spent and estimated total costs had ballooned to more than $4 billion.[11] The project had been supported by President Reagan, but strongly opposed by President Carter.
- **1985:** A series of highly critical reports during the 1980s slam the Department of Energy regarding its lax safety and environmental standards over the decades, particularly at its nuclear-related sites.[12] Today, taxpayers are still paying billions of dollars a year to clean up past environmental damage at federal sites.
- **1992:** The Energy Policy Act of 1992 establishes a range of new subsidies and tax breaks for conservation and alternative energy sources such as ethanol. The Act also deregulates the interstate transmission of electricity, which allows competition in the wholesale market.
- **1993:** After spending about $2 billion, Congress cancels the Superconducting Super Collider project in response to criticisms about the project's mismanagement and cost overruns. Total estimated costs of the project had almost tripled from $4.4 billion when it was begun to about $12 billion by 1993.[13]
- **1993:** Congress approves the construction of the National Ignition Facility to research nuclear fusion. The project has been very poorly managed—it is about seven years behind schedule and the estimated cost has ballooned from about $1 billion to more than $4 billion.[14]
- **1993:** Energy Secretary Hazel O'Leary launches an "openness initiative" to declassify 32 million pages of federal documents, and

numerous skeletons in the closet are revealed.

- **1999:** A congressional report finds that classified nuclear weapons information from Los Alamos may have been stolen by the Chinese government.[15] In subsequent years, there are numerous security breaches at Los Alamos involving missing computers and disks containing classified information.[16]
- **2000:** President Clinton's Partnership for a New Generation of Vehicles hands out $1.2 billion over eight years to automakers for development of hybrid cars, but the program is generally a flop.[17]
- **2005:** The Energy Policy Act provides billions of dollars of tax incentives for clean energy, and it includes mandates for ethanol use. Ethanol mandates and subsidies have spurred increases in food prices in the United States and around the world, which particularly harms people in developing nations. The Act also repeals the PUHCA of 1935.
- **2008:** The department cancels its involvement in FutureGen, which is a $1.8 billion project to build a zero-emission coal plant. Like most large federal energy projects, FutureGen experienced substantial cost overruns. In 2009, the Obama administration reverses course and restarts the Illinois-based project.
- **2009:** A review finds that estimated clean-up costs at 22 federal nuclear-related sites have ballooned from $180 billion to $240 billion in just the past two years.[18]

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[1] Robert L. Bradley, Jr., *Oil, Gas, and Government* (Lanham, Maryland: Rowman and Littlefield, 1996), pp. 96, 226.

[2] Robert L. Bradley, Jr., *Oil, Gas, and Government* (Lanham, Maryland: Rowman and Littlefield, 1996), p. 134.

[3] Robert L. Bradley, Jr., *Oil, Gas, and Government* (Lanham, Maryland: Rowman and Littlefield, 1996), p. 381.

[4] Department of Energy, "Energy Timeline," www.energy.gov/about/timeline.htm.

[5] For a history of the department, see Terrence Fehner and Jack Hall, History Division, U.S. Department of Energy, "Department of Energy 1977-1991: A Summary History," U.S. Department of Energy, November 1994.

[6] Robert L. Bradley, Jr., *Oil, Gas, and Government* (Lanham, Maryland: Rowman and Littlefield, 1996), p. 322.

[7] Robert L. Bradley, Jr., *Oil, Gas, and Government* (Lanham, Maryland: Rowman and Littlefield, 1996), p. 323.

[8] "Synthetic Fuels Corp. Scurries to Spend Funds," *Chicago Tribune*, August 23, 1985.

[9] Reagan comment in the second presidential debate, October 28, 1980. Available at www.pbs.org/newshour/debatingourdestiny/80debates/cart3.html.

[10] www.ocrwm.doe.gov/ym_repository.

[11] Matt Yancy, "A $1.7 Billion Hole in the Ground," *Associated Press*, October 27, 1983. See also Congressional Budget Office, "Comparative Analysis of Alternative Financing Plans for the Clinch River Breeder Reactor Project," September 20, 1983.

[12] Terrence Fehner and Jack Hall, History Division, U.S. Department of Energy, "Department of Energy 1977-1991: A Summary History," U.S. Department of Energy, November 1994, p. 41.

[13] Robert Lee Hotz and Lianne Hart, "A Costly Monument to 'Big Science' Difficulties; Research: Physicists and Displaced Families Ponder Legacy of $2-Billion Holes in the Ground Left From Super Collider Project," *Los Angeles Times*, October 21, 1993. And see Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," February 1993, p. 143.

[14] Government Accountability Office, "National Ignition Facility: Management and Oversight Failures Caused Major Cost Overruns and Schedule Delays," GAO/RCED-00-141, August 2000, p. 4.

[15] House of Representatives, Select Committee on U.S. National Security and Military / Commercial Concerns with the People's Republic of China (the "Cox Report"), House Report 105-851, May 25, 1999, p. v.

[16] For example, see Stephen W. Smith, "Nuclear Lab Breach Could Be Devastating," *cbsnews.com*, November 3, 2006.

[17] Matthew Wald, "Hoping Not to Repeat the Mistakes of the Past," *New York Times*, November 22, 2008.

[18] Kimberly Kindy, "Nuclear Cleanup Awards Questioned," *Washington Post*, May 18, 2009.

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