There are some stupid government policies in the works (in energy)

God Almighty! There's a limit! That's the problem. The short run disturbance we face is a mismatch.

Q: How about the king run? A: The kingdom can be worked very effectively if we can get some decent short range policies, and then just some sensible long term policies that will look at what one has to do to stimulate long run sources of supply.

There are tremendous domestic resources in oil, gas, much more than we normally talk about, at higher prices. To me, it seems that in the short run, incentives have to be developed to be sure that those come on board.

Q: When oil prices rise, it becomes economical to do things that are not economical at lower prices? A: There are many things that can be done. Secondary and tertiary recovery of oil. We only take 20 percent out of an oil well right now. There are ways to get a smaller 5 or 10 percent out of all the fields that now exist. I believe that becomes economic at $5 a barrel.

You get up to $4 or 7 and other things become very possible. If you get up to $15 a barrel, a lot of other things become possible. It makes a lot of sense to get that pipeline in and spend whatever it takes to do it in a small amount more drilling offshore in very deep water. And if you look at those prices you do very well.

Q: Is MIT a leader in cryogenic equipment? A: We started that. Absolutely. Industry, business, politics, and foreign, has picked up. It is a significant break-through. A: Let's say this. I think the cryogenic generator has tremendous importance to the electric power industry, not in terms of improved efficiency, it is not to preserve the cryogenic equipment.

It has dynamic characteristics so that in terms of stability of transmission lines, it may be better; it has some characteristics that are much smaller, if you were to go make largescale generators, you may be able to do this way. It can change the scale of electrical equipment. In terms of economics, it's a very significant piece of work. But one should not sell it as anything that has to do with Middle Eastern Oil.

One other area I'd like to mention is the Energy Management Policy area. We have in the Energy Lab, $400,000 worth of research right now studying supply and demand in the marketplace.

We have a study of natural gas supply and demand. We have a study of inter-fuel competition. We have a study of the natural gas regulations that are being considered by the FPC.

There is a tremendous amount of regulation in the energy business, or policy making that interact with each other. The air quality control acts versus the energy supply side is a case in point. When you set standards on emissions that minimize the possibility of using coal, you have to use low-sulfur oil, which requires refineries to take the sulfur out, or you must use natural gas.

So you regulate the price of natural gas so that there is no incentive to bring it on the market, so you make sure that's in short supply. You leave in regulations that encourage one to put refineries elsewhere, and there is also uncertainty in the market, so you don't know how much capital to put into the new refinery because you don't know whether they'll change the standards on you, so you discourage them from going ahead and really building a de-sulfurization capacity. But you go ahead and put the standard in anyway.

There is an irrationality in the energy business.

It's a whole host of mixing between the market which is important to us consumers, and therefore some degree of regulation is necessary at the federal level - I believe that but it has to be a management at the Federal level that is sensible, that recognizes the character of the marketplace and uses it effectively. That isn't being done.

There is a whole host of different agencies in Washington, each issuing fragmented decisions that interact with each other.