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**Marianne  
Means**

# Ford Nominee Hits Troubled Waters

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reward system at its least charming. He worked in his family's prosperous lumber business in Oregon, inheriting

South Dakota to an advisory board of commission. No word of any qualifications, but Obie O'Brien, the state's Nixon

Hearst Headline Service



FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

September 17, 1975

MEMORANDUM FOR MEMBERS OF THE CABINET

FROM: FRANK G. ZARB *FZ*

Attached is a brief summary of the energy situation faced by the Nation, with specific reference to various fuels. Also attached is a review of the President's overall energy program as proposed to Congress, and a status report on various legislation pending in the House and Senate relating to the several titles of the Energy Independence Act of 1975.

I hope that this information will be of use to you and your Departments in preparing public presentations relating to the energy situation and Administration energy policy.

Attachment

## BACKGROUND

### Vulnerability

- \* In 1970, the average American householder spent approximately \$45 for foreign oil; last year, the bill was about \$360.
- \* In the first six months of 1975 direct Arab OPEC crude imports accounted for 30% of total crude imports (1,125 thousand barrels per day) compared with a 1974 average of 20% (or 743 thousand barrels per day). Our dependence on Arab crude oil has increased since the days of the oil embargo.
- \* Imported petroleum accounted for 17% of total energy use in 1974, compared to less than 11% in 1970.

### Natural Gas

- \* Natural gas production in the U.S. peaked in 1973 at 22.5 Tcf and then declined by almost 6% in 1974 to 21.2 Tcf -- the equivalent of a decline of over 230 million barrels of oil.
- \* Last year 2.0 trillion cubic feet (Tcf) of natural gas, or about 10% of total demand, was curtailed; this year a 45% increase in curtailments is forecast, or about 2.9 Tcf of natural gas, equalling about 15 percent of demand.
- \* In North Carolina, for example, only 4 percent of industrial natural gas requirements will be met.

### Oil

- \* Domestic oil production has been declining since 1970 (it is down 11 percent since early 1973) and has declined more than one-half million barrels per day since last year.
- \* Gasoline consumption has been about constant in the last two years and would have been at least 500,000 barrels per day higher if it hadn't been for higher prices.
- \* Billions of barrels of oil lie beneath the waters in the Atlantic, Pacific, and Gulf of Alaska, but are as yet untapped.

### Coal

- \* Coal production is still at the levels of the 1920's.
- \* We have more coal reserves than the Middle East has oil.
- \* While coal is our most potentially abundant source of domestic energy, coal output for domestic consumption fell in 1974 by 16 million tons, or almost 3 percent, compared to 1973 production.

### Electric Power

- \* Last year, about three-quarters of all planned nuclear plants and over one-fourth of all coal plants scheduled to be built were either postponed or cancelled.
- \* Costs for nuclear power plants continue to increase significantly; a 1000 Mwe plant ordered today for delivery in the early 1980's will cost close to one billion dollars, or \$1000 per kilowatt. A few years ago, the cost was about half.

### LEGISLATION

#### Comprehensive national energy policy

- \* The President's State of the Union message to Congress, January 15, 1975, was the basis for the Energy Independence Act of 1975 submitted to Congress. (See Tab B for outline of the Act's 13 titles)
- \* Status report on Administration proposals in Congress (Tab C)

#### Decontrol

- \* The House rejected the President's 39-month compromise plan to decontrol old oil prices in July, just before its August recess.
- \* Immediate decontrol of old oil prices took effect on September 1, 1975, upon the statutory expiration of the Emergency Petroleum Allocation Act.
- \* The President vetoed a six-month extension of the Emergency Petroleum Allocation Act on September 9, 1975.
- \* The Senate sustained the President's veto on September 10, 1975, effectively leaving oil prices uncontrolled.
- \* The President has indicated his willingness to accept a 45 to 60-day extension of price controls on oil, if there are reasonable assurances that such an extension would result in a compromise plan to decontrol oil prices which meets the objectives of the original 39-month proposal.
- \* The House passed a bill on September 11, 1975, extending oil price controls until October 31, 1975.
- \* Action is still pending in the Senate on extension of oil price controls.

Protection for gasoline dealers under immediate decontrol

- \* The "Gasoline Dealers' Protection Act of 1975" proposed to Congress by the President on September 10, 1975 would prevent oil refiners and distributors from terminating service station leases or franchises for other than good cause, and would provide station owners and dealers standing to seek treble damages and injunctive relief in Federal courts if violations occur. The Act is similar to the Automobile Dealers Day in Court Act of 1956.

Protection for small and independent refiners under immediate decontrol

- \* Secretary of the Treasury Simon has asked the Senate Finance Committee and the House Ways and Means Committee to extend provisions of the Old Oil Entitlements Program under the Emergency Petroleum Allocation Act for one year, phasing them out over three years, to provide an effective subsidy to small refiners and to equalize access to domestic and imported crude oil for refining.

Protection for farmers under immediate decontrol

- \* Secretary Simon has asked for legislation to provide rebates to farmers to offset their higher energy cost. A direct tax rebate would be provided to farmers based on their purchases of gasoline and diesel fuel. A maximum rebate limitation or a gross income ceiling for eligibility could direct rebates to smaller farmers.

Windfall profits tax

- \* Rebates to farmers and refiners, as well as to low- and middle-income taxpayers, would be financed by a windfall profits tax on oil company earnings resulting from decontrol. The tax proposed would be similar to the one worked out by the Senate Finance Committee in July.

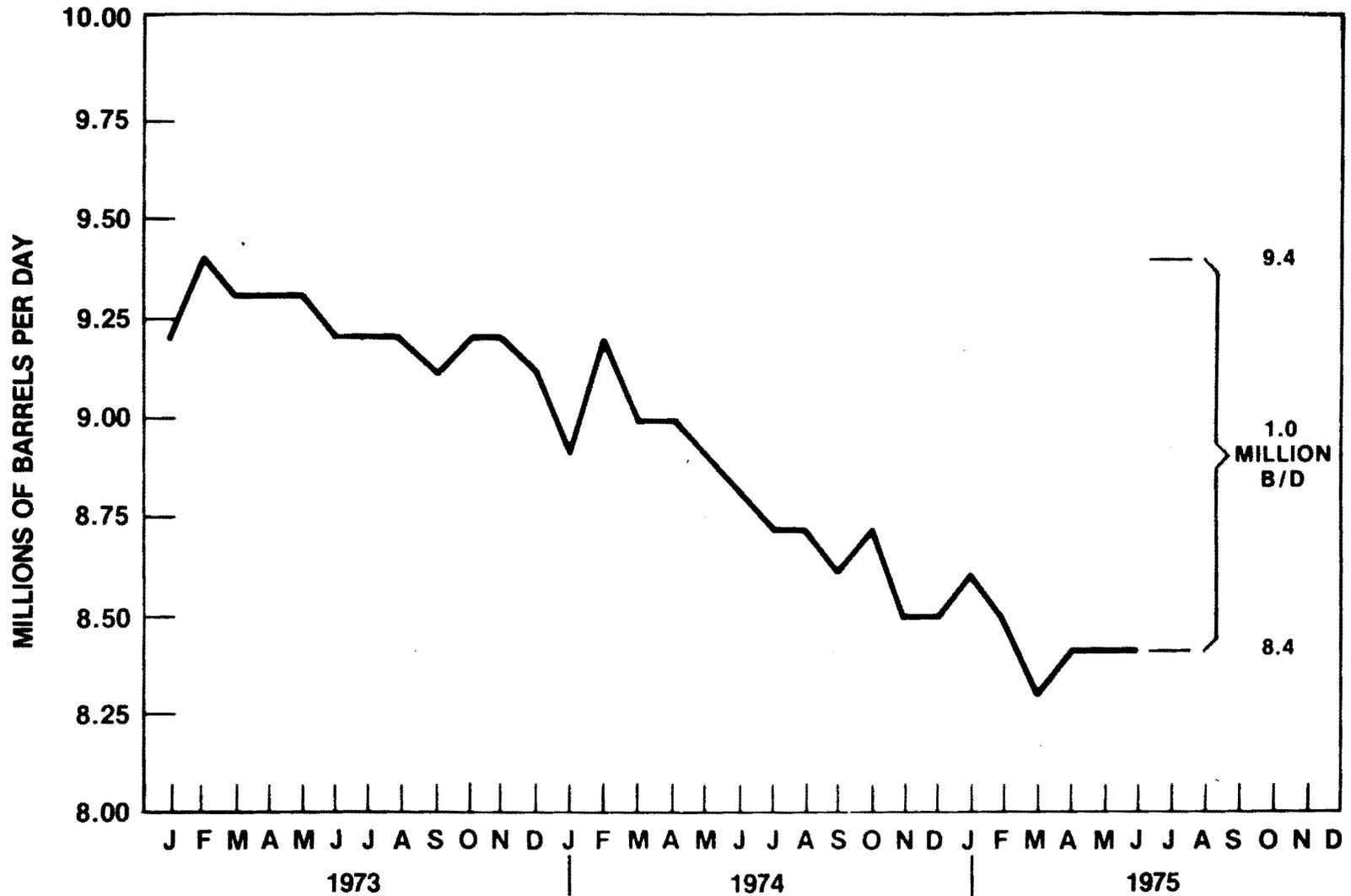
Natural gas legislation

- \* "The Natural Gas Emergency Standby Act of 1975" was proposed to Congress by the President on September 10, 1975, to deal with expected shortages of natural gas this winter. The act:
  - authorizes the Federal Power Commission to approve purchases of natural gas by interstate pipelines at unregulated free-market prices when those pipelines have had to curtail their high-priority end-use customers. These sales excepted from regulation would be limited to 180-days duration.

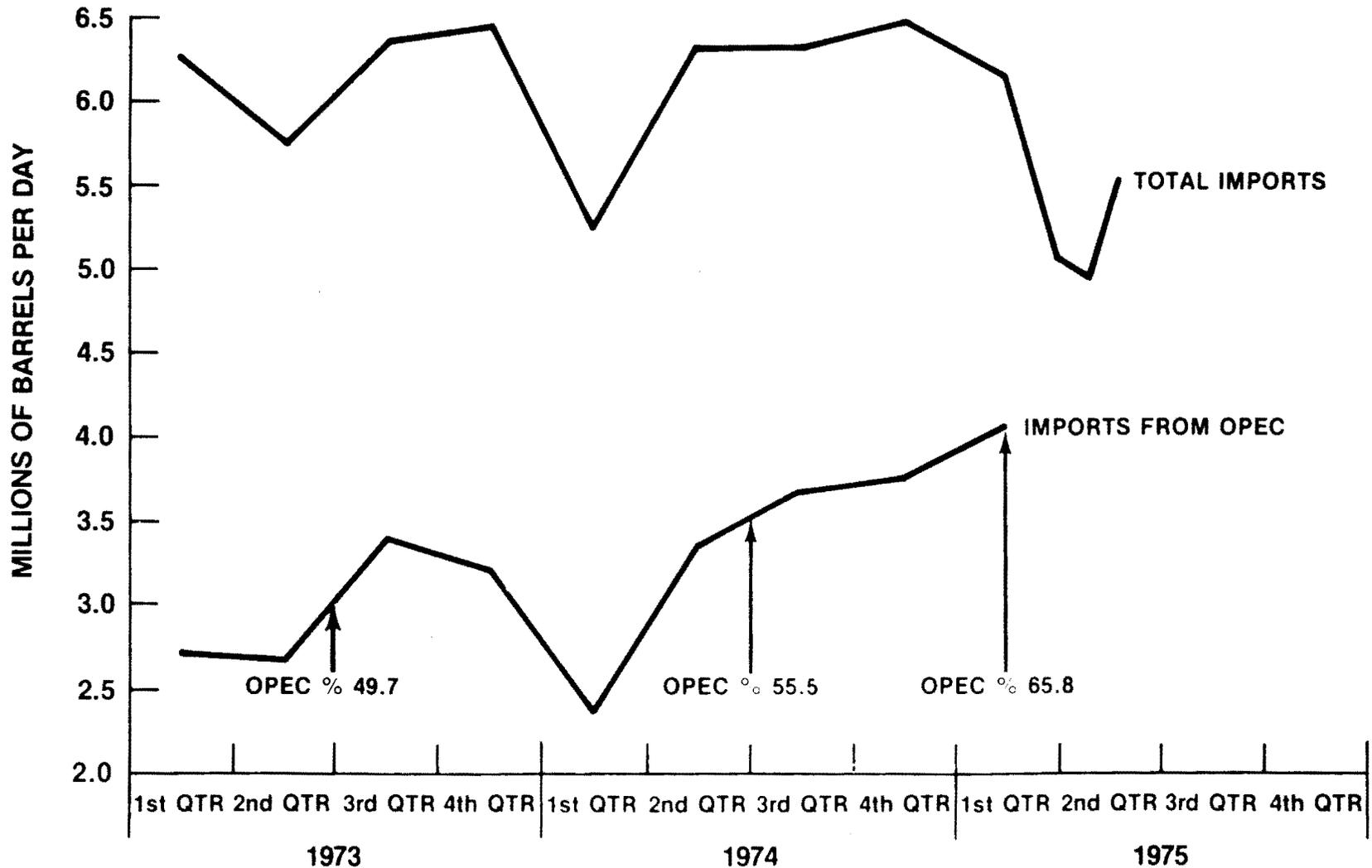
- allows high-priority end-users of natural gas to purchase natural gas in producing states at unregulated intrastate prices, then contract with interstate pipelines as common carriers to deliver the gas to the point-of-use. This provision would clarify and give legislative force to an existing FPC rulemaking.
- extends FEA's authority to require electric utility and industrial boiler conversions from natural gas or oil to coal, and provides standby authority to require conversions from gas to oil where coal is not feasible.
- provides authority to allocate and establish price controls for propane in order to assure equitable distribution and reasonable prices as demand for propane increases with growing unavailability of natural gas.



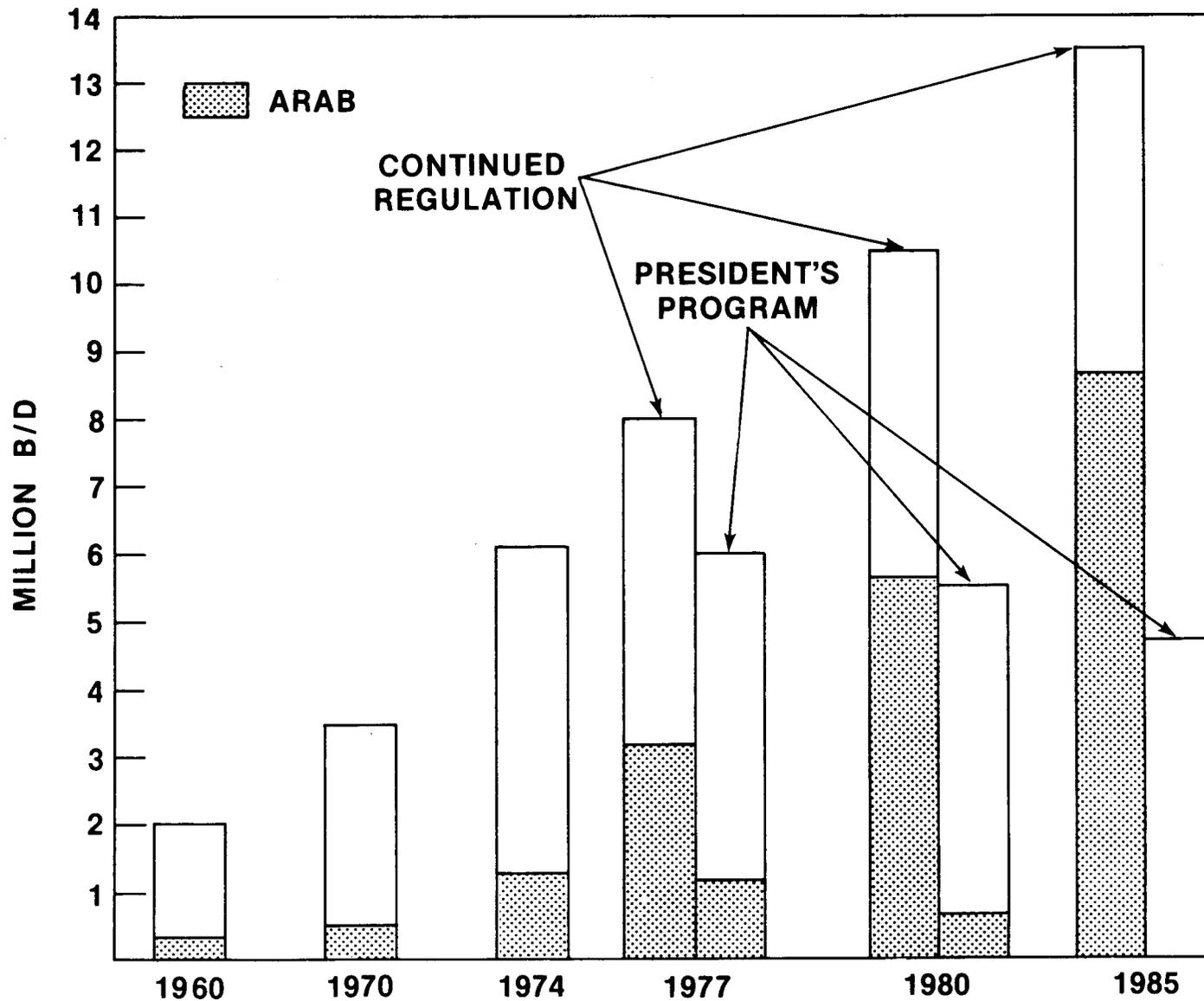
**CHART I  
DOMESTIC PRODUCTION OF CRUDE OIL**



**CHART II**  
**IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS**

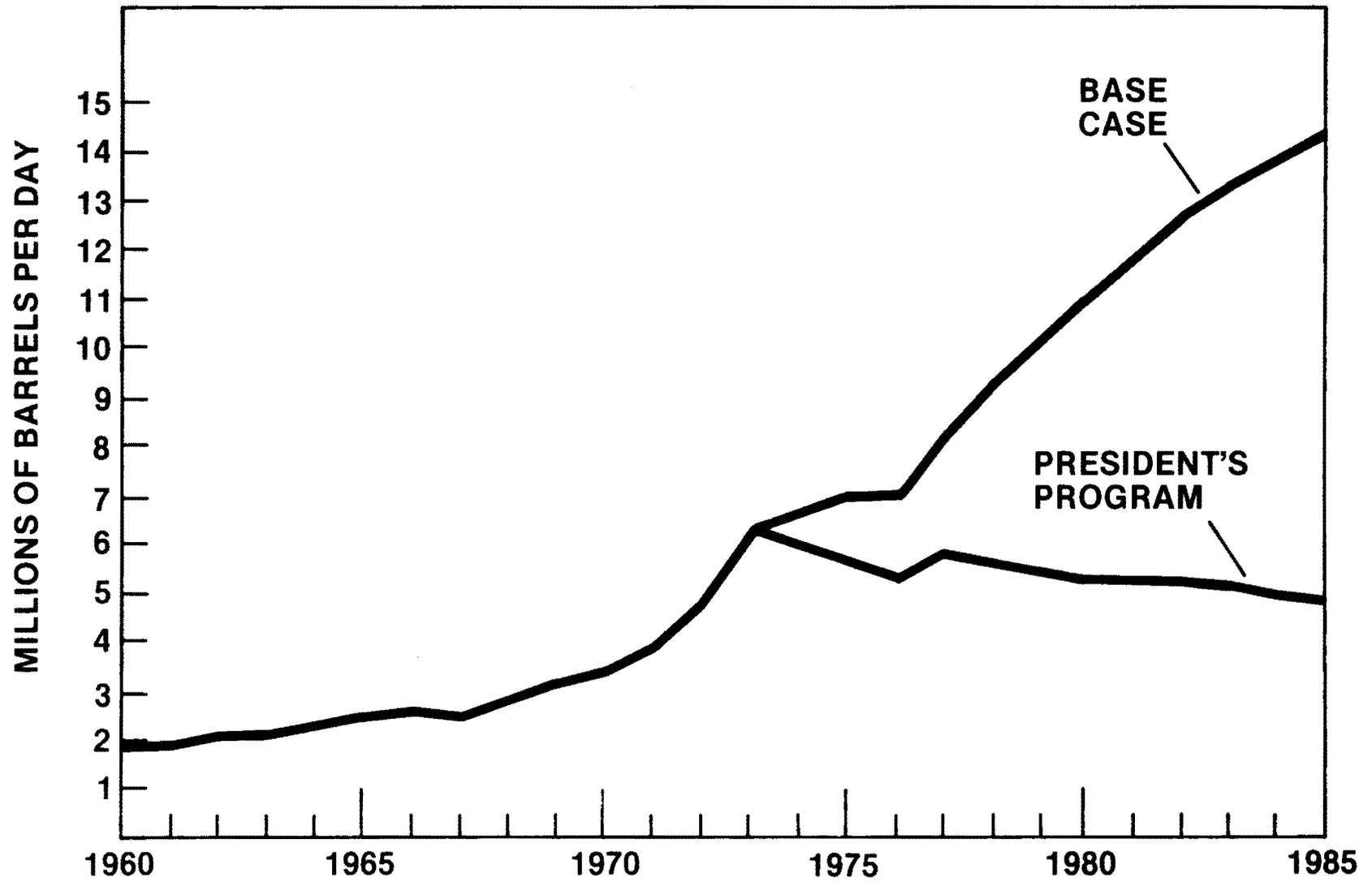


**CHART III**  
**IMPORTS BY SOURCE 1960 – 1985**

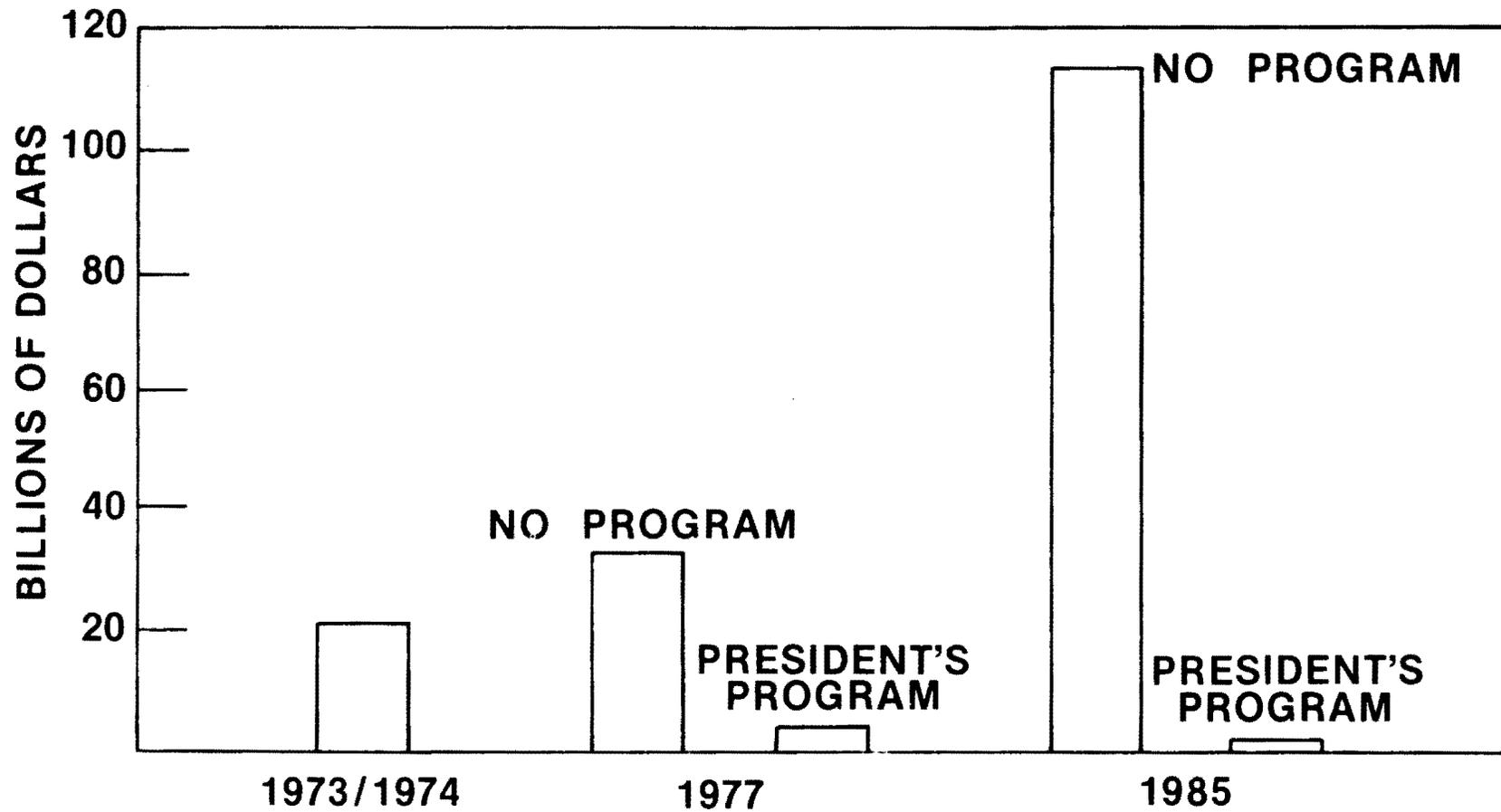


**CHART IV**

**PETROLEUM IMPORTS**



**CHART V**  
**COST OF FUTURE EMBARGOS**



# CHART VI IMPACT OF AN EMBARGO ON GNP

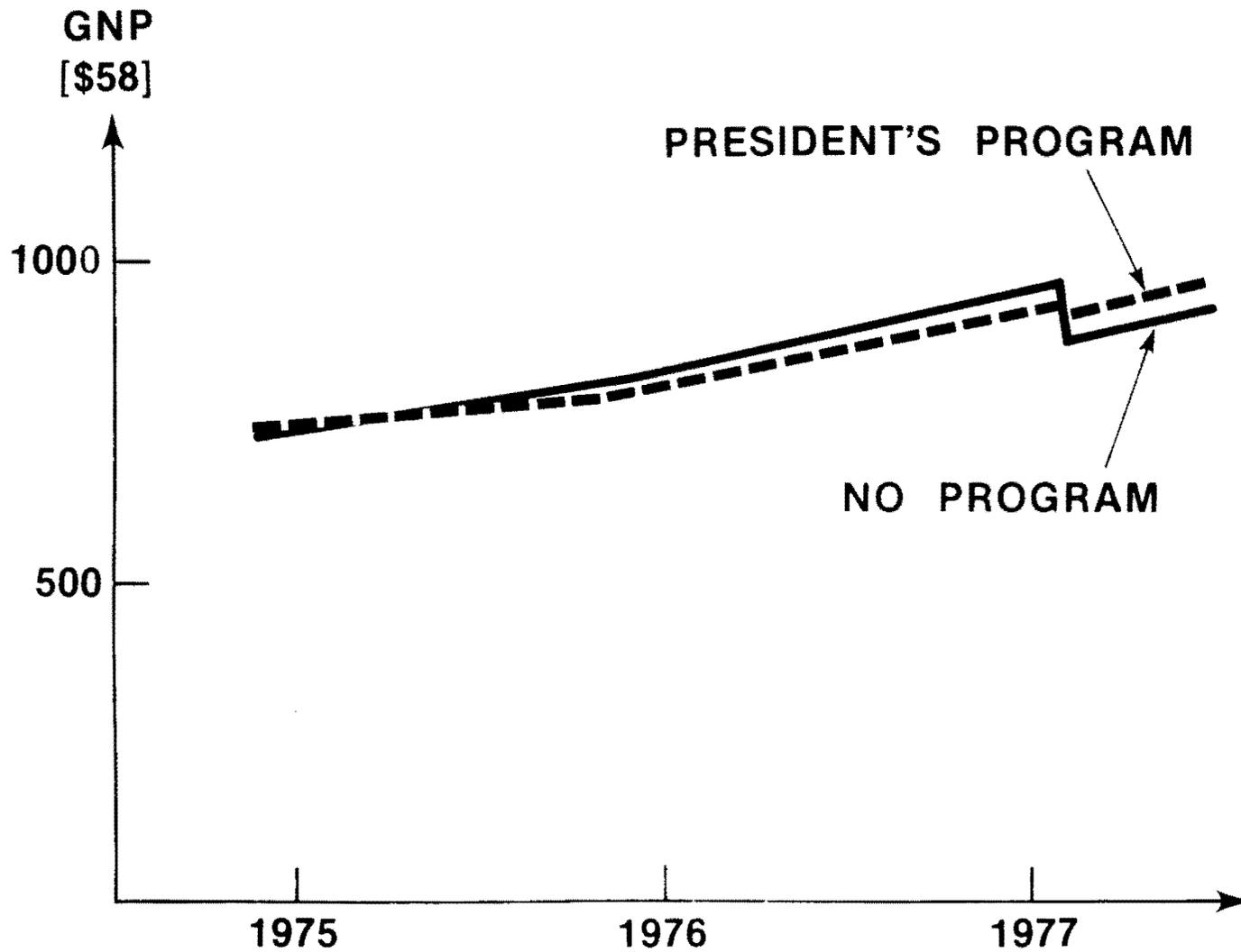
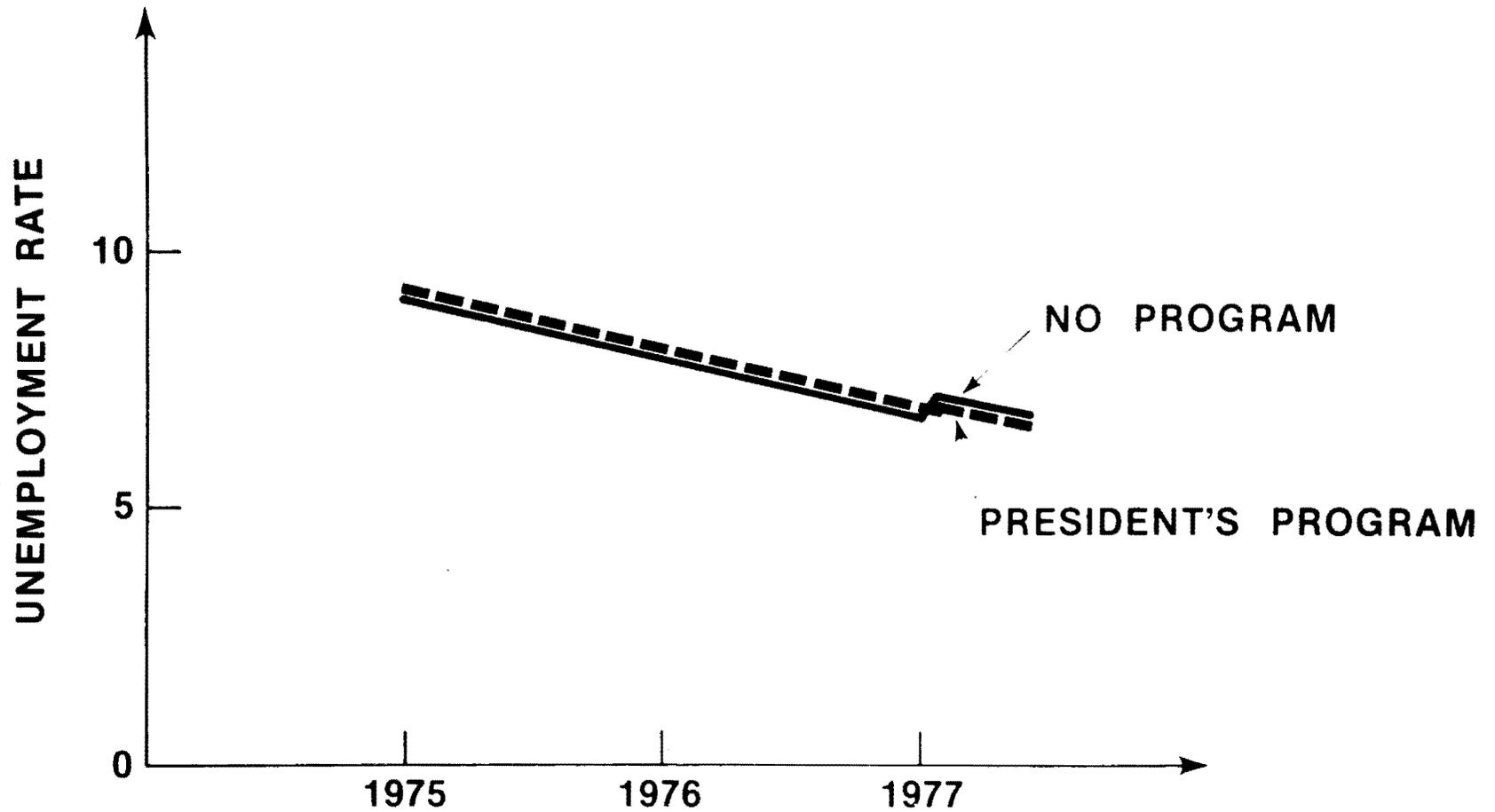
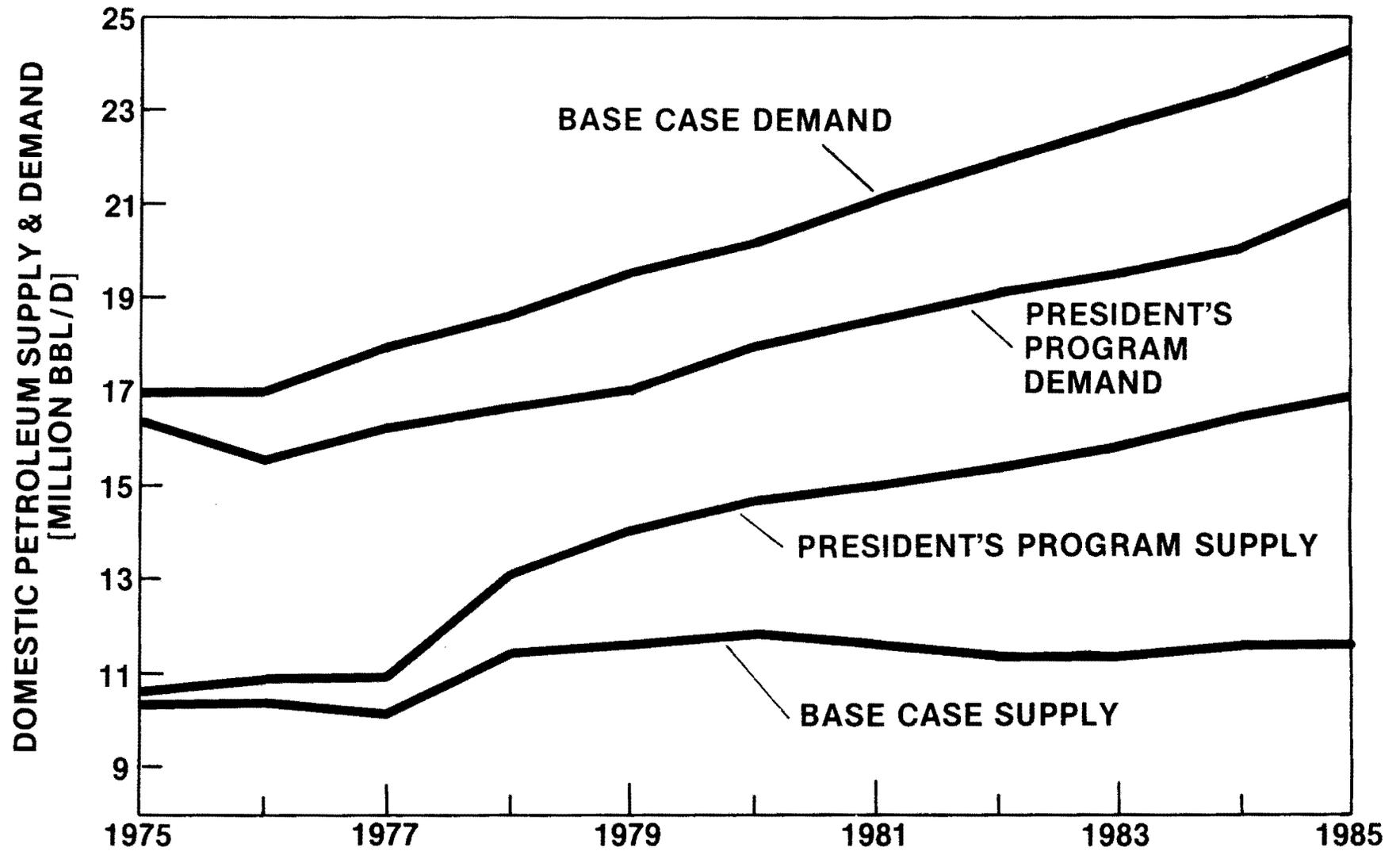


CHART VII  
IMPACT OF AN EMBARGO  
ON UNEMPLOYMENT



**CHART VIII**



TAB B

## ENERGY INDEPENDENCE ACT OF 1975

- TITLE I - Naval Petroleum Reserves
- TITLE II - National Strategic Petroleum Reserve (Civilian) Act of 1975
- TITLE III - New Natural Gas Deregulation
- TITLE IV - 1975 Legislative Proposals to Amend the Energy Supply and Environmental Coordination Act of 1975
- TITLE V and VI - 1975 Legislative Proposals to Amend the Clean Air Act of 1970
- TITLE VII - Utilities Act of 1975
- TITLE VIII - Energy Facilities Planning and Development Act of 1975
- TITLE IX - Energy Development Security Act of 1975
- TITLE X - Building Energy Conservation Standards Act of 1975
- TITLE XI - Winterization Assistance Act of 1975
- TITLE XII - National Appliance and Motor Vehicle Energy Labeling Act of 1975
- TITLE XIII - Standby Energy Authorities Act of 1975

TITLE I of the Energy Independence Act of 1975 would authorize the production of petroleum from the Naval Petroleum Reserves to top off Defense Department storage tanks, with the remainder sold at auction or exchanged for refined petroleum products used by the military or used to fill a National Strategic Petroleum Reserve. Revenues generated from the sale of oil produced from the Naval Petroleum Reserves would be used to finance the further exploration, development and production of the Reserves, including NPR #4 in Alaska, as well as to create the National Strategic Petroleum Reserve. At least 20%, or such other amount as determined by the President, of the oil eventually produced from NPR #4 would be earmarked for military needs and for the National Strategic Petroleum Reserve and the remainder made available to the domestic economy. Although the oil reserves contained in NPR #4 are largely unexplored and significant production is not expected before 1982, it is anticipated that NPR #4 will provide a minimum of 2 million barrels of oil per day by 1985. Title I would also grant the Department of the Navy authority to acquire, construct, fill and maintain a military strategic petroleum reserve of 300 million barrels as part of the National Strategic Petroleum Reserve.

Title II would authorize the establishment of a civilian national strategic petroleum reserve of up to 1 billion barrels of petroleum. Once created, this strategic reserve, together with the exercise of certain standby authorities provided for in Title XIII, will minimize disruption from future embargoes or other energy emergencies. This Title would authorize the Federal government to acquire, construct and maintain petroleum storage facilities, to purchase petroleum or require industrial set-asides for a strategic reserve, and to utilize petroleum from the reserve to offset disruptions in foreign imports. Most of the funds required to finance this program, as well as a large amount of the oil to be stored would come from the production of NPR #1 in Elk Hills, California. Within one year of enactment, a report would be prepared and submitted to the Congress detailing actions taken and proposed plans for developing a strategic petroleum reserve system.

Title III is designed to reverse the declining natural gas supply trend as quickly as possible and to insure increased supplies of natural gas at reasonable prices to the consumer. Under the proposal, wellhead price controls over new natural gas sold in interstate commerce would be removed. This action will enable interstate pipelines to compete for new onshore gas and encourage drilling for gas onshore and in offshore areas. In order to discourage further conversions to natural gas and to encourage greater natural gas conservation, the President is also proposing an excise tax of 37 cents per thousand cubic feet on natural gas which is equivalent to the proposed \$2 tax on oil.

Titles IV and V contain amendments to the Clean Air Act and the Energy Supply and Environmental Coordination Act of 1974 (ESECA). The amendments are needed to pursue a vigorous program, consistent with appropriate environmental safeguards, to make greater use of domestic coal, and thus to reduce the need for natural gas and imported oil. The proposed amendments would serve to reduce the need for oil imports by 100,000 barrels per day in 1975 and 300,000 barrels by 1977.

The amendments to ESECA would expand and extend the Federal Energy Administration's authority to issue and enforce orders prohibiting power plants and other major installations from burning petroleum products and natural gas. One of the amendments to the Clean Air Act would eliminate the regional requirement which prohibits major fuel burning sources from burning coal where the violation of health-related standards is caused by other sources. Another amendment would permit certain isolated plants to use intermittent control systems on an interim basis where they do not pose a threat to public health. In addition, the amendments seek a better balance between automobile fuel economy and air quality by stabilizing auto emission requirements for five years at the level of California's 1975 standards for hydrocarbons and carbon monoxide emissions, and holding at national 1975 standards for oxides of nitrogen.

Title VI would delete the "significant deterioration" requirement from the Clean Air Act. There may be more appropriate ways to deal with the issues associated with significant deterioration than through the Clean Air Act, and Congress should undertake a prompt and comprehensive review of this issue.

Title VII is designed to restore the financial health of public utilities. It would eliminate undue regulatory lags involved in approving proposed rate changes, assure that rates adequately reflect the full cost of generating and transmitting electricity, and remove prohibitions that now prevent lower prices from being charged to consumers during off peak hours. Though many states have already adopted similar programs, enactment of Title VII will establish certain standard regulatory procedures across the Nation, resulting in more equitable treatment of utilities.

Treasury Secretary Simon has presented to the House Ways and Means Committee proposals for tax changes including increased investment tax credits for public utilities. Presently only a 4% tax credit is available to utilities while a 7% tax credit is available to other industries. The proposed legislation would raise the tax credit to a level of 12% for one year with the 12% rate being retained for two additional years for all electric generating facilities not fired by oil or gas. Utilities would also be allowed to increase from 50% to 75% the portion of their 1975 tax liabilities that can be offset by the investment tax credit. The percentage would phase back down to 50% by 1980. Corporate tax deductions would also be allowed for preferred stock dividends issued by utilities and other industries. These legislative proposals would reduce the cost of capital for needed utility expansions and stimulate equity rather than debt financing.

Title VIII is designed to expedite the development of energy facilities. The Federal Energy Administration would be required to develop a National Energy Site and Facility Report with appropriate Federal, State, industry and public input. Information in this report would be utilized by the Federal government, the States and industry in developing and implementing plans to insure that needed energy facilities are sited, approved and constructed on a timely basis. At the Federal level, FEA would be responsible for coordinating and expediting the processing of applications to construct energy facilities.

States would be required to develop management programs to expedite the process by which energy facility applications are reviewed and approved at the State level, to insure that adequate consideration is given to national and regional energy requirements in the State's siting and approval processes, and to provide that decisions of State regulatory authorities on energy facility applications are not overruled by actions of local governments. FEA would provide grants and technical assistance to the States in developing their programs. If a State does not develop an acceptable management program, FEA would promulgate an appropriate management program for it. The Federal Government would not be authorized to override any State decision on a particular site of facility application.

Title IX would provide needed authority to prevent foreign oil producing countries from undercutting U.S. efforts to develop domestic petroleum energy resources or achieve energy independence. The Federal Energy Administration would monitor the effect of oil price fluctuations on the economic viability of conventional petroleum development and production projects. Upon the finding that this viability is being threatened, tariffs, quotas, or variable import fees would be imposed.

Two other measures are being developed that will affect domestic energy supplies. One proposal would assure more rapid siting and licensing of nuclear facilities while retaining sufficient safeguards to protect the environment and public health and safety. The other proposal, to regulate surface mining, would provide the appropriate balance between the urgent need to increase coal production and the need to protect the environment.

#### DEMAND RESTRAINT MEASURES

Each of the demand restraint measures contained in Titles X-XII is an essential element in achieving our overall goal of reducing oil imports and lowering the demand for coal, natural gas and electricity. These proposals will serve to reduce wasteful energy use, create jobs, and lessen economic hardships, while not impeding economic output.

Title X would establish mandatory thermal (heating and cooling) efficiency standards for all new homes and commercial buildings. It is anticipated that this program will save the equivalent of 500,000 barrels of oil per day in 1985. The Secretary of Housing and Urban Development in consultation with engineering, architectural, consumer, labor and industry representatives would be responsible for developing thermal efficiency standards. Standards for residential dwellings would be promulgated and implemented within one year, and performance standards for commercial and other residential buildings developed and implemented as soon thereafter as practicable. State and local governments would assume primary responsibility for enforcing standards through local building codes.

Title XI would establish, within the Federal Energy Administration a grant program for States to assist low income persons, particularly the elderly, in winterizing their homes. Title XI is modeled after a successful pilot project that was conducted in the State of Maine during 1974. Annual appropriations of \$55 million would be authorized to fund the three year grant program, and enable States to purchase winterization materials for dwellings of low-income persons.

Title XII would authorize the President to require energy efficiency labels on all new major appliances and motor vehicles. This title would insure that consumers are fully apprised of the efficiency of various appliances and motor vehicles and would encourage the manufacture and greater utilization of more efficient products.

#### EMERGENCY PREPAREDNESS PROGRAMS

In addition to taking measures to increase domestic supplies, reduce demand and create a strategic reserve system, we must be in a position to take immediate and decisive actions to counteract any future energy emergency.

Title XIII would provide the President with certain standby authorities to deal with future embargoes or other energy emergencies and to carry out the International Energy Program agreement, including provisions for international oil sharing, mutual energy conservation programs, and international cooperation on various energy initiatives. This title would include authority to allocate and control the price of petroleum and petroleum products, promulgate and enforce mandatory energy conservation programs, ration petroleum products, order increases in domestic oil production, and allocate critical materials needed for the maintenance, construction and operation of critical energy facilities. All or a portion of these authorities would be invoked upon a determination that emergency conditions exist.

TAB C

STATUS OF ONGOING ENERGY LEGISLATION PERTINENT TO PRESIDENT'S  
PROGRAM

Title I                    Naval Petroleum Reserves

- S. 2173    (Cannon) authorizes production from Naval Petroleum Reserves 1, 2, 3. Passed the Senate, July 29, with Jackson amendment establishing national strategic petroleum reserve as in S. 677.
- H.R. 49    (Melcher) Authorizes transfer of control of military petroleum reserves to the Department of Interior and production of Naval Petroleum Reserves 1-3. Passed the House, July 8, by a vote of 391-20. Conference on S. 2173 and H.R. 49 expected among Senate and House Interior and Armed Services Committees, and House Commerce Committee.

Title II                    National Strategic Petroleum  
Reserve Act of 1975

- S. 677    (Jackson) Establishes a civilian strategic petroleum reserve. Passed the Senate on July 8 by a unanimous vote of 91-0.
- H.R. 7014 (Dingell) As part of Omnibus Bill, authorizes study of establishment of national strategic petroleum reserve.

Title III                    New Natural Gas Deregulation

- S. 692    (Hollings, Stevenson) Now pending on the Senate Calendar. It is unlikely that the bill will survive as reported without extensive modification in the direction of higher prices. Substitute offered by Senator Pearson represents acceptable Administration fall-back from Title III.

The House Commerce Committee will act on natural gas after the Senate completes action on S. 692, but probably not before November.

The Administration has submitted emergency legislation (S. 2330) to deal with expected natural gas shortage for the next two winters. A "one winter" emergency gas bill has been introduced in the Senate (S. 2310) by Senators Hollings, Glenn and Talmadge, and in the House by Congressman Dingell (H.R. 9464). Senate floor action is expected this week, and House hearings will be held the 3rd week in September.

Title IV                    1975 Legislative Proposals to  
Amend the Clean Air Act of 1970

- S. 1996    (Randolph) Energy Supply and Environmental  
Coordination Act Extension, which would  
extend ESECA until December 31, 1975 is  
pending in Senate Interior Committee.
- S. 1777    (Randolph, Jackson) Coal Conversion. The  
Senate Public Works and Senate Interior  
Committees held hearings. Public Works has  
prepared a committee print for markup purposes  
in September. Senator Randolph is pushing for  
final committee action by October 1.

Titles V & VI            1975 Legislative Proposals  
to Amend the Clean Air Act of 1970

Hearings on the Clean Air Act Amendments have  
been held by Senate Public Works, which began  
a series of markups on June 18. The subcommittee  
should complete markup early in September,  
with a bill reaching the Senate floor by  
November. House Commerce Subcommittee on  
Health and Environment has scheduled further  
markups of its draft bill for the entire  
month of September.

Title VIII                Energy Facilities Planning and  
Development Act of 1975

- S. 984    (Jackson) Land use. Hearings were held  
before the Environment and Land Resources  
subcommittee of the Senate Interior Committee  
(April 23, 24, 29, and May 2.) Full Committee  
markup of the bill is anticipated to occur in  
late September or early October.

Title IX                    Energy Development Security Act of 1975

No action since introduction.

Title X                    Building Energy Conservation Standards  
Act of 1975

Energy Efficiency Standards for Buildings. On  
September 8, House passed H.R. 8650 which  
would facilitate but does not require, adoption  
by State and local governments of energy  
conservation standards for new buildings.

Title X cont'd.

Senate Commerce Committee has held hearings on Senator Tunney's bills S. 1392 and S. 1908, and Title X of the President's energy package. An August 4 committee print of S. 1908 will see markup sometime in September.

Senate Public Works has also scheduled hearings on Title X.

Title XI                    Winterization Assistance Act of 1975

H.R. 8650 would provide assistance to low income persons to insulate their homes.

Title XII                    National Appliance and Motor  
Vehicle Energy Labeling Act of 1975

S. 1883    Mandatory Fuel Economy Standards for Motor Vehicles. Passed the Senate on July 15. Similar provisions are included in H.R. 7014 (Dingell) and H. R. 6860 (Ullman) which passed and is now being marked up by Senate Finance.

S. 349    (Tunney) Motor Vehicle and Appliance Labeling. Passed the Senate July 11.

H.R. 7014 Includes appliance labeling program administered by the Department of Commerce. Floor action pending.

Title XIII                    Standby Energy Authorities  
Act of 1975

S. 622    (Jackson) Standby Energy Authorities. Passed the Senate April 10. Contains mandatory conservation authorities which the Administration opposes.

H.R. 7014 Contains a standby authorities title, under which the President may order cutbacks in energy use, direct production of oil fields at MER, and institute gasoline rationing. Requires multiple congressional approvals of emergency actions.

## OTHER PERTINENT LEGISLATION

### Energy Conservation and Oil Policy Act.

H.R. 7014 (Dingell). The Dingell energy bill has seen several days of debate on the House floor but agreement has not yet been reached. An amendment provides for ceilings of \$5.25 a barrel for old oil; \$7.50 for new oil; and \$10 a barrel for high cost oil. Further action has been slowed by the recent recess and the decontrol fight.

### Energy Conservation and Conversion Act

H.R. 6860 (Ullman). This bill passed the House on June 19 without a windfall profits tax provision. The Senate Finance Committee has held hearings and markups, but has not yet reported out the bill. Before the recess it reported out a windfall profits tax amendment which was filibustered on the floor on August 1.

### OCS Leasing

S. 521 (Jackson) Passed the Senate on July 30 by a vote of 67-19.

H.R. 6218 (Murphy, N. Y.) Ad Hoc Committee on OCS will hold final hearings in September and proceed to markup in October. Chairman Murphy requested that Speaker Albert have S. 521 referred to the Ad Hoc Committee instead of using H.R. 6218 as a vehicle. There appears to be general opposition on the committee to the Bumpers Amendment on proprietary data, and to earmarking federal OCS revenues for the coastal states.

### Nuclear Facility Licensing

S. 1717 and H.R. 7002. The Joint Committee on Atomic Energy has begun hearings on this legislation, which is intended to improve the licensing process for nuclear facilities. The Administration supports such legislation strongly.

Date: 10/9/75

Office of the Administrator

To: Bob Hartmann

For your information.

  
Frank

Federal Energy Administration

Room 3400

Ext. 6081

# Highlight Report Volume XV

## Prepared for THE FEA OFFICE OF ENERGY CONSERVATION AND ENVIRONMENT

Energy/Conservation

October, 1975

### How The Public Views...

- **The Nation's Dependence  
On Oil Imports**
- **A Possible Natural Gas  
Shortage This Winter**
- **The Overall Need  
To Save Energy**

The attitudes expressed in this study are especially significant in view of the recent meeting in Vienna of the Organization of Petroleum Exporting Countries (OPEC), as well as efforts in Washington to reach a compromise on the decontrol of the price of oil and natural gas.

Public opposition to increased dependence on foreign oil is growing. So is the fear of a natural gas shortage this winter. People at all levels of society display a high degree of concern over the need to save energy.

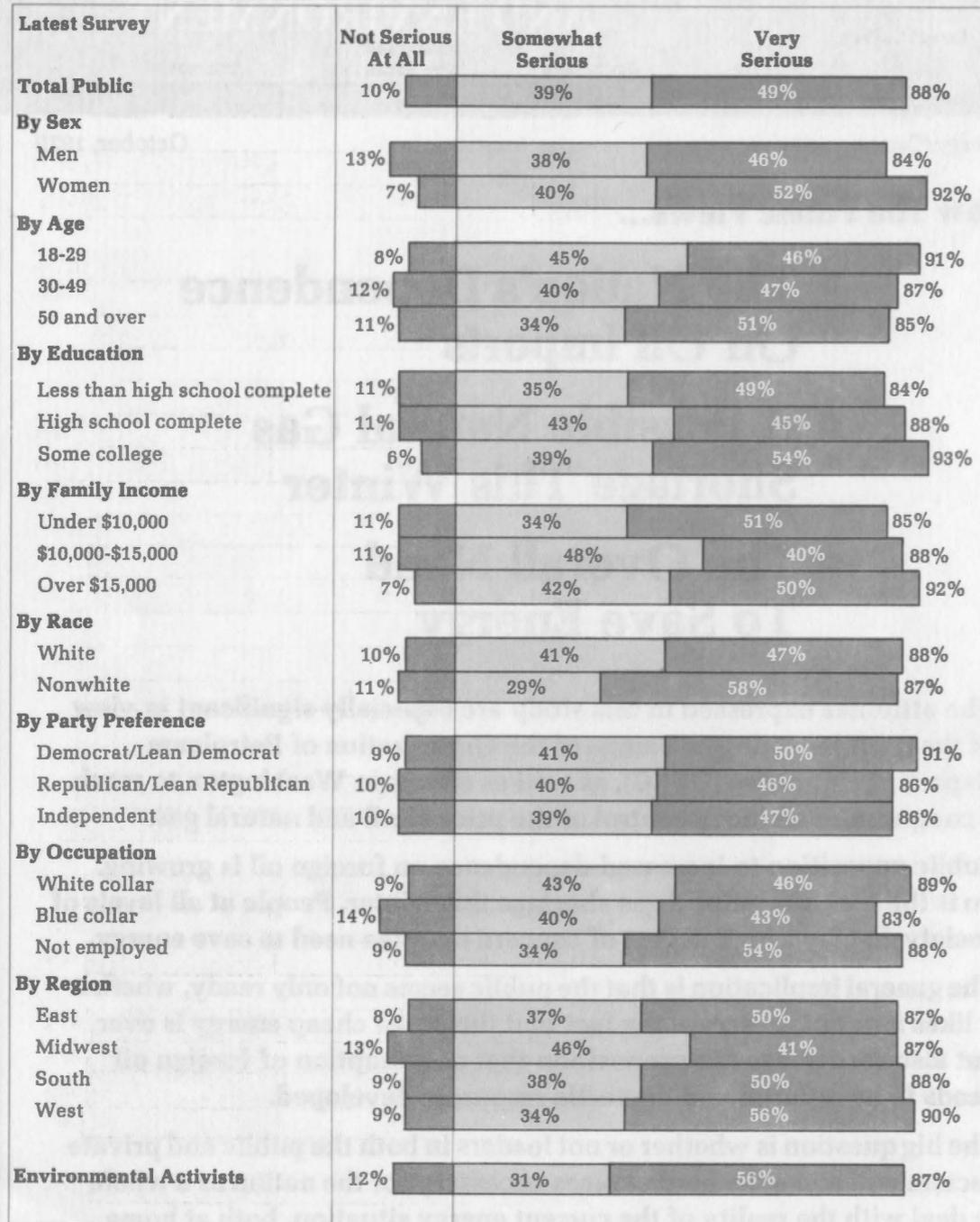
The general implication is that the public seems not only ready, whether it likes it or not, to accept the fact that the era of cheap energy is over, but also recognizes the proposition that consumption of foreign oil needs to be reduced and domestic resources developed.

The big question is whether or not leaders in both the public and private sectors will make the hard choices necessary for the nation as a whole to deal with the reality of the current energy situation, both at home and abroad.

**The need to conserve energy is recognized by an overwhelming majority of the American public.**

In fact, on balance, most segments of the population consider the need to save energy very serious.

**ATTITUDES TOWARD THE NEED TO SAVE ENERGY<sup>1</sup>**



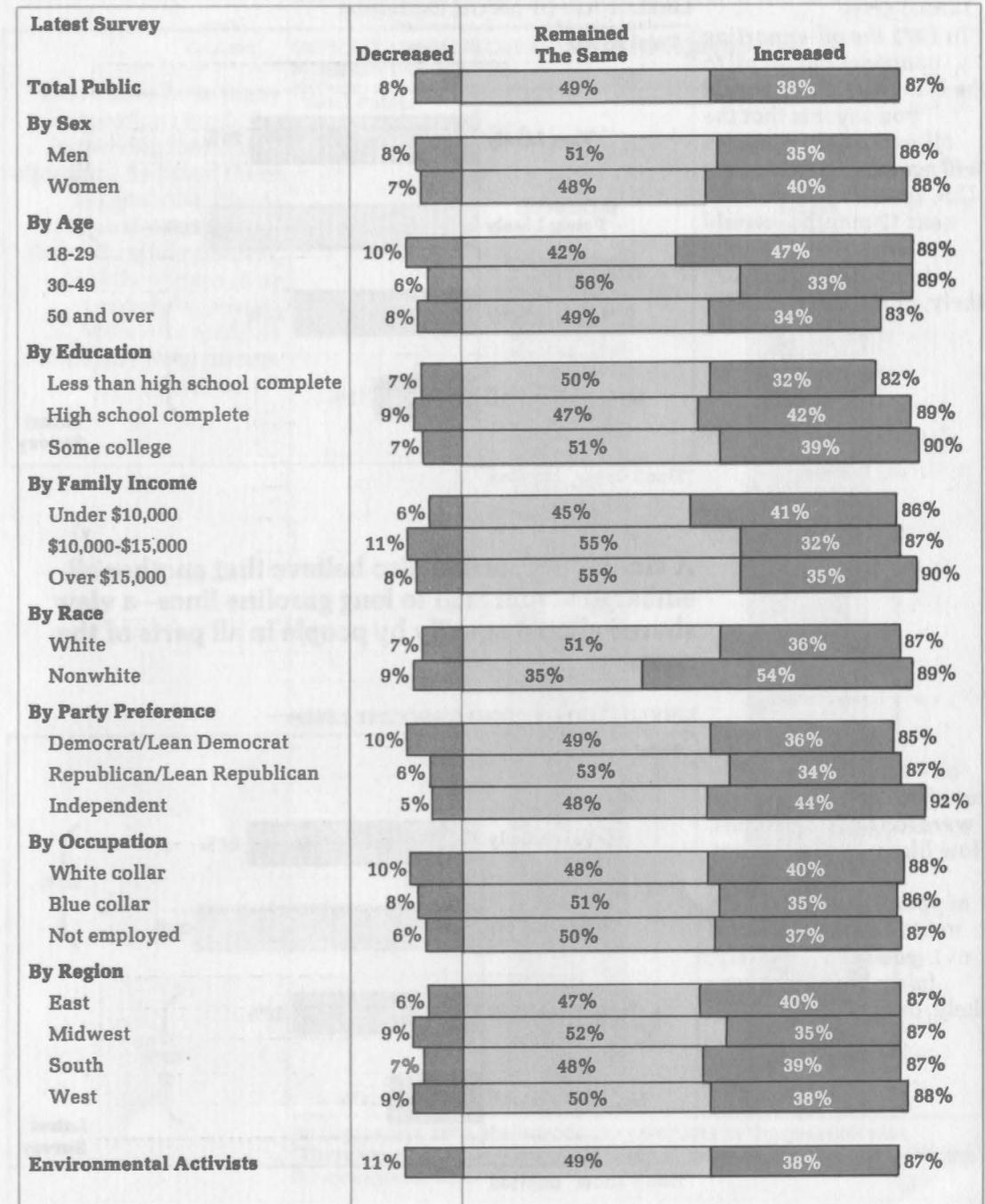
"No opinion" omitted

<sup>1</sup>"From what have you heard or read, how serious would you say the need is to save energy—would you say it is very serious, somewhat serious, or not serious at all?"

**What is more, almost half of the public believe that it is just as important now to save energy as it was a year ago. In fact, a substantial number think that the need to save energy is even greater today.**

Without pinpointing any single factor, those who believe that the need to save energy has increased (38%) give many reasons for their opinion, ranging from inflation, to increased consumption, to wasteful usage, to international politics, to lack of overall action.

**THE NEED TO SAVE ENERGY TODAY VS. A YEAR AGO<sup>1</sup>**



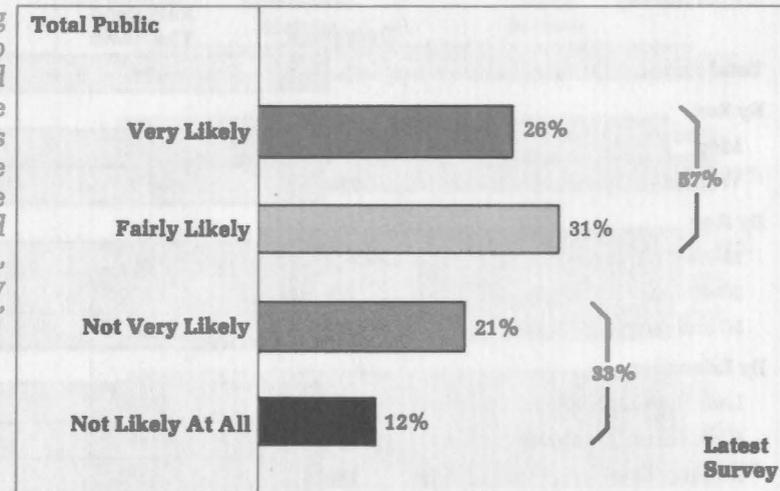
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<sup>1</sup>"Compared to what it was a year ago, would you say the need to save energy has increased, decreased, or remained about the same?"

The likelihood of another oil embargo is considered a distinct possibility by a majority of the public. All segments of the population share this attitude, with very few (12%) discounting the possibility of another cutoff of oil imports.

LIKELIHOOD OF AN OIL EMBARGO

"In 1973 the oil-exporting countries cut off oil to the U.S. How likely would you say it is that the oil-exporting countries will again cut off oil to the U.S. sometime within the next 12 months—would you say very likely, fairly likely, not very likely, or not likely at all?"

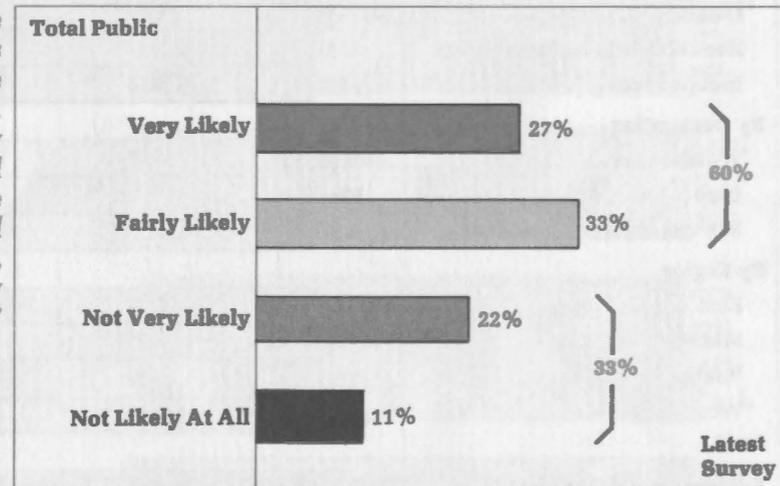


"Don't know" omitted

A similar proportion also believe that another oil embargo would lead long gasoline lines—a view shared almost equally by people in all parts of the country.

LIKELIHOOD OF LONG GASOLINE LINES

"At the time that the oil-exporting countries cut off oil to the U.S. there were long gasoline lines. How likely would you say it is that this could happen again within the next 12 months—would you say very likely, fairly likely, not very likely, or not likely at all?"



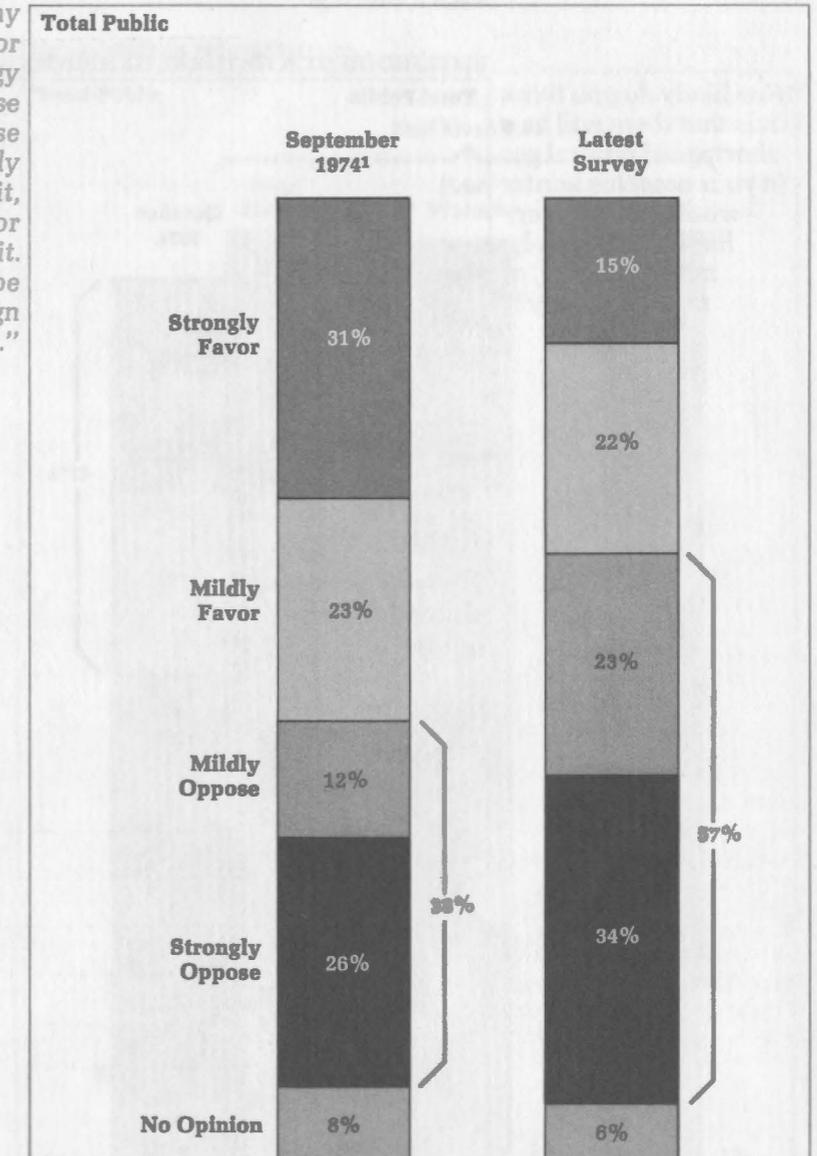
"Don't know" omitted

Overall, a majority of people now oppose increased dependence on foreign oil—a dramatic change in attitudes from a year ago.

This view is shared almost equally by those of all political persuasions, whether Democrats, Republicans, or Independents, and by people in all parts of the country.

OPPOSITION TO INCREASING OIL IMPORTS FROM FOREIGN COUNTRIES

"There have been many suggestions made for improving the energy situation. As I read these suggestions, please tell me if you strongly favor it, mildly favor it, mildly oppose it, or strongly oppose it. ... More oil should be imported from foreign countries."



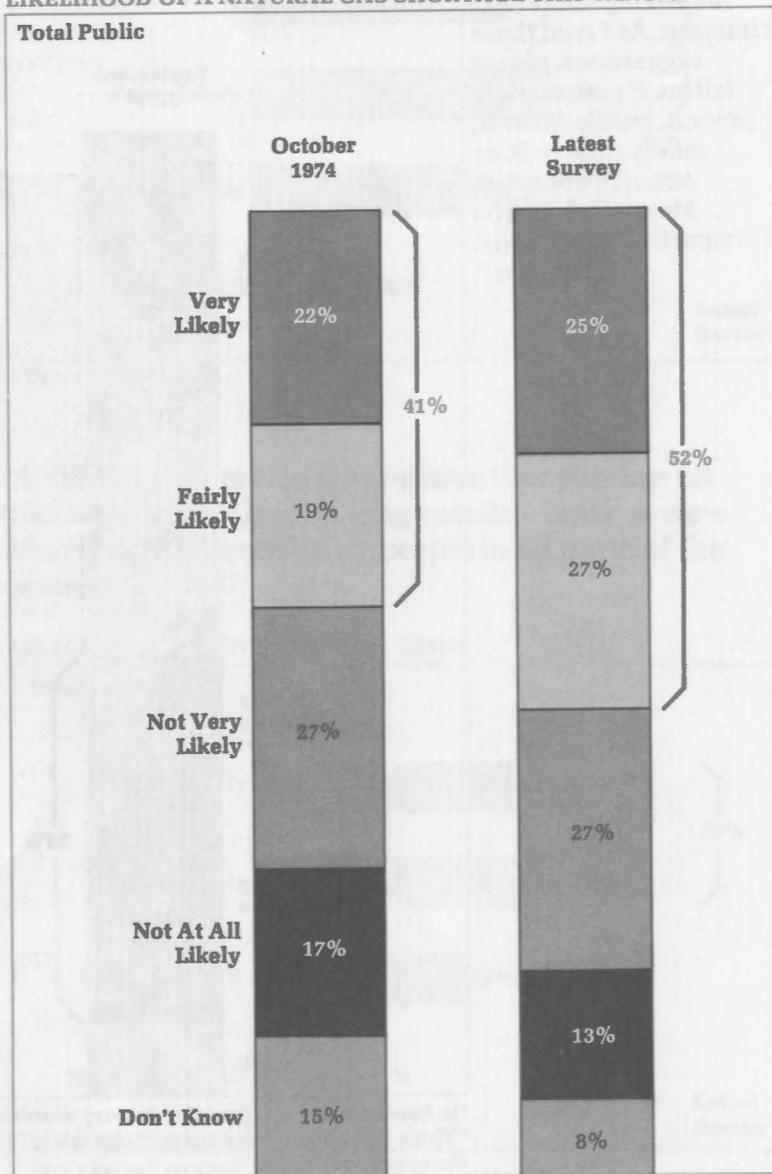
<sup>1</sup>In September, 1974, the introductory wording to the question was, "There have been many suggestions made for solving or at least lessening the energy shortage."

Attitudes toward the possibility of a natural gas shortage have changed so that now a majority of the public believe there is a likelihood of such a shortage this winter.

Majorities of people in all parts of the country, except the West, anticipate a shortage in their area. About half the residents in all types of localities—rural, small towns, suburbs, and cities alike—also foresee the possibility of such a shortage.

LIKELIHOOD OF A NATURAL GAS SHORTAGE THIS WINTER

“How likely do you think it is that there will be a shortage of natural gas in your area this winter—would you say very likely, fairly likely, not very likely, or not at all likely?”

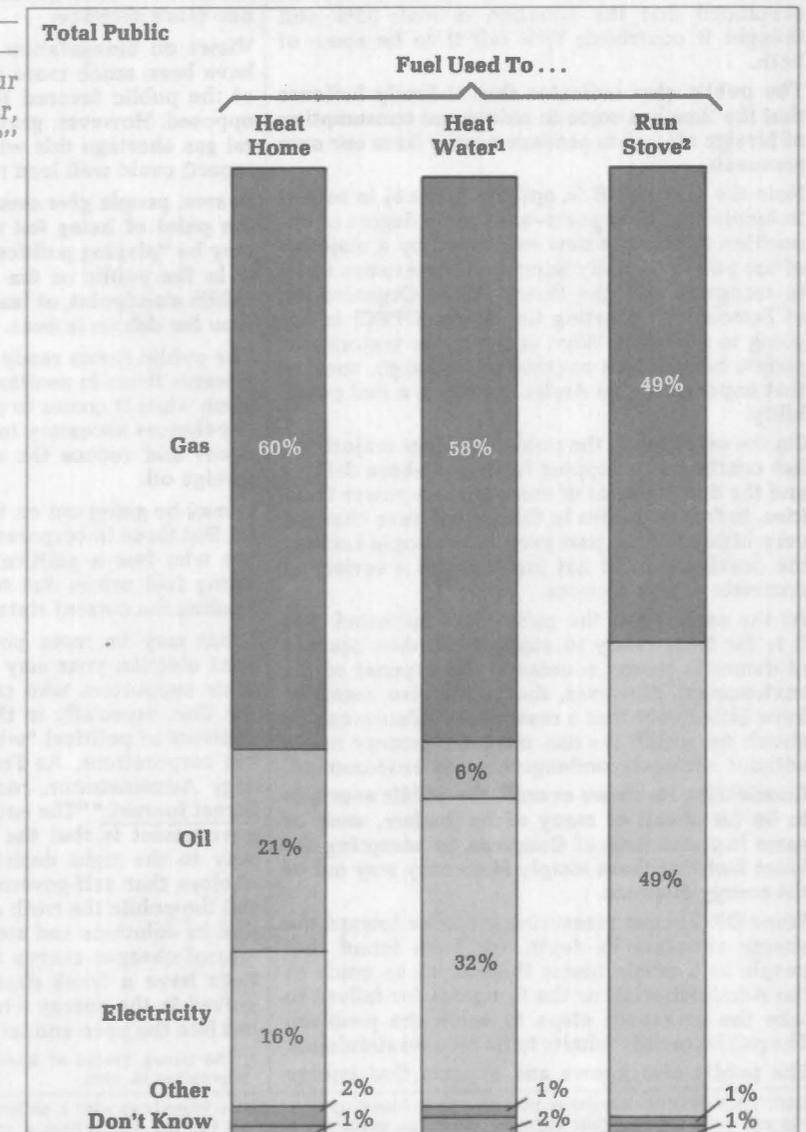


The fear of such a shortage is significant since natural gas is the fuel most widely used in the home, according to the testimony of the public itself.

What is more, homes in all parts of the country are highly dependent on gas for one use or another. For example, 46% of those in the East say they use gas for home heating, with even more people reporting such use in other parts of the country: 74% in the Midwest; 52% in the South; and 70% in the West.

FUELS USED IN HOUSEHOLDS

“Which of these—gas, oil, or electricity—is used to . . . heat your home, heat your water, run your stove?”



<sup>1</sup>Percentages do not total 100 because of computer rounding.

<sup>2</sup>Less than one-half percent use oil to run the stove.

## Implications For Management

Attitudes revealed in this study and other ORC energy research indicate that the public seems ready to recognize and accept the fact that the energy shortage is real and that the era of cheap energy is over.

As data on pages two and three indicate, the overwhelming majority of people not only acknowledge the need to save energy but also say that doing so is even more important than it was a year ago. Moreover, almost half (49%) of the public also think that this need will extend far into the future.

What is more, attitudes have changed significantly in regard to whether the energy situation is real or contrived. A year ago the public was divided over the issue: 32% believed the energy shortage to be real; 37% believed it to be contrived; 25% felt it to be some of both. By the middle of 1975, the bulk of Americans (45%) had concluded that the situation is real; 32% still thought it contrived; 17% felt it to be some of both.

**The public also indicates that it firmly believes that the time has come to reduce our consumption of foreign oil and to produce energy from our own resources.**

Note the sharp shift in opinion (page 5) in regard to increasing oil imports—with some degree of opposition to imports now expressed by a majority of the public. Equally important, Americans seem to recognize that the threat of the Organization of Petroleum Exporting Countries (OPEC) is not going to go away. What is more, the majority of people believe that another oil embargo, such as that imposed by the Arabs in 1973, is a real possibility.

On the other hand, the public, by large majorities, has continued to support further offshore drilling and the development of more nuclear power facilities. In fact, attitudes in this regard have changed very little over the past year, with people backing the development of not just one but a variety of domestic energy sources.

At the same time, the public has indicated that it is far from ready to support the development of domestic energy sources at the expense of the environment. However, the public also seems to have little doubt that a reasonable balance can be struck by which we can meet our energy needs without seriously endangering the environment.

**Considering its views overall, the public seems to be far ahead of many of its leaders, such as some key members of Congress, in accepting the blunt fact that there simply is no easy way out of the energy dilemma.**

Since ORC began measuring attitudes toward the energy situation in depth, we have found that people as a whole blame themselves as much as the Administration or the Congress for failure to take the necessary steps to solve the problem. The public readily admits to its own wastefulness.

The public also knows and expects that energy

will cost more, whether it is gasoline or electricity. People don't like the idea of higher prices for energy. But they expect the costs to go up. And the majority expect the price of oil and gas to have either a fair amount or great deal of impact on inflation.

Also, the public appears more in a mood than many of its leaders may suspect to accept the deregulation of oil prices if it will encourage U.S. production. For example, 55% of the public have said in the past six months that they favored such a proposition.

The public, however, has indicated that it wants the Administration and Congress to put a lid on any "windfall profits" or special advantages for energy companies that might come about because of deregulation of prices. As we have said before, people also might more readily accept more stringent controls over their own use of energy if they are assured that no one will profit from someone else's sacrifice.

Views on deregulation of prices of natural gas have been much more mixed. In June, only 35% of the public favored the idea, while 46% were opposed. However, growing concern over a natural gas shortage this winter (see page six of this report) could well lead to changes in this attitude.

**In sum, people give every indication of coming to the point of being fed up with those they think may be "playing politics" with energy, whether it is in the public or the private sector. From the public standpoint, at least, it would seem that the time for debate is over. The time is for action.**

The public seems ready "to bite the bullet." Now it wants those in positions of leadership to do the same when it comes to making the hard, unpleasant choices necessary to meet the nation's energy needs and reduce the country's dependence on foreign oil.

It may be going out on the proverbial limb to say so. But those in corporate circles and in Washington who fear a political backlash as a result of rising fuel prices due to decontrol may be misreading the current state of the public mind.

What may be more politically palatable in the next election year may be those candidates and their supporters who candidly lay the issue on the line, especially in this post-Watergate era of mistrust of political "wheeler dealers" as well as big corporations. As Frank G. Zarb, Federal Energy Administrator, recently wrote in the Wall Street Journal:\* "The entire premise of democratic government is that the people can reason their way to the right decisions and make the hard choices that self-government requires. We must tell the public the truth about the energy problem and its solutions and stop making political promises of cheaper energy that cannot be delivered. Let's have a frank discussion of the issues involved in the energy situation, bring all the facts out into the open and let the people decide."

\*"The Seven Truths of Energy," The Wall Street Journal, September 10, 1975.

**ABOUT THIS STUDY:** Results in this report are based upon telephone interviews with a national probability sample of persons age 18 and over. Latest public attitudes shown on pages two through five are drawn from a sample of 1,020 adults interviewed between August 4 and August 29, 1975. Results on page six are based upon 516 interviews conducted between August 4 and August 16, 1975. Data on page seven are drawn from a sample of 1,222 adults interviewed between May 31 and June 22, 1975. Index Attitude Trend Data draw on previous samples of the adult general public.

FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

October 16, 1975

FROM: Robert E. Nipp, Director  
Office of Communications  
and Public Affairs

A handwritten signature in dark ink, appearing to read "Bob Nipp", written over the printed name in the "FROM:" line.

Here is a speech that Mr. Zarb is making in Dallas today.  
It received quite a bit of attention. He asked that we  
send you a copy.



REMARKS PREPARED FOR DELIVERY BY  
THE HONORABLE FRANK G. ZARB, ADMINISTRATOR,  
THE FEDERAL ENERGY ADMINISTRATION, BEFORE THE

TEXAS MID-CONTINENT OIL AND GAS ASSOCIATION,  
THE NORTH BALLROOM, SHERATON-DALLAS HOTEL,  
DALLAS, TEXAS,  
THURSDAY, OCTOBER 16, 1975, 10:30, CDT

EMBARGOED FOR RELEASE UNTIL:  
THURSDAY, OCTOBER 16, 1975, 10:30, CDT

## THE LAND OF US -- An Energy Fable

In reading history, most of us expect to find it dry, factual and limited to what can be observed, demonstrated and proven. It would come as a surprise to most people to learn that the study of history actually grew out of the attempts by the ancient Greeks to describe and explain the past by using fables. Those ancient histories contained a great deal of fiction, and, at times, the truth was demonstrated better by fiction than fact.

With your permission, I'd like to try that ancient approach and apply it to a very modern problem. I'd like to construct a fable and see if we can't illustrate today's truth using yesterday's technique.

Like all good fables, this one begins on a note of happiness. It seems there was once a large, bounteous and powerful country. This land was blessed with an abundance of all those things that are necessary for a tranquil and productive life.

It was a vast nation -- so big, in fact, that it had taken several hundred years to explore and settle. It stretched across a continent and was protected on two sides from enemies by enormous oceans. Because of this natural defense, the country was almost immune to the conflicts that had periodically disrupted life in the old country from which most of the people had come.

As a result, those who came to this land had time -- time to explore and to settle -- time to build and expand. And they were even further blessed because they did not have to go beyond their own country for the necessities or even the luxuries of life. It was all within their own borders: rich, fertile topsoil, so black it looked like coal; more natural resources than any land had the right to expect; thousands of swift streams to power mills and basic industry; natural harbors from which to export what they had produced; all these things were gifts from the land.

But the people also reciprocated. They brought their ingenuity, determination, and willingness to work and applied it to the abundance around them. They took that fertile land and made it fruitful.

They reciprocated also by applying their skill and creativity and pioneer spirit to the other natural resources around them. And in a relatively short time -- a matter of moments really, when you think of the history of the earth -- these hard working people had grown to be the most productive and powerful that the world had ever seen.

So resourceful and self-reliant and strong were they, that they became the standard of all these qualities for the rest of the world. All other peoples evaluated themselves by comparing their progress with the achievements of this new and vibrant nation.

The country continued to grow and prosper, but progress was not without moments of uncertainty and crisis. Nevertheless, each obstacle was overcome and this fabled land emerged stronger every time.

But slowly, almost imperceptibly, this people began to change. They found that they could enjoy life more by using certain kinds of resources in ever-increasing amounts. They began first with their own resources, and eventually found that there were enormous supplies elsewhere in the world -- supplies that were far cheaper than their own.

So they began to use more and more, and as they grew used to cheap supplies, their self-reliance -- the thing that had made them a great people -- began to decline. They hardly noticed their own complacency, but there were others in the world who took note, and saw the situation clearly -- others who realized that the more this great nation needed from them, the greater would be their economic and political power in the world.

And so those few nations with most of the world's supply of this resource began to unite. They established an organization to watch out for their interests and so they could act together to control how much of this resource was produced and how much it sold for. They called themselves "The Foreign Producers".

At first, their power was negligible, because that great fabled land still had much of its own developed resources -- supplies that it could turn to if something happened to its external sources.

But eventually, the people were using up easily available supplies so quickly that it wasn't long before they were truly in bondage to this small, but unified, group of countries.

Now all this had not taken place without some concern. There were some people in the country of plenty who realized what was happening and who, from time to time, would try to warn the others -- and particularly their leaders -- but no one seemed to care. Even the pronouncements of "The Foreign Producers", who were quite open about what they intended to do with their power went unheeded.

But the Land of Plenty had grown so accustomed to the way it lived and worked and played that it just never seemed that any other nation or even any other group of nations could ever develop enough power to harm them.

Then one day, "The Foreign Producers" announced that they would no longer send their resource to the land of plenty until that land changed the way it conducted itself in some parts of the world.

So they withheld their resource and gradually the people of plenty began to feel the effects of their dependence. Many people could no longer work. What supplies could be found had to be controlled and dispersed by the government as people waited in lines and became frustrated and angry. And their once productive industry faltered.

And as if choking off supplies weren't enough, "The Foreign Producers" said that their resource was valuable -- more valuable, in fact, than anybody had previously thought. "When we are willing to sell it again," they said, "you must give us more of your wealth. We will tell you how much more."

And from time to time, "The Foreign Producers" would meet and decide that their resource had grown even more valuable. "We must have more," they would say. And the people of plenty were helpless to resist because they were so much in need.

But there were some things that the people of plenty had not relinquished: their ingenuity and their creativity, their economic power and native instinct for sacrifice and hard work. At the seat of government, they assembled some of the most knowledgeable specialists in the country and asked them to develop a plan that would break the bonds that now tied them to "The Foreign Producers".

These specialists studied the problem and evaluated the alternatives. It took a long time because the problem was so complex. But eventually, they formulated a plan that would not only reduce their country's reliance on the group, but would eventually make them exporters of much the same resources. Basically, the plan simply called on the people of plenty to return to the system of free enterprise and independence that had made them great in the first place.

The plan was proposed by the First Citizen of the land. But because the people of plenty feared excessive power in their government, he could not act on most of it without permission from an elected Assembly.

And so he presented himself to the Assembly and described the plan. He told them how there were other resources that could be substituted for what they were importing and how we could begin to reduce the power of "The Foreign Producers" by using less of their resource.

But he pointed out to the Assembly that none of this would happen unless the country returned to the free enterprise system where self-sacrifice, determination and hard work had made it the envy of the world. He pointed to the rules and regulations that the assembly had enacted in years past and explained how they had robbed the people of their spirit and self reliance and limited their productive capacity. He asked the Assembly to remove the restrictions and even told them how much more could be produced and saved if they would simply let the country act freely and without unnecessary restrictions.

But he also warned them that many people had become used to those restrictions; had become comfortable with them and felt protected by them. He said that revising all the resource laws -- which is essentially what was being asked -- would be difficult. It would require great statesmanship and seriousness of purpose.

Meanwhile, he took some action on his own and promised more until the Assembly could act.

But he had no sooner explained his proposals than many of the members of the Assembly were horrified. They turned away from his call to freedom and began to propose more restrictions. "Why face all the pain and difficulty," they said. "Why not simply pass a law and have the government ration the resources" -- as though that would keep the price down.

And others said, "If we want to reduce our reliance, why just pass a law and stop bringing "The Foreign Producers" resource into the country. Then we'll pass another law that tells everybody how much he can use, if any. That way we can continue to enjoy what we have and won't have to sacrifice. We'll let tomorrow take care of itself.

Still others in the Assembly said, "Let's just pass laws telling people how they can use the resource. We'll simply require them to save."

But what they called for loudest and longest was time. They said, "We too have a plan. You have got to give us time to formulate it and present it for debate. That's the way we have always acted. And the First Citizen agreed to postpone further action for a while.

Time passed and the Assembly debated and delayed. Finally the postponement ran its course and the First Citizen acted a second time to reduce the country's dependence, promising to take a third step in the future.

And as the third step approached, the Assembly again called for time. They won more time for debate, but more time for debate became more time for delay.

And all the while, the First Citizen kept submitting proposals to remove the restrictions that had made the country less productive. First he asked for immediate removal of restrictions and this was rejected; then for a gradual program and that was rejected; and then for even more gradual process which was also refused. Finally, he offered to extend the process for more than three years, and the Assembly found even that unpalatable.

All the while, they made very high-minded statements of concern for the people. All the while they professed their commitment to equity and justice. But when the rhetoric was stripped away, when their actions were analyzed, all that could be detected was a lack of urgency.

They would hold hearings and debates, take testimony and ask questions, but nothing ever seemed to happen to protect the country from the power of "The Foreign Producers". There seemed to be little that the Assembly could agree on except perhaps vacations. Yes, they seemed to be in fairly broad agreement on that.

But perhaps the most frightening thing about the Assembly's reluctance to act was that everyday "The Foreign Producers" got stronger; everyday their control over the country's wealth became tighter; and everyday by degrees the people of plenty drifted further and further from the independence they had once been so proud of.

Earlier, I began my fable on a happy note. I wish that I could end it the same way, but that is not possible. It's impossible, at this point to end it at all.

You see the ending is up to the people of that fabled country I've been talking about. And though they are beginning to make their preferences known, and demand courage from the elected assembly, it's still not possible to tell the conclusion of the story with any certainty.

But despite the lack of an ending, this fable does have a title. I call it: "The Tale of The Land of Us." All of us.

Thank you.