The original documents are located in Box 8, folder "Energy Legislation - General (2)" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

RED TAG

THE WHITE HOUSE

WASHINGTON

February 25, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Ullman Energy Plan

In connection with the Task Force Organization on Energy which Al Ullman has structured, attached is a letter and memorandum which Ullman sent to the Task Force Chairmen describing their duties and outlining a possible plan for consideration.

This correlates to the memorandum I wrote last Friday describing both the Wright and Ullman Energy/Economic Plans.

cc: Secretary Simon
Bill Seidman
Frank Zarb
Paul O'Neill
Fred Hickman
~~Charles Leppert~~

2D DISTRICT, OREGON

THE BUDGET
COMMITTEE ON
WAYS AND MEANS
JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 21, 1975

Dear Task Force Chairman:

The attached memorandum outlines in somewhat more detail the plan that I presented to you yesterday morning at the Democratic Caucus. It occurred to me that this might be useful to your task force in the development of the energy program in the area in which you serve as chairman. While in some cases the memorandum presents specific features of a plan, they are intended as suggestions only. I am sure the task force, after analyzing the area you are to develop, will come up with more information and quite possibly significant changes. It is of course important, however, that we develop a comprehensive energy program in which the various parts are closely coordinated. For that reason the memorandum goes not only into areas with which you are directly concerned, but the other areas as well.

The staff members available to work with you are as follows:

1. <u>Quotas</u>: Harry Lamar, Ways and Means staff, Extension 53943.

2. <u>Allocations</u>: Harry Lamar, Ways and Means staff, Extension 53943.

3. <u>Gasoline conservation program</u>: Mike Bird, Joint Committee staff, Extension 56801.

4. <u>Energy trust fund</u>: Herb Chabot, Joint Committee staff, Extension 51896.

5. Conservation program: Leon Klud, Joint Committee staff, 51847.

6. Deregulation of oil and gas: Arthur Fefferman, Joint Committee staff, 56801.

7. Capital incentives for energy: Jim Wetzler, Joint Committee staff, Extension 56801.

8. Conversion to other than oil and gas: Albert Buckberg, Joint Committee staff, Extension 56801.

If at all possible, we would like to have your material for the memorandum next Tuesday evening, February 25, so that we can bring together an entire memorandum on Wednesday for presentation to the Democratic Caucus on Thursday morning.

I appreciate the difficulties that you may have in developing the material on this short order, but I think it is vital that we have a program for presentation before the hearings begin.

Thank you for your cooperation.

Sincerely,

Al Ullman

Al Ullman

Enclosure

P.S. As I indicated in the caucus, Joe Fisher will serve as my coordinator on this project, and so I hope you will work closely with him and turn your reports in to him on Tuesday.

Also, I am designating Loren Cox to help Larry with the staff coordination, and I hope you will keep him informed of your meetings.

1. Quotas

It is proposed that as an objective import quotas be used, designed to achieve a one million barrel per day cutback over a 2 to 3-year period, with further decreases thereafter and resulting in a reduction to perhaps 25 percent of domestic petroleum consumption by the early 1980's. (In 1974 imports accounted for 37 percent.) Beginning in 1976 this implies that an annual reduction of 400,000 to 500,000 barrels a day would be required to meet this objective, although the initial savings might be at a somewhat lower rate.

The authority establishing the quotas should operate under broad guidelines designed to decrease quotas at least as fast as the conservation and conversion programs outlined below result in a decrease in demand for oil and other imported energy resources. The quotas could be set on a quarterly quota basis and designed to "keep pressure on" reducing available supplies but without requiring a major rationing program or major price increases (except to the extent provided in the deregulation program set forth below). They should be set in consultation with the President's economic advisors so they will have as little adverse effect on the economy as possible.

Federal control of oil imports through the establishment of an organization to purchase all imports would help assure that a barrel less of consumption means a barrel less of imports, not a barrel less of domestic production. It would also put pressure on the cartel. Authority could be given such a purchasing organization to break down the quota into reasonably-sized allotments which could be bid on each year by the exporting countries, or firms producing in those countries, as a means of encouraging competition among them and ultimately lowering prices. Authorizations could also be granted to purchase on the basis of sealed bids when and if it was concluded that there had been sufficient conservation to make such a program practicable.

2. Allocation Program

Allocations to various categories of petroleum users, necessary as the result of quota restrictions, could be handled by the Federal Energy Administration, which handles allocations and entitlements under existing law.

There should also be enacted a standby rationing authority to be available if a Near East oil embargo program is renewed.

In addition, a strategic reserve stockpile of oil should be developed (possibly making use of various salt domes in various parts of the country or by the Federal Government acquiring or leasing facilities for this purpose) in order to assure the country of a supply of oil for a period of several months in the case of an embargo. This should also provide additional leverage with respect to prices in the future. To make possible the building up of this reserve without interference with the general quota system, the amount set aside here might include production which could be obtained from the Elk Hills Naval Reserve, from the Alaska Naval Reserves, or from off-shore production. In any event, the stockpiling should be considered as in addition to, and separate from, the quotas on imports. During the next few years (to the extent storage facilities are available), oil stocks should be accumulated to the extent of one-half the amount imported annually, and thereafter maintained at that level. By 1980, such a six-months' reserve would be around 500 billion barrels.

3. Gasoline Conservation Program

A gasoline tax of 40 cents a gallon might be phased in at the rate of 10 cents a year beginning in 1976. However, authority might be provided the President (subject to a House or Senate veto within a specified period of time) to speed up each increase by 6 months or slow it down by as much as one year. However, the first increase probably should not, in any event, occur before January 1, 1976. Since gasoline is the major use of petroleum which can be affected significantly by Federal tax policy, any checking of gas consumption will require a direct approach preferably in the form of an early tax increase. By its third year, one hopes the gas tax increase described above can be expected to exert a strong downward pressure on consumption. Stretching the imposition of the tax out over four years will give people time to replace high gas-consuming cars with gas-economizing cars.

Rebates of a basic allowance could be made to drivers by way of a tax refund coupon system. The basic allowance in this case might well be about 500 gallons per year per driver. The tax refund coupon allowance might be made available for up to two cars per family (where there are two or more licensed drivers). Other variations of this might be worked out. In any event, there should not be so much variation allowed under the system that local coupon boards are necessary to make the proper determinations. The coupon supply could be issued through local post offices or banks, and coupons not used by drivers could be sold on a "white market." Exemption from (or credits for) the additional tax might also be provided for gasoline used on farms for farming purposes in much the same way as the exemptions (or credits) in their case are provided for under existing law. Net tax receipts from the additional gasoline tax could be placed in a trust fund (referred to below) and used for the purposes referred to below.

After the tax refund coupon system has been in effect for 5 years, it could be phased out over a period of years by gradually reducing the value of the coupons. As this occurs, in other programs (e.g., income taxes, social security payments and welfare payments) these gradually increasing costs should be taken into account in establishing levels of tax or payment.

4. <u>Energy Trust Fund</u>

An energy trust fund could be established into which would be placed the net receipts from the additional gasoline tax. In addition, it might well be that other committees might see fit to include in this trust fund the funds derived from oil royalties on Government leases. Proceeds from a windfall profits tax might also be included in such a trust fund, as well as revenue derived from the repeal or reduction in percentage depletion.

Trust fund monies might be used for energy conservation and supply-increasing programs. In its legislation the committee might want to block out broad proportions of the fund to be spent for different purposes, leaving specific authorizations and appropriations in these areas to other committees. Examples of how the funds could be used would include:

(1) increased Federal allotments for improving bus transportation systems and for encouraging carpooling;

(2) expenditures for the development of efficient automobile engines;

(3) research in geothermal, oil shale, solar, and nuclear energy;

(4) facilitating mandatory conversion of power plants from oil and gas to coal;

(5) payment of administrative costs in connection with "truth in energy" standards for the labeling of appliances;

(6) research to help industry meet environmental standards not in conflict with improved energy conservation;

(7) helping to develop industrial efficiency standards for new construction of homes, commercial properties and industrial plants (such standards could differ for differing parts of the country because of different climates);

(8) for Government sponsorship of exploratory drilling on the outer continental shelp; and

(9) to finance demonstration projects for coal liquefication and gasification and for obtaining oil from shale.

A determination would have to be made as to the proportion of the funds raised from the different sources referred to above which would go into the trust fund, and others which might be used for individual income tax reductions.

5. Conservation program other than the gasoline tax

An automobile efficiency tax might be imposed on cars providing less than 25 miles a gallon. Such a tax, when fully effective, might amount to as much as $500 for those providing between perhaps 17 and 25 miles per gallon and perhaps $1,000 for those providing less than 17 miles per gallon. Such taxes probably should be phased in perhaps beginning with the 1977 models and becoming fully effective perhaps with 1980 models. On this basis, 1/4 of the tax referred to above would become effective with each of the 4 model years. Consideration might also be given to imposing similar taxes on other luxury-type equipment using gasoline or diesel fuel, such as pleasure boats, snowmobiles, and general aviation aircraft. A system of exemptions would need to be worked out in these latter cases so that taxes would not be applicable in the case of true business use.

Different methods of encouraging better home, office, and industrial plant insulation might also be explored. One procedure which might be followed in the case of homes, would be to provide that FHA loans could be availabl in small amounts for insulating homes at low interest rates In addition, in valuing homes for FHA mortgage purposes, the status of insulating could be given special allowance.

Finally, partial tax credits could also be provided for home insulation improvement up to perhaps $800.

Other gasoline and oil conserving measures: These could include: strict enforcement of highway speed limit (e.g., 60 on interstate highways, 50 on others); more coordinated signalization of arterial traffic to eliminate stops and starts; encouragement of mass transit, car pooling, and other shared ride arrangements by means of federal matching grants, loans and loan guarantees, parking preferences, subsidies, etc. as appropriate.

6. Deregulation of Oil and Gas

Consideration might be given to encouraging domestic energy production by allowing the price of controlled oil to rise slowly to the free market price so that the regula is removed over perhaps a 5-year period. This could be do by perhaps allowing an increase in old oil prices by as much as $1 per year in each of the next 5 or 6 years. In this connection, consideration would need to be given t limiting the President's authority to raising the price of old oil under present law. The recent court decision in the case of new oil would also need to be examined.

Price increases for "new" natural gas to some level considerably above that now applicable in the case of interstate gas should be considered. Perhaps this level should be something like 80 cents to $1.00 but with a stipulation that for a fixed period of years that there would be no further increases except for cost-of-living increases. This would discourage attempts to hold back production in anticipation of further future rises. Consideration might also be given to imposing price controls on intrastate gas on the same levels.

Alternatively, the gradual deregulation of natural gas over a number of years might be considered although this would need to be quite slow in order to prevent the hold-back problem referred to above.

As a part of the deregulation program a windfall profits tax for oil and gas, along the lines of the tax the committee adopted last year might be made applicable during the period of deregulation while the free market was being established. Any plowback feature included for oil and gas might well be more restrictive than those provided last year--probably limiting the tax which could be offset by the plowback to 25 to 50 percent. Such a plowback might also be limited to oil and gas exploration and to research and development of new types of energy resources.

Consideration might also be given to applying the windfall profits tax to coal but in this case permitting a more generous plowback--perhaps most if not all of the tax.

7. Capital Incentives for Energy

The committee will want to consider the possibility of removing percentage depletion for oil and gas at least in the case of the major producers. It may also want to consider expanding the deduction for intangible drilling expense to include geological and geophysical expenses as provided in its bill last year. Last year, the committee also provided for the recapture of intangible drilling expense deductions in the case of sales of oil property. This latter change can be viewed both as a reform in the sense that deductions under such a provision cannot be translated into capital gains, but also may well constitute an incentive for independents to retain and develop properties which they have explored and developed.

Special investment credits (or perhaps 5-year amortization together with the present investment credit) might be considered for projects considered especially favorable from the standpoint of energy. This could include, for example, expenditures to develop oil shale production or other forms of new energy. In addition, special tax credits could be allowed for the conversion of utilities and perhaps other industrial plants from the use of oil and gas to coal and other forms of energy.

To encourage investment in public utilities, the provision for tax deferral (in the Ullman bill) for reinvested dividends paid to shareholders might be considered in the energy bill.

8. <u>Conversion of utilities and industrial plants to other than oil and gas and development of new energy sources.</u>

A program of conversion of public utilities and perhaps also other industrial plants from the use of oil and gas to coal or other forms of energy should be developed. Perhaps the conversion should be mandatory over some period of time when it is established that conversion is practicable in view of environmental standards. In this regard, there needs to be coordination with the Environmental Protection Agency to see where the environmental standards can appropriately be relaxed perhaps for a temporary period of time. It would appear that an agency needs to be established to determine when conversions of particular plants or categories of plants are practicable. In this regard, incentives in the form of larger investment tax credits could be provided (as noted in category 7 above) where these conversions are made.

For the longer term--1980 and beyond--additional domestic sources of oil and gas will be needed as conventional oil and gas become more difficult and costly to develop. Coal constitutes an immense potential reserve for conversion to liquid and gaseous form; so does oil shale. Such conversion processes raise different but still serious environmental problems of air and water pollution and landscape disfigurement that have to be coped with. Nuclear, solar, and geothermal energy sources can also be converted into heat and power, and indirectly substitute for oil or gas in certain uses. As noted earlier, special tax and other incentives can help to establish energy conversion plants. Federal contracts or even direct investment are alternatives that could be useful in the early, high-risk demonstration phases.

Bill Gifford called with following info

Democrats have split energy bill into following Task Forces in Ways & Means Committee. Each Task Force is to report to Chairman in memo form by Thursday, February 27 on each of the issues.

8 Subcommittees

ISSUE	CHAIRMAN
Conversion of energy sources	Waggonner
Quotas	Green
Allocations	Landrum
Gasoline	Vanik
Trust Funds	Fulton
Conservation	Pike
Capital Incentives	Karth
Deregulations and Windfall Profits	Gibbons

2/21/75

FILE

AL ULLMAN
2D DISTRICT, OREGON

CHAIRMAN, COMMITTEE ON
WAYS AND MEANS

JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 17, 1975

Dear Members of the Committee:

The enclosed material is a rough draft of a bill I have had prepared on the energy program. In large part it follows the Task Force reports.

I am sure that changes will be needed in this bill and, in fact, I am still working on them. Of course I am much interested in your views on the bill, and we will take this up in Democratic Caucus tomorrow morning.

Enclosed is the bill together with some corrections we have already noted, and a summary of the major provisions as prepared by the staff.

We will meet on this in Democratic Committee Caucus on Tuesday morning at 10 a.m.

Sincerely yours,

Al Ullman

Enclosures

SUMMARY OF ENERGY CONSERVATION AND CONVERSION BILL OF 1975

Title I--Quotas, Allocations, and Strategic Reserves

1. The bill authorizes the imposition of quotas on imports of petroleum and petroleum products. The President, in establishing quotas, is to reduce the dependence of the United States on foreign oil by reducing imports as much and as fast as practicable without requiring a major rationing program or major price increases. In establishing quotas, he is to take into account their impact on economic conditions generally. Also, in establishing the quotas, he is to see to it that domestic conservation results in a reduction of imports rather than a reduction of domestic production.

2. The President's authority to fix rates of tariffs on petroleum and petroleum products is limited so that from the date of enactment on these rates are not to exceed $1.20 per barrel. In setting tariff rates within this ceiling, the President is to take the same factors into account as mentioned above in the case of quotas.

3. The President is to establish an import licensing system for determining entitlements to imported petroleum and petroleum products. In this entitlement program, sealed-bid public auctions are to be used, but the traditional patterns of use and the competitive positions of small and independent operators and refiners are to be taken into account.

4. The creation of a strategic reserve of petroleum and petroleum products is authorized.

Title II Gasoline Conservation Program

1. An additional gasoline tax at the rate of 7 cents a gallon is to be imposed on January 1, 1976. On April 1, 1977, the tax goes to 15 cents, on April 1, 1978, to 22 cents, on April 1, 1979, to 30 cents, and on April 1, 1980, to 37 cents.

2. An income tax offset is to be allowed for each U.S. resident who is 18 years of age or older. The credit will offset completely the tax on 9 gallons a week. At a 7-cent rate, the credit will amount to $33.60. As the tax rate increases the credit increases correspondingly.

3. The President (subject to a veto by either the House or Senate) may advance a scheduled gasoline tax rate increase (after the January 1, 1976 increase) by 6 months, or delay a scheduled rate increase by 6 months or 12 months. This also would automatically change the tax credit correspondingly.

4. The gasoline tax is not to apply to farm use, use in further manufacture, or use in commercial aviation or local transit systems (these are exempt from part or all of the tax under present law).

5. The office of Petroleum Purchasing and Reserve is to be headed by a deputy administrator of the Federal Energy Administration. This office is to administer the import licensing system and to establish the domestic strategic reserve of petroleum and petroleum products. The office is to be the purchasing authority for the strategic reserve and if authorized to do so by the President may also be the general purchaser of imported petroleum and petroleum products for domestic use. (Before the office is used as the sole purchaser of imported products, this must be officially proclaimed by the President and 60 days notice must be given to the Congress.)

Title III--Other Energy Conservation Programs

A. Auto Fuel Mileage Efficiency Tax

1. An auto fuel mileage efficiency tax is phased in over a 5-year period. This is a manufacturers excise tax on new cars. It is imposed initially on 1977 model cars with fuel mileage rates of less than 21 miles per gallon. In the first year the tax ranges from $200 on cars getting less than 14 miles per gallon down to $40 on those getting less than 21 miles per gallon. These rates gradually increase until in 1981 the tax ranges from $1,000 on cars getting less than 16 miles per gallon down to $40 on cars getting less than 25 miles per gallon.

2. It is expected that the Environmental Protection Agency will rate cars on miles per gallon.

3. There are to be labels on new cars specifying the automobile fuel efficiency tax and the fuel mileage rate on which the tax was based.

B. Taxes on Other Vehicles and Related Items

1. A manufacturers excise tax is imposed on auto air conditioners sold separately. The tax is first imposed at the rate of $20 beginning September 1, 1976. The tax rises gradually to $100 on September 1, 1980.

2. The excise tax on new radial tires is repealed as is the tax on tread rubber for these tires (the tax is 10 cents a pound on tires and 5 cents a pound on tread rubber).

3. Manufacturers excise taxes are imposed on motors for motorboats, snowmobiles, and general aviation (i.e.,

noncommercial) aircraft. The tax is 20 percent on sales after January 1, 1976. The tax on motorboat motors does not apply to commercial fishing or shipping.

C. Tax Incentives for Energy Related Improvements of Buildings

1. A credit against income tax is allowed for insulation installed by individuals in their principal residences. (in existence on March 17, 1975). The credit is 40 percent of the first $500 plus 20 percent of the next $500.

2. A credit against income tax is allowed for an individual expenditure for solar energy equipment installed on their principal residences (in existence on March 17, 1975). The credit is to be 40 percent of the first $1,000 plus 20 percent of the next $1,000.

3. The credits referred to above apply from March 17, 1975 through the end of 1976.

D. Rerefined Lubricating Oil

The 6 cents a gallon manufacturers excise tax on lubricating oil is to apply to new oil used in producing rerefined oil.

Title IV Energy Conservation and Conversion Trust Fund

1. An energy trust fund is established and is to include revenues from the additional gasoline tax, the auto efficiency tax and the windfall profits tax. It is also to include oil and gas leased revenues appropriated to the fund by future legislation.

2. No more than $5 billion a year from the new gasoline tax is to go into the trust fund in any year. The fund is to terminate at the end of the fiscal year 1985. For 1985, no gasoline tax revenue is to go into the fund. For 1984, only $2.5 billion of gasoline revenue is to go into the fund. At no time is the trust fund to have more than $10 billion of unobligated funds. This $10 billion limit is reduced to $5 billion for the fiscal year 1985.

3. Money in the trust fund is to be available (following the usual authorization and appropriation procedures) for--

(1) basic and applied research programs relating to new energy technology (not over 15 percent of the fund is to be available for this purpose);

(2) development and demonstration of new energy technology (not over 35 percent of the fund is to be available for this purpose);

(3) programs relating to the development of energy resources from properties in which the United States has an interest (including offshore properties) (not over 25 percent of the fund is to be available

(4) local and regional transportation projects (not over 25 percent of the fund is to be available for this purpose).

Title V Deregulation of Oil and Natural Gas; Windfall Profits Tax

A. Deregulation

It is assumed that a system of deregulation will be added to the bill by another committee. The windfall profits tax set forth below is included on this assumption.

B. Windfall Profits Tax

1. A windfall profits tax on domestic oil and natural gas—other than production from new fields—is imposed beginning with the date of enactment and gradually phasing out on a monthly basis over the next 16 2/3 years.

2. New field production which is exempt from this tax is an oil or gas well located at least 10 miles from the "nearest well" in existence on December 1, 1973.

3. The tax is graduated beginning at 10 percent on the first 25 cents of windfall profits per barrel of oil. It is 10 percent for the first 5 cents of windfall profits per thousand cubic feet of natural gas. The maximum rate of 85 percent applies to windfall profits in excess of $2 per barrel of oil and on such profits in excess of 40 cents per thousand cubic feet of natural gas. ?

4. The base price of oil is determined as of December 1, 1973. Usually this averages about $4 per barrel. The adjusted base price is determined by adding 95 cents to this.

5. In the case of natural gas, the base price is 74 cents per thousand cubic feet, and the additional amount added to determine the base on which the tax is applied is 18 cents per thousand cubic feet.

6. Beginning in 1976, the adjusted base price is increased by one-half a percent per month (compounded) to reflect rising costs.

7. The windfall profits on any unit of crude oil or natural gas is not to exceed 75 percent of the net income attributable to the unit.

Title VI--Revision of Capital Incentives for Extractive and Producing Industries

A. Domestic Oil and Gas

1. Generally, percentage depletion for oil and gas is repealed as of January 1, 1975. However, a phaseout of percentage depletion is provided for smaller oil producers according to the following schedule:

Calendar Year:	Number of Barrels Per Day	Applicable Percentage Depletion Rate
1975	3,000	15
1976	2,400	12
1977	1,800	9
1978	1,200	6
1979	600	3

A second exception provides that regulated natural gas continues to receive 22 percent depletion until June 30, 1975, and natural gas sold under a fixed contract will continue to receive 22 percent depletion as long as the fixed contract continues.

2. Taxpayers are given the option to deduct currently geological and geophysical expenditures in connection with oil and gas wells in the same manner as intangible drilling costs. This may not be elected for someone claiming percentage depletion.

3. Where deductions have been taken for intangible drilling costs and geological and geophysical costs and the property is

sold, any gain realized on the sale is to be ordinary income (instead of capital gain) to the extent the costs referred to above have been previously written off.

B. Foreign Oil and Gas

1. Foreign tax credits from foreign oil and gas extraction may not be more than 10 percent above the U.S. tax rate (i.e., 52.8 percent). Even these credits to the extent they exceed the United States tax may be offset only against U.S. tax on foreign oil related income.

2. In the case of exports of oil, gas, coal, and uranium, DISC tax treatment (Domestic International Sales Corporation) is no longer to be available.

3. Oil rigs used in international waters or waters of another country are no longer to be eligible for the investment credit unless they are in the northern portion of the Western Hemisphere.

Title VII--Encouraging Industrial Conversion for Greater Energy Saving

A. Excise Tax on Industrial Use of Petroleum and Petroleum Products

1. A phased-in excise tax is imposed on the industrial use of petroleum and petroleum products. The tax begins in 1977 at 11 cents per barrel or its equivalent and rises 11 cents each year until it reaches a maximum of 66 cents in 1982.

2. A phased-in excise tax is imposed on the industrial use of natural gas. The tax begins in 1977 at 3 cents per thousand cubic feet and rises by 3 cents each year until it reaches a maximum of 12 cents in 1980.

3. The above taxes do not apply to use on a farm for farming purposes or to use by extractive industries. They also do not apply to use as a component in the further manufacture of another product (as distinguished from use as a fuel).

B. Amortization for Certain Energy-Related Property

1. Five-year amortization (rather than regular depreciation) is provided for coal mining equipment, coal-burning equipment, solid waste-burning equipment, and electric power-generating facilities converted from oil or natural gas.

2. The amortization provisions referred to above apply until January 1, 1981.

3. Five-year amortization for railroad equipment and 50-year amortization for railroad grading and tunnel bores is provided (same as in Ways and Means Committee decision last year).

C. Tax Credit Changes Relating to Energy Conservation

1. The investment credit of present law is extended to insulation and solar energy equipment for the period from March 17, 1975, through January 1, 1977. The investment credit in these cases will be available even if the property is used for the business of providing residential housing.

2. The investment credit is to be denied for air conditioning and heating units which are presently eligible for the credit (single room air conditioning units and space heaters).

3. After 1975, the investment credit is not to be available for electrical generating equipment fueled by oil or natural gas.

4. For 1975 through 1979, the investment credit is to be available for a portion of amounts paid by the taxpayer to purchase glass, paper, textiles or nonferrous metals which have been used and are sold as waste material.

D. <u>Encouragement of Investment in Certain Public Utility Stock</u>

1. Deferral of taxation is provided for public utility dividends reinvested in the stock of the utility.

2. The dividend is to be taken into income whenever the stockholder disposes of the stock by sale, exchange, gift or otherwise.

3. The provision applies to distributions for the next 5 years.

THE WHITE HOUSE

WASHINGTON

March 19, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Ways and Means Consideration of Energy/Tax Legislation

Since Monday, when Chairman Al Ullman introduced "his" solution to the energy problem, I have had a chance to confer with just about every member of the Ways and Means Committee to get their reactions to that proposal and their feelings with regard to the possibility of its approval in Committee. Clearly there is no consensus. The Republicans are annoyed because they were not included in the Democratic Task Force on Ways and Means development of this proposal. The Democratic members on the Committee itself are not in unanimity with regard to its provisions. And, there is an attitude on the part of some of the members of the Committee that there is <u>no</u> energy problem. This is somewhat a reflection of public opinion resulting from the availability of gasoline even to the extent that "price wars" are going on in some parts of the country. This, obviously, makes it very difficult for those members who recognize the problem to try to convince other members on the Committee as well as the full House that something "tough" must be done.

Some very interesting developments are occuring as voiced by the three "quasi liberal" leaders on the Committee -- I am referring to Joe Karth, Sam Gibbons and Jim Corman (they have emerged as the true opinion leaders on the Democrat side). In effect they told me: (1) the Committee will not approve the Ullman bill, and (2) <u>the President can have his program if he really wants it</u>. This is particularly encouraging as these three are among the smartest on the Committee and can, in fact, guide the direction of the legislation. They may have a few hangups with the program as a whole, but I believe these can be ironed out. These details can be worked out as the Committee proceeds in making up a bill. However, a strategy session within the Administration should probably be held within a few days to get our ducks in line.

(more)

However, we may run the risk of having a legislative program developed which does nothing if a "no energy problem" attitude prevails. It seems to me that it would be very, very helpful if Secretary Kissinger testified before the Ways and Means Committee with specific respect to the international aspects of the problem and the attendant urgency of strong action necessary. The subject could be placed in sharp perspective, particularly, if to the extent possible it were an Open Session with the media picking it up and then for response to any sensitive aspects of the issue, the Committee went into Executive Session. This would in my mind stimulate the Committee into doing the right thing and also serve the purpose through the media of educating the American public of exactly the situation we are in and could expect to face if our reliance on imported oil is not reduced.

If the decision is made to do this, I think from a mechanical standpoint we should float it with Al Ullman and Herb Schneebeli to get their blessings and to establish the parameters of such testimony. I am deeply concerned that in the absence of such a move we might be faced with a "Caspar Milquetoast" bill from Ways and Means.

cc: Jack Marsh
William Kendall
Pat O'Donnell
Charles Leppert

FOR IMMEDIATE RELEASE MARCH 20, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT ON VOLUNTARY ENERGY CONSERVATION -- NOTING THE PASSAGE OF SENATE RESOLUTION 59

In my State of the Union Message, I outlined a comprehensive program to address the Nation's energy and economic problems. My energy program includes measures to encourage energy conservation, to increase domestic energy production, and to prepare for any future emergency that might result from an oil embargo. I set goals of reducing oil imports by 1 million barrels per day below expected levels by the end of 1975 and 2 million barrels per day by 1977 -- and achieving energy independence by 1985.

I announced administrative actions and legislative proposals which are necessary to achieve these goals. The Nation is now awaiting action by the Congress on my legislative proposals. I am confident that the Congress will move quickly so that we can minimize the adverse economic impact of the outflow of dollars for imported oil and reduce our vulnerability to disruption by another embargo.

While we wait for the Congress to act, I would like to remind the American people that their voluntary actions can make an important contribution toward achieving our economic and energy goals. Recently, the Senate of the United States adopted a resolution sponsored by Senator Jennings Randolph of West Virginia and 67 other Senators which calls upon me to proclaim an Energy Conservation Month, during which voluntary actions to conserve energy might be intensified.

I welcome this action by the Senate and join the sponsors of the resolution in urging all Americans to renew their efforts to use energy wisely and more efficiently in their homes, offices, schools, farms, industries, commercial establishments and travel.

The opportunities for voluntary energy conservation and the benefits of conservation are clear. Last September, I established a goal for Federal Government agencies to hold energy consumption in fiscal year 1975 to levels 15% below 1973. I am pleased to report that, during the first six months of fiscal year 1975, the Federal agencies have held consumption approximately 23% below 1973 levels -- a savings equivalent to 46 million barrels of oil and a savings in energy costs to Federal taxpayers of $425 million. In addition, the Energy Resources Council is working closely with industry and others to find ways of conserving energy.

The voluntary actions we have taken have made an important contribution and I call upon the leaders of business and industry, state and local governments, and all the American people to renew and intensify their voluntary energy conservation efforts. The Senate has called for designation of a one month period for intensified energy

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conservation actions. But I am confident that all the Senators who sponsored Senate Resolution 59 will join me in urging all our citizens to make energy conservation a year-round effort.

We know that voluntary actions alone cannot solve our Nation's energy and economic problems. Action by the Congress is needed on the measures I have proposed to increase domestic production and to reduce demand, all of which are essential to the solution of our problem. I trust that Senate Resolution 59 is but the first of the constructive actions that we can expect from the Congress.

# # # #

THE WHITE HOUSE
WASHINGTON

Date: 4/1

TO: Charlie Leppert

FROM: Robert K Wolthuis

For your information ✓

Please handle

Other

NETA:

SHOULD WE FILE THIS?

CHAS.

DEMOCRATIC NATIONAL COMMITTEE PRESS RELEASE
325 Massachusetts Avenue, N.W. Washington, D.C. 20036 202/797-5900
Robert S. Strauss, Chairman

FOR RELEASE: AM's Sunday, April 6, 1975

Contact: Vince Clephas
75-12

DEMOCRATIC ADVISORY COUNCIL PROPOSES NATIONAL ENERGY POLICY; CONDEMNS FORD ADMINISTRATION'S PROGRAM AS SELF-DEFEATING

The Democratic Advisory Council of Elected Officials, the policy voice of the Democratic National Committee, today proposed a national energy program designed to support rather than impede economic recovery.

"The highest priority item on the nation's agenda is economic recovery," the Council asserted in a statement issued in Washington. "The success of our policies in both the domestic and foreign fields is closely tied to the strength of our economy." And the Council charged, "The President's energy plan is an obstacle to economic recovery and, as such, it is self-defeating."

The Democratic Advisory Council is composed of Members of Congress, governors, mayors, state, county and local officials and it is officially charged by the Democratic National Committee with the responsibility of determining policy positions of the national Democratic Party. Arthur B. Krim of New York is the Council's chairman.

In establishing guidelines for a national energy policy, the Council said: "We cannot agree with the artificial crisis atmosphere that the President has created. Energy policy must be developed within the context of other national needs and priorities. The country has time to work out a sensible long-term energy policy and, at the same time, implement workable and effective measures to conserve energy in the short-run and insure emergency supplies."

Highlights of the Council's proposed energy program include:

--Policy Objectives: "The priority objectives of a national energy policy must be to reduce the threat to the security of supply and the size of the bill for imported oil. This calls for development of the capacity to withstand a sudden curtailment of supply and reduced reliance on insecure and high-priced oil imports through conservation and the development of alternative supplies."

--Rejection of the Ford Administration's energy program: "The President has taken a polar position and thrown good judgment to the winds. The exclusive reliance on market forces must be rejected . . . The President's energy plan is an obstacle to economic recovery and, as such, it is self-defeating."

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--Short-term conservation: imposition of an import quota designed to reduce imports by about 500,000 - 700,000 barrels a day; use of petroleum allocations and price controls in the face of the quota-induced shortages, concentrated in gasoline for automobiles; phasing-in over five years of a gasoline tax to generate revenues for energy supply and conservation projects and to encourage efficient use of the private automobile and greater use of mass transit; tax credits on the purchase of new cars with good fuel efficiency and a tax penalty on new cars with poor fuel efficiency.

--Medium-term conservation: mileage performance standards for new cars; major funding for mass transit and increased support for rail transportation; investment incentives for industries switching from oil and natural gas to coal; federal energy efficiency requirements for the industrial sector; loan and tax credits for insulation of homes and commercial establishments; revision of building codes to improve space heating and cooling systems.

--Supply: a national strategic reserve and storage system; a National Energy Production Board to facilitate development of domestic energy resources; a Federal Petroleum Purchasing Agency to negotiate the terms of the importation of crude oil and oil products; recognition of state and local concerns over the socio-economic and environmental impact of energy resource development; bringing coal into the energy stream in an environmentally-acceptable way; joint public-private research and demonstration projects to develop alternative non-fossil fuel energy sources.

--Energy Industry: prices of all domestic energy resources based on actual production costs and rates of return that recognize the risks of exploration and development; increased price for natural gas but still under regulatory control; ground rules for acquiring information and data from all energy entities; Congressional hearings on the economic need and legality of verticle and horizontal integration in the energy industry; repeal of the oil depletion allowance but retain reduced benefits for small producers; abolish tax credits for payments to foreign governments that are not taxes on profits.

--Foreign policy: OPEC is not a monolith and foreign policy initiatives must recognize these internal differences within OPEC. The approach should be one of discrete negotiation, not confrontation. The U. S. should explore every means for the recycling of OPEC oil surpluses. The establishment of a world price floor for oil should be opposed. The denial of trade benefits to OPEC members will not be effective if it threatens to rupture our relations with an entire region of the world; the U. S. should move to exempt Ecuador and Venezuela from the OPEC clause in the trade bill.

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The Council also approved an economic recovery program that, in addition to tax rebates and tax reductions, included an expediture program -- one million public service jobs, counter-cyclical grants to state and local governments, a development financing instrumentality, and construction and maintenance projects -- an expansive monetary policy by the Federal Reserve, and a strengthening of the Council on Wage-Price Stability.

The Council's policy statement was based on recommendations drawn up at a joint meeting on February 22-23, 1975 of the Domestic Affairs Task Force, chaired by Harry McPherson of Washington, D. C., and the Foreign Affairs Task Force, chaired by Governor W. Averell Harriman, also of Washington. Prior to the joint task force meeting, study groups and individuals prepared papers on various aspects of energy/economic recovery policy. These recommendations were then sent to Council members by a mail ballot and approved by a substantial majority.

The full text of the Council's policy statement, together with a compilation of the balloting on specific items, is attached.

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DEMOCRATIC ADVISORY COUNCIL OF ELECTED OFFICIALS

Domestic and Foreign Affairs Task Forces' Summary and Recommendations on Energy Policy

W. Averell Harriman, Chairman
Foreign Affairs Task Force

Harry McPherson, Chairman
Domestic Affairs Task Force

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INTRODUCTION

The following summary and recommendations on economic recovery and energy policy is the product of a joint meeting of the Domestic Affairs Task Force and the Foreign Affairs Task Force of the Democratic Advisory Council of Elected Officials. The task forces met in Washington, D. C. on February 22-23.

Prior to this joint meeting, numerous study groups and individuals prepared papers on various aspects of economic recovery/energy. Out of these efforts, which included the participation of experts from Congress who helped draft the alternative Democratic energy program presented to President Ford on Friday, February 28, the task forces sought to produce a comprehensive document that includes: the character of the energy problem; the definition of broad economic-energy objectives; the relationship of the energy problem to other priority concerns; and a series of specific recommendations on both economic recovery and energy policy.

These recommendations provide guidelines for short and long-run policy directions. They include many elements of the energy proposals that have been developed by Congress but they are not confined to these congressional initiatives. Most importantly, the task forces' work helps clarify the policy underpinning of the various proposals and places energy policy in clearer perspective.

It is hoped that this summary and recommendations will contribute to the deliberations of the Democratic Advisory Council and the national Democratic Party as they move towards a formulation of a program for economic recovery and energy.

The Energy Problem and Policy Objectives

The major problems posed to oil importing countries, including the United States, by the oil cartel are:

-- A threat to the security of supply. For the most part, oil importing nations cannot in the near future dramatically reduce their dependence on OPEC oil. The capacity of at least the Arab members of OPEC to turn the "oil spicket" on and off as demonstrated during the embargo suggests the possibility of major economic disruption for oil importers. The seriousness and duration of the threat for each importing country depends upon how much OPEC oil it imports; the measures that have been taken to adjust to a sudden curtailment of supply; and how long it will take for that country to diversify its energy resources. The United States is in a relatively favorable position compared to Japan, Western Europe, and most developing nations.

-- Less flexibility in the conduct of foreign policy, particularly in the Middle East, due to the vulnerability of the importers to supply curtailments by OPEC. Again, the severity of the constraints reflect the degree of reliance on OPEC oil, and the U. S. is in a comparatively favorable position.

-- A major transfer of capital from oil importers to oil exporters. The large capital transfer is the direct result of the artifically and excessively high prices of OPEC oil. It is estimated that at a minimum the transfer will total about $250 billion by 1980, and it is more likely that the oil bill will approach $350-400 billion. The significance of this transfer lies in the fact that a disproportinately large share of national income will be spent on oil imports, leaving much less for either business capital, consumer, or government spending. This will have a depressing effect on the economies of oil importing nations unless the money is recycled. Even if the money can be recycled, it will be recycled to those countries that can provide the goods and services demanded by OPEC or that offer good investment opportunities to OPEC countries. The countries that will be the principal beneficiaries are the industrialized nations, most notably the United States, Japan, and West Germany. The developing nations face the prospect of zero or negative economic growth. To avoid this situation, the OPEC countries and/or the industrial nations will have to finance the oil bill for developing nations.

-- OPEC leverage in foreign policy, through the threat of even further oil price increases or of an OPEC decision to curb the investment or spending of their oil money, actions that would worsen the maldistribution of capital.

In sum, the potential threat to security of supply and the possibility of a maldistribution of capital pose the prospect of economic disruption to oil importers and, as a consequence, may reduce the flexibility of some importing nations in their foreign policy. These contingincies constitute the near term energy problem. The priority objectives of a national energy policy must be to reduce the threat to the security of supply and the size of the bill for imported oil. This calls for development of the capacity to withstand a sudden curtailment of supply and reduced reliance on insecure and high priced oil imports through conservation and the development of alternative supplies. The capital transfer problem can be further eased by supporting all acceptable methods for the recycling of oil money.

As each oil importing country moves for reasons of economic and national security towards less reliance on OPEC oil, the cumulative effect may be a downward pressure on OPEC price due to a reduction in worldwide demand. This coupled with the use of diplomatic suasion to reduce price could further alleviate the capital transfer problem.

It should be understood, however, that the October 1973 Arab oil embargo only dramatized a problem that eventually would have required significant changes in our energy utilization and production activities. The exhaustion of petroleum and natural gas -- now forecast within the next one or two generations -- coupled with the wasteful patterns of energy use in this country demand more efficient consumption patterns. The concern for a safe environment among a growing number of people require new methods of exploration and production. And we know that alternative non-fossil sources of energy must be in place by the early 21st century.

In developing policies to meet the near term energy policy objectives, the United States must evaluate competing policies along several dimensions. Most importantly, are the policies likely to achieve the stated objectives? If so, what will be the costs?

First, what will be the economic and social adjustment costs of the proposed policies? Specifically, what will be their effect on price level, output, and employment, and can the economy sustain these costs? Secondly, how much through higher prices and large investments in conservation and supply policies will be taken out of national income? High levels of spending on energy and by the energy sector will mean less spending for other needed and desired goods and services. Finally, what will be the environmental costs of the policies? The costs of alternative policies in terms of adverse economic impact, foregone social investment, and environmental degradation can then be compared to the effectiveness of each alternative in reaching the objectives.

It is, of course, much easier to ask the right questions than it is to answer them. The following proposals represent the task forces' assessment of competing policies and provide the base for an energy policy that will attain the stated objectives at a realistic cost.

Guidelines for a National Energy Policy

The United States is not faced today with a crisis comparable to that existing during the oil embargo. Moreover, under the authority of the Emergency Petroleum Allocation Act of 1973 the administrative machinery capable of managing shortages is in place. Secondly, with winter almost over the season of peak demand for oil has passed. Thirdly, the recession, a mild winter, and conservation measures have caused a drop in world demand for OPEC oil. Reduced demand and the difficulty OPEC has had in coordinating its production schedule are preludes to a slight decrease in the OPEC price. OPEC does not appear invulnerable.

We can agree with the Administration on the need for an energy policy. In fact, it should be noted that the last Congress gave its attention to major energy legislation. It was the Executive who was negligent. We cannot agree now with the artificial crisis atmosphere that the President has created. Energy policy must be developed within the context of other national needs and priorities. The country has time to work out a sensible long-term energy policy, and at the same time implement workable and effective measures to conserve energy in the short-run and insure emergency supplies.

I. Economic Recovery: Recession is by far the most critical problem facing this country. The highest priority item on the nation's agenda is economic recovery. The success of our policies in both the domestic and foreign fields is closely tied to the strength of our economy. Nothing should be permitted to interfere with the restoration of American economic health. Economic recovery policies must be given priority. Recovery policies cannot be sacraficed to an energy program. If properly constructed and timed, an energy policy can stimulate rather than impede recovery.

This economic recovery orientation for national policy was clearly established in mid-November by the Domestic Affairs Task Force statement on the economy. It was given expression again in early December in the economic policy statement endorsed by the Mid-Term Democratic Conference on Party Organization and Policy. The President has very belatedly adopted this orientation, and by the time he conceded that recession should receive the same attention as inflation, the situation was way out of hand.

A. Fiscal Policy: The one-shot $16 billion in tax rebates and an increased investment tax credit proposed by the Administration is only a first step in the right direction. But it is no more than a downpayment, and it is inequitable. It does far too little for the victims of inflation and the casualties of recession. The expenditure targets proposed by the Administration are too restrictive and have the wrong priorities. The general guidelines for a minimum fiscal package would be the following:

-- An immediate tax rebate of some $10-12 billion. It should be paid in one installment and favor low and middle income households -- those who are most in need of buying power and who are most likely to spend the rebate. Cash payments should be paid to workers whose income was too low to incur income tax liabilities.

-- A tax reduction of about $15-20 billion in personal income taxes to be reflected as soon as possible in a reduction in withholding rates for those in the bottom half of the income distribution. This should include a refundable tax credit for low income households.

-- An increase in the investment tax credit from 7 percent to 10 percent, including a provision assuring full advantage of the 10 percent credit to public utilities.

-- Some relief for small business and farmers by a doubling (from $25,000 to $50,000) of the amount of corporate income tax subject to the initial 22 percent rate.

-- The recovery stimulated by these tax cuts will quickly restore the federal revenues and provide a margin to finance priority needs.

-- A tax reform package to be enacted in 1976 which would redress long standing inequities in the personal and corporate tax structure and add to government revenues.

In concert with these tax changes, an anti-recession expenditure package should be immediately developed and implemented. Components of this expenditure program could include the following:

-- An expanded public service employment program. With unemployment at 7 1/2 million and rising, a million job public employment program could give both the workers and the nation the benefits flowing from productive employment. Although primary responsibility for developing these jobs to date has rested with state and local governments, a sizable portion of these new jobs could be provided by a federal emergency employment program. One example of such a work force would be an Energy Conservation Corps designed to facilitate the insulation of housing and community facilities, and a door to door educational effort which would stimulate energy conservation practices by households, hotels, and office buildings.

-- A counter-cyclical $3-5 billion revenue sharing program to alleviate the recession-caused fiscal crisis of local and state governments. The recession has transformed the municipal and state budget surpluses of recent years into a deficit of nearly $8 billion. Lacking the debt financing capacity of the federal government, state and local units are being forced to raise taxes or cut back services and jobs. If federal assistance is not forthcoming, increased taxes, service reduction and lay-offs will only aggravate the recession.

-- The creation of a development financing instrumentality to help finance the housing industry, public utilities, mass transit facilities and the nation's rail system, as well as to help break other critical supply bottlenecks in the economy.

-- The prompt initiation of construction and maintenance projects, such as, water and sewer facilities, which have been deferred or delayed because of the Presidential impoundment of funds. Additional federal assistance may be required to permit state and local governments to fully use the federal funds.

B. Monetary Policy: If the desired expansion in GNP is to be achieved, the Federal Reserve system must launch an aggressive program of monetary ease. The excessively tight money policy of the Federal Reserve has been a major cause of the current recession. Although the recent moves by the Federal Reserve are in the proper direction we fear they have been more apparent than real. If continued, this cautious monetary policy will stifle the effects of a stimulative fiscal policy.

The Federal Reserve and other federal lending agencies must also develop more selective methods for allocating credit. Housing, public utilities, municipal borrowers, food production and small businesses should receive preference over speculative non-productive ventures.

C. Price and Incomes Policy: Promoting a healthy recovery may result in larger wage or price increases than would be possible under a policy or recession. Furthermore, some sectors of the economy command excessive price increases for their goods or services even in the event of falling demand. At the very least, the Council on Wage and Price Stability should be strengthened. Additional powers could include the authority to subpoena pertinent information on wages, prices, sales, costs and profits, and the power to hold public hearings and to intervene selectively in wage and price decisions.

II. Rejection of the Administration's Energy Program: A weak economy cannot sustain an energy program like the Administration's nor can it successfully manage another disruption in oil supply or external price shocks. The most important element in a short run energy program will be the restoration of strong economic performance.

The President's energy program is based on a scheme of dramatic energy price increases. It will keep the rate of inflation at its double digit pace and will cost the economy $40-50 billion. This will more than neutralize the stimulative effects of the President's proposed tax reductions and deepen the recessionary trend in the economy. In short, the President's energy plan is an obstacle to economic recovery and, as such, it is self-defeating. The most effective defense against a threat to the security of supply and balance of payments deficits is a strong economy. In order to insure economic recovery the following steps should be taken by Congress:

A. Prohibit the President from imposing the tariff on imported oil.

B. Limit presidential authority to raise domestic oil prices or to remove price controls from domestic oil production. These actions would include ;the renewal of the Emergency Petroleum Allocation Act of 1973 that expires in August 1975.

III. A Positive Energy Program: When the private enterprise market system works, it is a very powerful and effective force in determining what will be produced, how it will be produced, and how much it will cost. When and where free market forces work successfully, we should rely on them. However, there are circumstances under which the market system fails to operate effectively, and to pretend that it will function smoothly only results in excessive waste, inefficiency, and inequity. The mixed public-private economy in the United States represents a clear recognition that when the market fails, government must play a role to correct those failures.

The White House energy program rests squarely on the premise that unregulated market forces will be an effective means for suppressing energy demand and stimulating energy production. The program relies on extremely high prices not only for oil but for alternate energy sources as the key to conservation and supply development. The best available evidence suggests that this approach will not work and as already mentioned, it will be very costly to the American people. The proposed higher energy prices will not achieve the desired reduction in demand. They exceed what is necessary to stimulate domestic production and will simply result in large transfer of income from consumers to producers.

The President has taken a polar position and thrown good judgment to the winds. The exclusive reliance on market forces must be rejected and replaced with an approach that sensibly integrates the workings of the market with the degree and type of government involvement that is necessary to achieve our energy policy objectives at minimum cost to the consumer.

A. Conservation: Improvement on both the supply and demand side of the energy equation will be required to balance our energy budget in the face of reduced imports. However, insufficient conservation will mean greater pressure on domestic supplies and an increase in environmental risks. Therefore, a natural union exists between conservation and environmental concerns. Greater conservation will mean less environmental cost.

Energy conservation efforts must be limited by one factor: suppression of growth in energy demand cannot be brought about by a deliberate slowdown of economic growth in general. However, due to the high levels of energy waste built into our patterns of production and consumption, it does not appear that a reduction in the growth rate of energy demand will in the long run interfere with economic growth. In the short run, sensible conservation measures should not impede economic recovery. In fact, elements in the conservation program will help stimulate the economy.

1. Short-Term Conservation: Because substantial supply adjustments are not possible in the short run, the only way to achieve fewer imports will be through reduced demand. The goal of about 1 million barrels a day proposed by the Administration is arbitrary and economically disruptive. Short-term conservation can best be achieved through the following measures.

-- The imposition of an import quota designed to reduce imports by about 500,000-700,000 barrels a day. If this action is taken in concert with the other recommendations, it appears that it will not be economically disruptive. However, a gradual imposition of the quota would serve to eliminate any risk of adverse economic consequences.

-- Use of the Emergency Petroleum Allocation Act of 1973 to allocate petroleum and control price levels in the face of the quota-induced shortage. Reduced allocations should be concentrated in gasoline for automobiles rather than agricultural, industrial or home-heating fuels. However, savings must be made wherever practical in the industrial, commercial, and residential use of energy.

-- Phase-in over a period of about five years a gasoline tax which would not only serve as a revenue generator for energy supply and conservation projects, but encourage efficient use of the private automobile and the use of mass transit. The gas tax increases could be rebated either through a concurrent reduction in income tax rates for those in the lower half of the income distribution or federal grants to state and local governments that are awarded when sales taxes are reduced. The exact size and scheduling of the tax should be tied closely to the rate of economic recovery.

-- An immediate tax credit on the purchase of new cars with good fuel efficiency and a tax penalty phased in over several years on new cars that have poor fuel efficiency would provide additional incentives for the recycling of our fleet of cars from "gas guzzlers" to high fuel economy automobiles. The tax credit for new cars with good fuel efficiency would also be an expansionary economic policy.

2. <u>Medium-Term Conservation</u>:

a. Transportation

-- Statutory performance standards to require better mileage in future cars

-- Major funding for mass transit facilities

-- A substantial increase in support for rail transportation leading to more energy efficient transportation of goods and people and much needed coal transport facilities

-- A review and possible revision of the regulatory, rate structure and tax policies for railroads

-- A research and development committment to energy efficient modes of transportation

b. Industrial

-- Investment incentives applicable to capital expenditures made for the purpose of saving energy or switching from oil and gas to coal

-- The development and implementation of federal energy efficiency requirements for major industrial sectors

-- A federally supported study on the feasibility of shifting away from the production of energy intensive consumer goods to substitute goods that require much less energy to produce

c. Residential and Commercial

-- Federal loan and tax credit programs for the insulation of homes and commercial establishments

-- A revision of building code standards at all levels of government for the purpose of improving the efficiency of space heating and cooling systems

-- Energy performance standards for major appliances

B. Supply: Conservation alone cannot bring about the desired reduction in oil imports, and a vigorous program to develop domestic energy supplies should be initiated. Price alone will not be sufficient. The market system cannot provide the leadership and committment that will be required to develop our domestic reserves in an environmentally acceptable manner.

1. Short-Term

-- A national strategic reserve and storage system to reduce the threat to our security of supply

-- Immediate development of selected Naval Petroleum Reserves for either storage or commerical use

-- Create a National Energy Production Board. Funded through a share of the gas tax, the Board will facilitate the development of domestic energy resources and help break other energy bottlenecks by providing needed capital and human resources. A major task for the Board would be to facilitate our conversion from the use of oil and natural gas to coal. The Board could also have the power to direct conservation measures and break conservation bottlenecks.

-- Create a Department of Energy and Natural Resources to consolidate and rationalize the management of our nation's natural resources. The Department would have the responsibility for insuring their realization.

2. Medium-Term

-- Onshore oil and natural gas should not be counted on as a major source of supply in the medium term. Domestic reserves appear to have been overestimated, and the rate of production of existing reservoirs has dropped off considerably. Outer Continental Shelf and coal resources are the more certain alternatives, and coal is our most viable long run source of supply.

-- The major challenge in supply development is to bring coal into the energy stream in an environmentally-accepted way. Major incentives for the conversion of industry and utilities to the use of coal must be designed and implemented. But coal should only be burned in compliance with environmental standards. Federal involvement and leadership will be required to make this conversion.

-- Enact the Surface Mining Control Act. This will not only insure environmental safe guards for coal mining but reduce the uncertainty on environmental matters that faces the coal industry and helps retard production.

-- Since the age of fossil fuels is reaching a conclusion, major efforts must be made to develop technically, commercially and environmentally feasible alternatives. To avoid placing all of our eggs in one basket, joint public-private research and demonstration projects should investigate the full range of alternatives including geothermal, synthetic fuels, solar, nuclear fission, and fusion, wind and tidal power, and others.

C. Energy Prices and the Energy Industry

1. Prices

-- The United States should not permit the monopoly price of OPEC oil to set the price of domestic energy. The price of all domestic energy resources must be based on actual production costs and rates of return that recognize the risks of exploration and development.

-- The steps proposed earlier to limit presidential authority to raise domestic oil prices or lift price controls will help insure fair petroleum prices to consumers.

-- The current uncertainty about the future price of domestic natural gas must be resolved. Although an increased price for natural gas moving in interstate commerce is necessary, natural gas should remain under regulatory control.

-- Consider aid to the needy, who cannot afford the current prices of home heating oil, natural gas, and utility service.

2. Information

-- In order to obtain reliable data on the quantity and quality of this country's energy resources, reasonable ground rules should be established for acquiring information and data from all energy entities, both privately and publicly owned.

-- Use of the National Energy Production Board to reach independent judgments on the potential oil and natural gas reserves on public lands and on reasonable production costs. Such a yardstick for measuring probable private-sector preformance is particularly critical in making sound decisions on Outer Continental Shelf development.

-- Conduct congressional hearings on the economic need and legality of vertical and horizontal integration in the energy industry.

3. Tax Policy

-- Repeal the oil depletion allowance for major oil companies, but retain reduced benefits for small producers.

-- Abolish tax credits for payments to foreign governments that are not taxes on profits.

-- Recover windfall profits on oil, natural gas and coal resulting from the rapid rise in world oil prices.

IV. The Role of States in Energy Conservation and Resource Development: An adequate national energy policy must encourage conservation practices that fall under state jurisdiction, and it must recognize the legitimate state and local concerns over the socio-economic and natural environment impact of energy resource development.

A. Conservation

State and local governments must be encouraged to take the responsibility for:

-- Enforcing the 55 mph speed limit

-- Revising state and local building codes to require more efficient space heating and cooling

-- Reducing the reliance on the single passenger automobile. Examples of such actions include granting rights-of-way to multi-passenger vehicles, charging high parking fees for single passenger cars in the central business districts, developing or improving mass transit and encouraging higher density development.

-- Revising public utility rate structures to encourage conservation of electric power and natural gas

B. Supply Development: Regardless of the outcome of pending litigation before the U. S. Supreme Court, states must play a role in the planning and regulation of energy resource development, specifically on the Outer Continental Shelf.

-- Preparation of an environmental impact statement regarding the specific site and region should precede exploratory work.

-- Exploratory work should be supervised by the National Energy Production Board, and the results should be shared with the states. Joint federal and state decisions can then be made about the energy resources.

-- If development is warranted, states should have a role in determining environmental safeguards and in monitoring the project. Conditions should also be established for remuneration to the states in the event of environmental damage.

-- Government revenues earned on the projects should be shared with the states.

-- To assist the states generally in the rational planning of their resources, national land use legislation should be enacted.

V. Energy and American Foreign Policy -- General Directions

A. OPEC is not a monolith. Not only are there the obvious geographic differneces, but important economic, social, cultural, and political distinctions. The common bond is oil and the desire for high prices. Foreign policy initiatives to OPEC must recognize these differences, and above all the generalized approach should be one of discrete negotiation, not confrontation. A direct government role in the negotiations on oil with OPEC countries should be given serious consideratio Specifically, this would entail a system of sealed bids for oil importers, action that would spark competition for the American market among oil importers and possibly lead to price decreases for imported oil.

Those OPEC members that do not have a stake in a Middle East settlement are much less likely to use the security of supply threat. Countries with large populations and low per capita income -- such as Nigeria and Equador -- will tend to use their oil surpluses to support economic development. This means major recycling through the purchase of Western goods and services. The major capital transfer will be to those countries that cannot absorb their oil surpluses for economic development.

B. The United States should explore every means for the recycling of OPEC oil surpluses. As noted earlier, the U. S, Japan, and West Germany are likely to be the beneficiaries of recycling and the developing nations will bear a disproportinate share of the burden of oil deficits. The U. S., in cooperation with developing nations, should use all appropriate means to encourage OPEC to increase its development assistance. Unless large sums of aid are provided, the less developed nations will enter a period of catastrophic economic decline.

C. The concept of an International Energy Agency should be supported, but Congress should investigate the specific obligations of this country under the agreement.

D. The establishment of a world price floor for oil should be opposed and action to adopt a floor should be clarified and justified to Congress.

E. A settlement in the Middle East will permit greater flexibility in working out more adequate and economically acceptable arrangements on oil. However, a resolution of the conflict will not be tantamount to a resolution of the oil issue.

The primary objective of U. S. policy in the Middle East is peace and stability and not energy. A constructive Soviet role in reaching a stable solution should be seen as an important part of detente.

F. The denial of trade benefits to OPEC members will not be effective if it threatens to rupture our relations with an entire region of the world. In order to maintain and continue to develop amicable hemispheric relations, the U. S. should move to exempt Ecuador and Venezuela from the OPEC clause of the trade bill.

THE WHITE HOUSE

WASHINGTON

April 28, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Energy Legislation

The following constitutes an assessment of progress by the Ways and Means Committee relative to the energy bill. An integral part of this bill - decontrol of "old oil" - is being handled by the House Interstate and Foreign Commerce Committee (John Dingell's subcommittee).

Present Situation in Committee

General consensus in both the Ways and Means Committee and the Interstate and Foreign Commerce Committee is nonexistent. The disarray stems from an unwillingness to make hard decisions which to get the job done can only cause "pocketbook pain" to the consuming public. The passage of time and considerable committee examination of the alternatives has basically led the Members to conclude that the approach the President adopted - reliance on price economics - is the most sound.

To date the committee has failed to deal with the gasoline tax, cosmetic quotas, vehicle excise tax, a windfall profits tax and in the Commerce Committee with decontrol. Chairman Ullman hopes to make final decisions by midweek. This remains to be seen.

Ullman got out front on a gasoline tax and now lacks the votes to have it adopted. He seems to be willing to make considerable concessions to garner support for the gas tax. For example, last Thursday he met with Leonard Woodcock of the UAW and agreed at the union's strong urging, I understand, to their plan respecting an excise tax on vehicles. Likewise, on the matter of quotas, he seems willing to accept an effective $2.00 tariff by applying a combination ad valorem and license fee fundamentally consistent with the President's approach. The general feeling is that he needs to save face by including part of his program - the gas tax - in the bill.

He needs 18 votes and at best count, he has 15 Democrats with him. Last week, Ullman approached the Republicans asking for 3 votes. Bill Frenzel is the only Republican who would go with him. If it appeared that a bill was forthcoming and had come closer to the President's program, Schneebeli, Conable, Duncan and possibly Martin might have gone along.

The other critical stumbling block in Ways and Means regards the use of quotas. The current approach would appear to avoid allocations by affectively making the quota a cosmetic one relying on flexible import quotas and the use of an auction/bid system run by a government purchasing unit. The problem is establishing quota levels which cannot be ascertained until the conservation side is dealt with, i.e. a gas tax and decontrol.

Presently, the factions on the committee are led by Pike, Gibbons, the oil state Demos (Landrum, Burleson, Waggonner, Pike and Jones), Ullman and the unanimity among the Republicans. Pike's concern is with a tax on automobiles. Gibbons wants the market to work as in the President's program and refuses to vote for quotas. The Southern Demos don't like quotas and the windfall profits tax and want decontrol. Ullman wants a bill but must save face through his gas tax. The Republicans don't want to bail out Ullman or the Demos and favor the President's approach generally. All of them realize that the full House will probably dilute whatever tough action the committee takes.

Dingell has almost insurmountable problems respecting decontrol. Apparently, the votes are there in the Commerce Committee to block any short term plan of even a 5 year phaseout. Jim Jones on Ways and Means maintains a 5 year plan can be adopted - that is unclear in my view.

Frank Zarb has made a very honest, good faith effort to negotiate with Ullman and Dingell. The two chairmen have done the same but the votes are not in their committees. Basically, the negotiations have faultered and there is serious question as to whether either committee can reach agreement on a package that will get the job done and be acceptable to us.

It could possibly be pulled together in the next few days but it will be very difficult.

<u>Ways and Means Members Comments</u>

During the latter part of last week, I discussed with the following members the committee situation and the effect of the President proceeding with the tariff and a decontrol plan.

Schneebeli - The Republicans will not go for a gas tax. Important to keep Ullman advised of the President's decision. All Republicans on Ways and Means will support the second dollar of tariff.

Conable - Feels the President should play "hardball". Committee in disarray. Proceed with second dollar and a decontrol plan. With respect to both, make an appeal to the consumer. Ask Congress not to block the decontrol plan but if objectionable provide its plan.

Archer - Regarding the tariff, touch with New England caucus to try to get Republican support there. Once decision is made, meet with Republicans on Ways and Means to insure solid support. Possible starting point for decontrol is 1% per month.

Steiger - President must proceed. Will have Ways and Means Republican support.

Rostenkowski - President must go with second dollar. He postponed in good faith, Congress has not responded. There is a leadership void in Washington, President must be the leader. He has had colleagues say to him that perhaps the President was right in the beginning. Congress lacks the courage to make the hard decisions.

Landrum - Proceed with second dollar. Some may vote an energy bill out of committee but will vote against it on Floor. With respect to the Green deferral bill which was vetoed, it can be sustained in full House. Does not think votes are even in committee to bring it back out.

Burleson - Key to program is decontrol. With dual jurisdiction (Ways and Means and Commerce), there will be no decontrol. Disturbed by quotas. Against a gas tax. Won't vote for bill unless there is decontrol. The committee probably won't reach agreement, go ahead with second dollar. Thinks votes might be in committee for gas tax but Ullman will get pretty much of an open rule (will try for modified) and the bill will be diluted on the Floor.

Corman - Thinks votes are in committee for gas tax. Feels twelve new Demo committee members with exception of Pickle, Jones and Jacobs will stick with Ullman. Feels old members with exception of Waggonner, Burleson and possibly Landrum will stick with Chairman. That means 19 votes including Ullman. At time of President's announcement of the program, the Demos were "partisan as hell", there was an emotional reaction, now everybody is trying to get closer to the President's program. Floor consideration of an energy bill will be difficult. With respect to second dollar, there will be eagerness to challenge with a resulting bad consequence. Ways and Means is trying hard.

Green - Hoped middle ground could be found acceptable to Congress and Administration. Felt there has been a good, sincere effort on part of Administration to cooperate. Distressed with unwillingness of committee to make hard decisions. With regard to his delay bill, he is not inclined to bring it out of committee.

Gibbons - Committee sentiments all over the lot. Ullman has a serious problem in obtaining Demo consensus. Bill may be voted out of committee but destroyed on House Floor. Go with second dollar, privately everybody will breath a sigh of relief to have monkey off Congress' back. Delay bill won't get out of committee. He will vote to sustain veto. (I should add that Gibbons is at considerable odds with Ullman.)

Waggonner - Committee in disarray. Go with second dollar. Stay close to Ullman as we need his help now and in the future. He is on a limb and should be helped off. Is sincere in his efforts. Delay bill will not get out of committee. Veto could be sustained.

Karth - No consensus on committee. President can have his program if he wants it along with the credit and the blame.

Outlook

(1) There will not be an acceptable decontrol plan forthcoming.

(2) Consensus cannot be pulled together by Ullman.

(3) Floor consideration will be under an open rule and will dilute any "tough" committee decisions.

(4) H.R. 1767, the tariff delay bill, will not get out of Ways and Means. 18 votes are needed, Green will not call it up himself (this could change) and in addition to the 12 Republicans, Rostenkowski, Landrum, Burleson, Gibbons, Waggonner, Pickle and Jones will most likely vote against bringing it to the Floor. Ullman does not want to either. If it did get out, the feeling is that a veto will be sustained on the Floor.

(5) Only other way to get delay bill out of committee is by discharge petition requiring 218 signatures. Highly unlikely this would occur.

Parliamentary Situation

(1) The delay bill - H. R. 1767 - can be brought out of Ways and Means either by a majority committee vote or by discharge petition requiring 218 signatures.

(2) If brought out of committee (not discharged), the only report the committee can write is the advisability of whether there is a 2/3rds vote to override. The bill cannot be amended in any way.

(3) The bill would not go through Rules Committee but would be privileged with 1 hour of debate.

Doug's Recommendations

(1) Proceed with second dollar.

(2) Advise Ullman and Dingell immediately.

(3) Caucus the Republicans on Ways and Means to insure their support.

(4) In addition, call all Demos on committee who are inclined to support the decision:

Rostenkowski
Landrum
Burleson
Gibbons
Waggonner
Pickle
Jones

(5) Advise Green of decision.

(6) Present a plan for decontrol. Force Congress to react with its plan. Use the veto strategy with respect to the August 1st expiration of controls.

(7) Announcement of decision by President made on T. V. Be generous to Ullman with respect to his efforts. Recap international aspects of energy problem. Where we are and where we are headed unless hard decisions are made. Take the reins of leadership.

EYES ONLY

THE WHITE HOUSE

WASHINGTON

May 23, 1975

MEMORANDUM FOR: JOHN O. MARSH, JR.

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: President's Television Message with Respect to His Decisions on Energy

It is my understanding that Frank Zarb and Bob Hartmann are putting together the text of the President's address. I think it is important to pass along to you the suggestions of John Rhodes, Herm Schneebeli and Barber Conable. In effect, they feel that while the President should be firm with respect to the Congress' inability to develop meaningful energy policy, they strongly suggest that he neither gloat in victory nor unduly blast the Congress. The tone should be one of disappointment that the Congress was unable to develop a program, that he had delayed for a 60-day period and again for another 30-day period in hopes that a program would be dealt with by the Congress and it's apparent that the Congress has failed. In light of that and the growing danger of our dependence upon foreign oil, he must take the following steps to avoid serious consequences to our economy. Reliance on foreign oil is a dangerous and absolutely unacceptable course to follow. We must become independent. We can wait no longer. Consequently, I am taking the following steps, etc.

Jack, while there is a chance the effort to override the President's veto of H. R. 1767, the measure to delay for 90 days the President's imposition of the tariff, may not come up, as the Ways and Means may not report it out, if it does, we need every vote we can get - it will be close - and it seems to me we can ill afford to polarize the Democrats and lose some essential votes from that group. His taking these steps will still demonstrate his leadership but a blast at the Congress could result in our loosing this victory and the leverage we will need on the decontrol of oil side.

THE WHITE HOUSE

WASHINGTON

May 23, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THROUGH: VERN LOEN VL

FROM: DOUGLAS P. BENNETT

SUBJECT: Energy

On an informal, advice seeking basis I conversed with a few Democrat members of the Ways and Means Committee regarding what they consider appropriate steps for the President to take and what they deem to be the action the Congress will take on the Ullman bill. In general terms, they were highly disenchanted, disappointed and generally down about the lack of ability of the Congress to make the necessary hard decisions to cope with the energy crisis. They further felt that the President should basically do "what he had to do."

All of them strongly favored and felt quite confident that the House would approve a five-year decontrol plan. In addition they indicated they would work very hard to get such a plan adopted.

Specifically, the following Members said as follows:

(1) Joe Karth - Advises a five-year decontrol plan with windfall profits tax, felt the majority of the House would approve it. Advocates a stiff automobile tax such as that which will be offered by Congressman Joe Fisher on the Floor when the Ullman bill comes up the week of June 9. He advocates going ahead with the second dollar and respecting the veto override of H.R.1767 (the bill to block the President from doing this), Joe said "I will not vote it out of Ways and Means Committee."

(2) Charles Vanik - Strongly advocates a five-year decontrol plan. Is confident that a majority of the House will approve it. Feels this issue can be dealt with. With respect to the second dollar of tariff, he says "I'm OK on the second dollar."

(3) Bill Green - Green stated to me, "The President would be justified in doing what he had to do". With respect to H. R. 1767, recalling that Green is the author of this bill, while not committing himself, he says, "I could not in good conscience ask for an override". He further stated, after I read to him what Mansfield said yesterday, "I agree with Mansfield's statement".

(4) Sam Gibbons - He is totally disenchanted with the lack of ability of the Congress to act. He said, "The President should go ahead with his program. Congress cannot act. That's the way the cookie crumbles". With respect to H. R. 1767, "I would not support bringing this out of committee".

Sam also proposes three things: (1) we need to establish a big reserve; (2) we must conserve by the price mechanism; and (3) must develop alternate sources of energy. I said to him that this is basically the President's program and he said, "Yes, and I fundamentally agree with it".

(5) Dan Rostenkowski - Dan feels the President should go ahead with the second dollar. Does not know if we can sustain a veto or not but this is not based on any headcount. He is uncertain about the Congress' ability to act. Doesn't know if he will vote for bringing out H. R. 1767. He might vote to bring it out but intends to vote to sustain it on the Floor. Very uncertain as to what he will do (in my opinion, Dan will do what Ullman and the Leadership want him to do).

In addition to the twelve Republican members of the Ways and Means who will not vote H. R. 1767 out of committee, I count a minimum of the additional following votes: Landrum, Burleson, Gibbons, Waggonner and Karth. We need eighteen votes for it to fail in committee and at the time of this writing I have not been able to speak to Jones. In the past couple of weeks, he has advocated that the President proceed. In addition, Pike, Cotter and Pickle, who have made statements to me of the Congress' inability to act, think the President's program looks "pretty darn good". While peer pressure could force them to bring the bill out, I feel we definitely have seventeen votes and that there may be as many as five additional votes for preventing H. R. 1767 from coming out of the Ways and Means Committee.

They are in disarray and disillusioned with the Congress on this issue. Clearly, we are ahead of the power curve.

JB - Dary
From: Max

THE WHITE HOUSE

WASHINGTON

Good Info!

May 23, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

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FROM: DOUGLAS P. BENNETT DPB

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8/4/75

Sent copies to the following:

Jack Marsh
Friedersdorf
Wolthuis
Loen
Loeffler
Kendall
O'Donnell

THE WHITE HOUSE
WASHINGTON

Nita:
Pls make copies for all CR staff including - want liaison people & send this to them as my staff FYI.
R
Chas.

P.S. Hold the original for full distribution if necessary.

REVIEW & OUTLOOK

Nabbing the Pink Panther

Like Inspector Clouseau, who fumbles his way to solution of a crime, the Democratic Congress and Republican President have been bungling and stumbling on energy legislation for months, yet in the end the perfect solution—oil-price decontrol—seems to have been dropped in their laps, bound and gagged.

President Ford, who wants to be reasonable, went to unreasonable lengths trying to find a compromise that would phase out controls. Fortunately for the U.S. economy, Congress proved even more unreasonable, and if we keep our fingers crossed controls will end on September 1. Even though he still fears oil product prices will shoot up immediately when all domestic crude prices are freed, Mr. Ford will surely veto

but only $5.25 during August, there is bound to be a brief and overwhelming incentive to hold back domestic production. Before the Federal Energy Administration bureaucrats knew what hit them, there would be a sufficient shortfall in crude supply to drive up retail prices. Congress could whip out another control bill on September 1, and in the confusion and scare of higher prices, no doubt run right over a second Ford veto. It would be far better to let the effects of decontrol sort themselves out while Congress is safely on vacation.

The White House, backed by most of the oil industry, nearly bungled it all last week by supporting Senator Long's "windfall profits" scheme as a companion to decon-

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ROBERT J. SCANLAN

Office of the Minority Leader

United States House of Representatives

Washington, D.C. 20515

H-232, THE CAPITOL
WASHINGTON, D.C. 20515

JOHN J. WILLIAMS
DENNIS J. TAYLOR
J. BRIAN SMITH
CLARA POSEY

September 22, 1975

IN REPLY
REFER TO:

Dear Colleague:

Last January 30 I introduced H. Res. 123 which called for the creation of a Select Committee on Energy. My original intent was to provide for a comprehensive coordinated approach to our serious energy problems.

Following our weeks and months of fruitless debate on energy by numerous committees, the need for a Select Committee is even more urgent. I will be reintroducing H. Res. 123 in the near future and urge all my colleagues to join me in cosponsoring this resolution. If you are interested in cosponsoring this resolution, please call JoAnne on Extension 50608.

Sincerely,

John J. Rhodes, M. C.
Minority Leader

REPRESENTATIVE
JOHN J. RHODES
1st Congressional District, Arizona
House Republican Leader

H 232 Capitol
Washington, D.C. 20515
Telephone: 202—225-0606

NEWS RELEASE

Contact: J. Brian Smith

September 22, 1975

Hon. John J. Rhodes, M.C.

Excerpt from Radio Script: Energy Committee

You've heard me talk about the need for a select energy committee before. As far as I'm concerned, it represents the most logical answer to Congress's apparent inability to act on energy.

The 94th Congress is about to enter its tenth month...and still we have seen no action on the energy issue. To make matters worse, there doesn't appear -- at this particular time -- to be any real hope of energy action. We are in the same position today as we were at the start of the session: The Democratic Congress doesn't approve of President Ford's energy program... but is unable to come up with any alternative of its own.

The goal, of course, is to break through the current stalemate between Congress and the President. The problem is determining who in Congress is in a position of sufficient authority so that discussions can lead to solutions. It's easy to find out who is in charge down at the White House: It's the President. On Capitol Hill, no one is calling the energy shots.

It was in recognition of this confusion that I made my proposal in January to create a select committee on energy. This committee would have over-all jurisdiction in matters related to energy. Instead of dozens of separate committees and subcommittees all fighting for a piece of the energy action... Congress would have one committee in charge.

To underscore the need for my proposal, I recently asked the Department of Commerce to determine exactly how many times Administration officials have had to come up to Capitol Hill in order to give energy testimony. I knew it would be a lot. Everytime I run into energy czar Frank Zarb -- it seems -- he is either coming from or about to give testimony before some committee of Congress.

But the results of the survey even surprised me. During the first eight months of this year, Administration officials have testified on energy before a total of 86 committees and subcommittees of Congress. There have been a total of 344 separate

Cont'd...

Side two...

appearances by members of the Executive Branch. This adds up to 732 hours of testimony -- testimony that is supported by over 15,000 hours of meetings, briefings, drafts and other materials that go into the preparation of official testimony. It is estimated by the Commerce Department that another 10,000 man hours may be necessary to meet requirements for energy testimony before the year is out.

This is a phenomenal waste of the taxpayers' money. Instead of talking about the energy problem, the Government ought to be acting. But action is impossible given the present confusion in Congress. Everyone in Congress wants to have something to do with energy. What Congress must come to realize -- and soon -- is that nothing will be accomplished until there is a central authority established.

Congress should act on my plan for a select committee on energy.

# # #

File

United States Senate

COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
WASHINGTON, D.C. 20510

December 5, 1975

MEMORANDUM

To: Senators Fannin, Hansen, Hatfield, McClure and Bartlett

From: Minority Staff (Mary Adele Shute)

SUBJECT: Energy Legislation Status Report

Attached is the latest status report on energy bills considered during the 94th Congress.

I. BILLS UNDER ACTIVE CONSIDERATION — Page

II OTHER LEGISLATION TO WATCH

III BILLS ENACTED INTO LAW OR VETOED Page

President's Petroleum Import Tariff Powers

H. R. 1767 passed the House February 5 and passed the Senate February 19.

Vetoed March 4. Senate Democratic leadership has shelved the veto without bringing it to a vote.

Petroleum Price Increase Limitation

S. 621 (Jackson). Passed the Senate by a vote of 47-36 on May 1.

H. R. 4035 (Wirth). Passed the House June 5 by a vote of 250-131.

A conference was requested and on July 14 conferees reached agreement on H.R. 4035 (Conference Report No. 94-232).

H. R. 4035 provides for Congressional review and disapproval of any proposal to lift existing price controls or raise the price of domestic oil and provides for an extension of the allocation act until December 31, 1975.

Conference report passed the Senate on July 16 (57-40). Passed the House on July 17 (239-172). Vetoed on July 21. No attempt has been made to override the veto.

Energy Policy and Conservation Act

H. R. 7014 (Dingell). This omnibus energy package passed the House on September 23 (255-148).

S. 622 (Jackson). As passed by the Senate on April 10 (60-25), this bill authorized the President to implement mandatory conservation measures in the event of an energy shortage.

S. 677 (Jackson). Passed the Senate July 8 (9-10) (See Strategic Reserves, page 3).

S. 349 (Tunney). This bill directing that all motor vehicles and appliances be labeled with their energy efficiency level passed the Senate July 11 (71-0).

S. 1883. Commerce Committee reported this bill directing the Secretary of Transportation to establish and enforce fuel economy standards on new cars; passed the Senate June 15 (63-51).

Conferees on these five bills include:

House	Senate	
Staggers	Jackson	Pastore
Dingell	Johnston	Hartke
Macdonald of Mass.	Abourezk	Hart of Mich.
Moss	Haskell	Cannon
Rogers	Glenn	Griffin
Brown of Ohio	Stone	Stevens
Broyhill	Bumpers	Beall
	Fannin	Weicker
	Hansen	Randolph
	McClure	Muskie
	Bartlett	Baker
	Magnuson	
	Hollings	
	Stevenson	

On November 12, after six weeks of conferences, conferees reached agreement on the Energy Policy and Conservation Act of 1975, all Republican conferees dissenting.

The most controversial provision of the conference report is the oil pricing section which sets for 40 months the composite price of domestically produced oil at $7.66 per barrel with a 10% upward adjustment, if justified, as a result of inflation or as an incentive for high risk or high cost production. This provision, which may keep consumer prices down in the short-term, will cause decreased production in the long-term.

Other provisions of the conference report include: establishment of a Strategic Petroleum Reserve Office in the FEA for the purpose of administering a storage program for strategic reserves; granting of standby energy authorities to the President with Congressional approval for the purpose of implementing mandatory conservation measures in the event of an energy shortage; mandatory fuel economy standards for all 1978 model cars; the labeling of all home appliances with their energy efficiency level; a grant-in-aid program to the States for the purpose of developing and administering State conservation programs; extension of the Environmental Supply and Coordination Act (ESECA) to extend through June 30, 1977, the federal authority to order power plants to convert to coal; audits by GAO of all energy and financial information filed with federal agencies; and disclosure of financial interests in oil, gas and coal by regulatory or policy-making officials in the Department of Interior and the FEA.

Whether or not the President will sign the bill remains to be seen, but conventional wisdom is that he will.

ERDA Authorizations

S. 598 (Pastore, Jackson). This bill, reported favorably by the Joint Committee on Atomic Energy and the Interior Committee, passed the Senate on July 31 by a vote of 92-2.

H. R. 3474 (Price). The House Committee on Science and Technology reported the bill on June 13; passed the House on June 20 (317-9).

This legislation provides the authorizations for the Energy Research and Development Administration.

In September, the House asked for a conference and on September 9 the following conferees were appointed:

Senate	House
Pastore	Teague
Symington	Hechler (W. Va.)
Montoya	McCormack
Jackson	Downing
Church	Fuqua
Haskell	Flowers
Johnston	Symington
Glenn	Mosher
Baker	Bell
Case	Goldwater
Fannin	Price
Hatfield	Anderson (Illinois)
McClure	Lujan

The major issue between the House and Senate is contained in Section 103 of S. 593, which establishes a loan guarantee program not to exceed $6 billion. This program would be used to fund first commercial demonstration of coal gasification, oil shale, and renewable resources, including solar, geothermal and bio-conversion.

House Members, led by Congressman Timothy Wirth, expressed strong disagreement, questioning the impact on the States of such blanket authority. In a rather unusual procedure, the House Science and Technology Committee held extensive hearings both in Washington and in Colorado on the specific provisions of Section 103 in an effort to determine the effects on the States. The end result of these hearings was a new draft of Section 103 incorporating many of the changes suggested during the hearings.

As agreed to by the conferees on December 2, Section 103 provides for consultation between the Administration and the Governor of an affected state with the Administrator being given the authority to override any objection if he finds the project to be in the national interest. ERDA is also required to report to Congress on the socio-economic effects and estimated costs of a project to the host community.

The conference report should be filed on December 8 or 9 with the Senate taking action shortly thereafter.

Strategic Reserves

S. 677 (Jackson). Establishes a program within the FEA for storing strategic reserves. This Interior Committee bill passed the Senate on July 8 (91-0). This legislation was included in the conference on S. 622 by unanimous consent of the Senate on September 26 (See. S. 622, page 2).

H. R. 7014. See Energy Policy and Conservation Act.

S. 2173 (Cannon). Provides for exploration and development of the Naval Petroleum Reserves under the direction of the Secretary of the Navy. Reported out of Armed Services Committee; passed the Senate on July 29 (93-2) with a Jackson amendment containing the language of S. 677.

H. R. 49 (Melcher). Provides for exploration and development of the Naval Petroleum Reserves under the direction of the Secretary of Interior. Passed the House on July 3 by a vote of 391-20.

Conferees:

Senate		House	
Cannon	Haskell	Melcher	Bennett
Stennis	Thurmond	Johnson (Of Cal.)	Skubitz
Symington	Scott of Va.	Phillip Burton	Steiger of Ariz.
Nunn	Taft	Runnels	Dickinson
Hart of Colo.	Hansen	Miller of Cal.	
Jackson	Bartlett	Price	
Metcalf			

The main problem with resolving this issues doesnot lie in opposition to the concept of development of the Naval Petroleum Reserves, but rather in the question of who is going to control them.

On December 2 conferees tentatively agreed to keep petroleum reserves numbers 1, 2, and 3 under the control of the Secretary of the Navy and transfer jurisdiction of the study for development of petroleum reserve No. 4 to the Department of Interior.

Conferees are scheduled to meet again on December 8. It is expected that during consideration of the issue of storing strategic reserves, the conferees on H. R. 49 will adopt the conference language agreed to by the conferees on S. 622 (See page 2).

Natural Gas

S. 2310 (Hollings). In a complicated parliamentary procedure, the Senate passed on October 22, by a vote of 58-32, an amendment in the nature of a substitute sponsored by Senators Pearson and Bentsen. The Pearson/Bentsen substitute, consisting of two titles, provides legislation to deal with the anticipated natural gas shortage of this winter by providing for emergency sales of intrastate gas to the interstate market, as well as deregulation of onshore new natural gas effective April 5, 1976. Price controls on offshore gas would be phased out over a five year period. New natural gas is defined as natural gas dedicated to interstate commerce for the first time after January 1, 1975, natural gas produced from a reservoir discovered after January 1, 1975, or natural gas produced after January 1, 1975, from wells initiated and completed in an extension of a previously discovered reservoir.

H.R. 9464(Dingell). As reported by the House Commerce Committee on December 2, this bill provides only short-term legislation to deal with the natural gas shortage over the next two years. The House version differs significantly from the Senate version in that the Senate bill is an amendment to the Natural Gas Act while the House version is a free-standing bill, therefore, any attempts to add or substitute long-term deregulation were ruled out of order on germaneness grounds. Congressman Krueger may attempt to get the House Rules Committee to permit a rule by which a deregulation floor amendment could be offered. In light of the Commerce Committee's tie vote on this issue, there is a good chance that rule might be obtained. The House Commerce Committee hearings on deregulation scheduled for December 3 were cancelled, but will be scheduled at a later date.

OCS

S. 521(Jackson). Passed the Senate on July 30 by a vote of 67-19. This bill has been referred to the House where it is being held at the desk in an effort to avoid a jurisdictional fight among committees.

H. R. 6218 (Murphy, N.Y.). The House Ad Hoc Committee on OCS held its final hearing on November 20 with witnesses from various government agencies, including Secretary of the Interior testifying. The Department of Interior maintained its previous position of opposition to any legislation amending the Outer Continental Shelf Lands Act of 1953. The Administration believes that that Act is adequate and the Department of Interior has all the authority needed for efficient exploration and development of the OCS. However, in previous testimony, the bill has received strong support from environmental groups and affected coastal states.

Congressman Murphy, N.Y., Chairman of the Ad Hoc OCS Committee is anxious to push this legislation and has set January 31 as a deadline for reporting a bill to the floor of the House. It has become apparent that H. R. 6218 will be amended substantially in Committee and on the Floor. Whether or not S. 521 will be referred to Committee remains to be seen, but it does seem clear that a House/Senate conference on S. 521 and H. R. 6218 will be necessary.

If Congressman Murphy is able to meet his deadline of January 31, a conference could occur in late February or early March.

Coastal Zone Management Act Amendments

S. 586 (Hollings). This bill, which passed the Senate on July 16, provides federal funds to assist coastal states heavily impacted by offshore energy development.

H.R. 3981 (Murphy, N.Y.). The Oceanography Subcommittee of the House Merchant Marine and Fisheries Committee expects to report a bill to the full committee on December 5. Full committee markup is scheduled to begin December 8. Staff members are aiming for December 12 for completion by committee, however, the chance of getting a rule for consideration by the House before Christmas is nil.

H. R. 3981 is similar to S. 586 but there are some significant differences in the funding formula for aid to impacted states. Further changes are expected when the bill reaches full committee. A House/Senate conference is virtually certain.

Marine Oil Spill Liability

S. 1754 (Jackson, Randolph, Hollings) and S. 2162 (Administration). Both bills set up a fund to provide for oil spill damage and removal cost which would supercede any oil spill liability provisions in previous legislation including the Trans-Alaska Pipeline Act, Federal Water Pollution Control Act, and the Deepwater Port Act.

The National Ocean Policy Study of the Senate Commerce Committee hearings scheduled earlier this year were cancelled, but may be rescheduled early next year.

H. R. 9294 (Sullivan). House Merchant Marine and Fisheries has held hearings on this bill, but action in the House will be hampered by the fact that the bill has been jointly referred to Public Works and International Relations as well as Merchant Marine and Fisheries. As the House has no framework for dealing with joint referrals, each committee must take separate action.

Divestiture

S. 2387 (Bayh). Extensive hearings have been held on this bill which provides for vertical divestiture before the Antitrust Subcommittee of the Senate Judiciary Committee with two days of minority hearings scheduled for late January or February.

Although several bills have been introduced on vertical divesture, S. 2387 is a composite and will, in all likelihood, be the vehicle used for markup purposes which majority staff anticipates in March.

S. 489 (Abourezk). The Antitrust Subcommittee has also held several days of hearings on this bill which would require, regardless of size, all oil companies to divest all holdings of other energy forms. No further action is expected until the completion of hearings and markup of S. 2387.

On October 22, during the consideration of S. 2310, the natural gas bill, a Mansfield/Phillip Hart amendment requiring vertical divestiture was defeated by a vote of 40-49.

A Kennedy amendment requiring horizontal divestiture by the top 20 majors was defeated 39-53.

H. R. 7012 (Dingell). This vertical divestiture bill is pending before the House Commerce Committee where no hearings have yet been scheduled.

H. R. 3117 (Smith, Iowa). Small Business Committee began hearings on July 22 on this bill requiring all oil companies to divest any holdings in the marketing sector, with additional hearings scheduled for December 11.

Energy Supply and Environmental Coordination Act (ESECA) Extension

S. 2337 (Randolph). This bill, which extends ESECA until December 31, 1975, was introduced and placed directly on the Senate calendar by unanimous consent on September 16 and passed the Senate by a voice vote on September 19.

H. R. 7014 (Dingell). As passed by the House, this bill contained a provision extending ESECA until September 30, 1980. During the conference on this bill, and S. 622, this provision was amended to extend the act until June 30, 1977.

Several other bills introduced by Senator Randolph extending ESECA have been passed by the Senate and are now pending before the House Commerce Committee, however, they will remain pending until final action is completed on S. 622.

Federal Coal Leasing

S. 391 (Metcalf). Passed the Senate by a vote of 84-12 on July 31. Adopted was the Federal Lands Surface Mining amendment which contains language similar to that of the vetoed surface mining bill as applicable to federal lands.

H. R. 6721 (Mink). The House Interior Committee reported this bill on November 21. An amendment by Congressman Melcher to add H. R. 25, the vetoed surface mining bill, in its entirety, was defeated by a narrow margin of 21-20. It is almost certain that another effort will be made in conference.

The House Interior Committee voted on December 3 (23-14) to reconsider H.R. 25 in Committee following disposition of all pending calendar business. This could be late January or early February.

Coal Slurry Pipelines

H. R. 1863 (Eckhardt). Lengthy hearings have been held by House Interior Committee, but markup has not been scheduled and there does not appear to be any impetus to push the bill through Committee.

No comparable Senate bill.(In connection with oversight hearings on possible conflict of interest between Bechtel Corporation coal slurry pipeline study and pipeline proposal, the Senate addressed the general coal slurry pipeline question in hearings on November 17, 21, and December 5.

Coal Conversion

S. 1777 (Randolph, Jackson). Senate Public Works and Senate Interior Committees held extensive hearings on this bill. Public works has prepared a committee print which has been circulated for comment. Markup on this bill is scheduled to begin following completion of action on the Clean Air Act Amendments now pending before Public Works.

Clean Air Act Amendments

Public Works continues markup of its fifth Committee Print. Early morning markups are scheduled in an effort to complete the provisions on auto, railroad, and truck emission standards. As controversial amendments on coal conversion, as well as amendments on enforcement and penalties remain for consideration, it is doubtful that a bill will be reported before Christmas.

The Subcommittee on Health and Environment of the House Commerce Committee reported a bill to Full Committee on October 28. Full Committee is now in the process of markup and indications are that substantial changes in the bill will occur before the bill reaches the House Floor.

Land Use

S. 984 (Jackson). Extensive hearings were held before the Environment and Land Resources Subcommittee of the Senate Interior Committee (April 23, 24, 29, and May 2). Senator Jackson's original hope was to have the bill, once it passed the Senate, jointly referred to the House Interstate and Foreign Commerce Committee and the House Interior Committee on the basis that the energy facilities siting title in the bill would come under Commerce jurisdiction. Although he still may try to push the bill in Committee, it is highly unlikely that any part of it could be passed by the Senate and the House at this late date.

H. R. 3510 (Udall). This bill, which did not contain an energy facilities siting provision, was killed in the House Interior Committee on July 15 by a vote of 23-19. Though attempts have been made to bring the issue before the Committee for reconsideration, there appears to be little chance.

National Energy Mobilization Board

S. 740 (Jackson). Provides for a board comprised of five presidentially appointed members to establish national energy goals. Further, it authorizes the board to obtain any information deemed necessary to carry out these goals from any private or governmental entity. Also provides for the federal government to enter into contracts for exploration of federal lands.

During five days of hearings before the Senate Interior Committee (March 20, April 14, 15, July 14 and 21), the bill met with strong opposition from the Administration, industry, as well as environmental groups. Despite this opposition, Senator Jackson attempted to markup the bill on September 8. However, an inability to assemble a quorum resulted in a briefing by staff instead.

The bill has been placed on the back burner, but action is still possible after the Christmas recess.

S. 2562 (Hollings). This bill is very similar to Senator Jackson's bill. It has been referred to the Senate Interior Committee where no action is scheduled.

Dealer Day in Court

S. 323 (Moss). Provides for protection of franchised dealers. Reported by Senate Commerce; passed the Senate on June 20.

Congressman Dingell's Energy Subcommittee of House Commerce has not scheduled hearings on any of the numerous similar bills already introduced on the House side, but may try to schedule initial subcommittee action sometime next session.

Energy Conservation and Conversion Act

H. R. 6860 (Ullman). This Ways and Means Committee energy tax bill passed the House on June 19 without a windfall profits tax provision.

Senate Finance Committee has held extensive hearings and lengthy markups on H.R. 6860, but has not yet reported out a bill. Before the recess, it hurriedly reported out a windfall profits tax amendment which was filibustered on the Floor on August 1.

No further action has occurred on this bill and none is scheduled.

Oil Shale

S. 834 (Haskell). Reported by the Senate Interior Committee; expands the authorized use of funds derived from the development of oil shale to include planning,construction and maintenance of all public facilities as well as public roads and schools. Passed the Senate April 22.

No comparable House bill.

LEGISLATION TO WATCH

Energy Independence Agency (EIA)

S. 2532 (Administration). This bill, H.R. 10267, commonly referred to as the Rockefeller proposal, would create a new government corporation designed to help achieve energy independence. Its purpose is to provide financial assistance in the form of loans, loan guarantees, and price guarantees to private sector energy projects.

The EIA would have financial resources of $100 billion which it could use to finance (1) projects which would contribute directly and significantly to energy independence, or (2) projects that would not be financed because of scope or limited domestic use without government assistance.

This bill has been referred to Banking, Housing and Urban Affairs in the Senate, and Banking and Currency in the House. Neither Committee has scheduled hearings.

OTHER LEGISLATION TO WATCH

Petroleum Import Administration

S. 1430 (Church, Hart). This bill provides that only the federal government may import oil. It was referred to Senate Interior with sixteen cosponsors. No action is planned as yet. S. 622 contains a provision authorizing the President, under certain conditions, to become the exclusive buyer of imported oil. Affirmative action on S. 622 may obviate any necessity for this bill.

H.R. 3944 (Fraser,Bingham, Udall). No action is planned on the bill itself; however, the same language was soundly defeated as a floor amendment to H. R. 6860, the energy tax bill.

Energy Data

S. 1864 (Jackson, Nelson, Haskell). This bill sets up a National Energy Information Administration. The Senate Interior Committee is planning to hold hearings. However, at this time, they have not been scheduled.

Cargo Preference

S. 578 (Hollings). No action yet scheduled by Senate Commerce.

Chartering

Senate Interior Committee majority staff continues work on drafting legislation to provide for federal chartering of oil corporations. No plan of action for this bill has been formulated.

BILLS ENACTED INTO LAW OR VETOED

Emergency Petroleum Allocation Act Extension

S. 1849 (Jackson). This bill which would have postponed the expiration of the Allocation Act until March 1, 1976, passed the Senate on July 15 (62-29); passed the

House on July 31 (303-117) without amendment. President Ford vetoed this legislation on September 9. This veto was sustained by the Senate on September 10 by a vote of 61-39.

A 75-day extension was signed into law on September 29. (See Short-term Extension, below).

Short-term Extension of the Emergency Petroleum Allocation Act

H. R. 9524 (Staggers). As introduced, this bill simply would have extended the Allocation Act for 60 days, or from September 1 until October 31.

On September 11, following the Senate's failure to override the President's veto of S. 1849, the six month extension, the House passed H.R. 9524 without amendment by a voice vote.

On September 26 the Senate rejected a 60 day extension and instead amended the House bill and passed a 75-day extension, extending the act to November 15 with a provision prohibiting the President from transmitting to the Congress any oil price decontrol proposals pursuant to § 4 (g) (2) of the Emergency Petroleum Allocation Act. Congressional Democrats stated that they needed this time to formulate a compromise on oil pricing policy. President Ford signed the bill into law on September 29 (P.L. 94-99).

S. 2667 (Jackson). This simple 30 day extension of the Allocation Act (Nov. 15 - Dec. 15) was passed by the Senate and the House without amendment by a voice vote on Nov. 14. The purpose of the extension of the Act,which would have under previous law expired on November 15, was to give Congress and the President time to complete action on the conference report on S. 622.

The President signed the bill into law Nov. 14 (P.L. 94-133).

Surface Mining

S. 7 (Jackson). Passed the Senate March 12.

H. R. 25 passed the House March 18.

Conference report passed the Senate May 5 and the House May 5; President's veto was sustained in the House on June 10 (278-143).

The Federal Coal Leasing bill was amended on the floor to include regulation of surface mining on federal lands (See S. 391)

Tax Reduction Act

H. R. 2166. Repealed the depletion allowance. Passed the House February 27; passed the Senate March 22.

Signed into law on March 29. (P.L. No. 94-12)

FEDERAL ENERGY ADMINISTRATION

Date: January 22, 1976

Reply to Attn of: Paul Cyr, Director for Congressional Affairs P.C.

Subject: House Interior Appropriations Subcommittee Hearings on Energy Policy; Public Witnesses

To: Distribution "A"

Members Present:

Chairman Yates (D-Ill)
Cong. McKay (D-Utah)
Cong. Long (D-Md)
Cong. Murtha (D-Pa)
Cong. Duncan (D-Ore)
Cong. McDade (R-Pa)
Cong. Regula (R-Ohio)

Witnesses:

C. L. Zody, Assistant Controller, Exxon Corp.
Lee White, former Chairman of the Federal Power Commission.
Dr. Charles Byrd, former Chief Engineer of Federal Power Commission, Consultant.
Dr. Paul Craig, Energy Resources Center, University of California.
Dr. Nina W. Cornell, Brookings Institution.
Ed Robner, staff of the National Governors' Conference.

The hearing was a rather informal, free-wheeling discussion of the nation's energy policy and the propriety of established priorities. However, various criticisms were leveled at specific agencies including FEA, ERDA, and Interior.

Virtually every witness felt energy priorities were misdirected toward energy production and away from energy conservation. It was generally agreed that the Federal Government has been far too timid in conservation, particularly considering sufficient technology already exists to reduce consumption significantly. Compounding the problem has been unbalanced energy budgets which have failed to recognize that a "BTU saved is a BTU earned". Nevertheless, after repeated questioning no one could offer a viable suggestion for the distribution of energy conservation technology or gaining its acceptance. Dr. Craig came closest with the proposal for an Energy Extension Service patterned after the USDA's Agriculture Extension Service.

FEA came under criticism by Mr. Zody for its contribution to the paperwork mess. Claiming many reports were unnecessary and/or redundant, Mr. Zody urged the subcommittee to use its influence in putting some order to the reporting system.

Chairman Yates promised to take it up with appropriate officials. Exxon now files 409 reports with 45 different agencies exclusive of the IRS.

The National Governors' Conference has had "mixed results" in working with FEA. There was no elaboration. It was apparent the Governors' will lobby strongly for money authorized by the EPCA.

Lee White was most critical of the Administration's attempt to eliminate the $16 million for winterization and spot emergency assistance (paying fuel bills) in the Community Services Administration's budget. He feels CAP agencies should be the administrative vehicle for any winterization program. Mr. Zarb received a plaudit in White's comment 'he wants to do better (with respect to the low income) than he can.'

For additional information contact Denny Dennis, 961-6243.

UPDATE OF CONGRESSIONAL HEARING SCHEDULE - (1-23-76)

1. January 26. House Appropriations, Interior Subcommittee (Yates, Chairman), 1:00pm, Room B-308 Rayburn HOB.

   S: 1977 FEA Budget Overview
   W: Frank Zarb with Senior Staff
   D.B.: M&A
   T.P.: M&A

2. February 3. Joint Economic Committee, Subcommittee on Energy (Kennedy, Chairman) 10:00am, Room to be announced at a later date.

   S: FEA's actions on energy conservation programs
   W: Frank Zarb with John Hill and Roger Sant
   D.B.: C&E
   T.P.: C&E

3. February 11. House Science and Technology, Energy Research, Development and Demonstration (Fossil Fuels) (Hechler, Chairman) Room and Time to be announced at a later date.

   S: Discussion of FEA budget requests for fossil fuel programs, and response to questions submitted by the Committee on fossil energy R&D in FEA

   W: Frank Zarb
   D.B.: ERD
   T.P.: ERD (Coordinated with OGC, M&A and P&A)

4. February 17. Joint oversight hearing before Senate Interior and Senate Commerce Committees (Jackson, Interior Chairman; Magnuson, Commerce Chairman) 9:30 am, Room 3110 Dirksen SOB

   S: Alaskan natural gas reserves and alternative transportation systems
   W: Eric Zausner
   D.B.: P&A
   T.P.: P&A (coordinated with ERD, Natural Gas T.F., and OGC)

Fore more information, please contact Buffy Linehan, x6243.

FEDERAL ENERGY ADMINISTRATION

Date: January 23, 1976

Reply to Attn of: Paul Cyr, Director for Congressional Affairs

Subject: Subcommittee on Oversight and Investigations of the House Interstate and Foreign Commerce Committee investigating alleged natural gas shortages

To:

Distribution List "A"

Members Present:

Democrats	Republicans
Mr. Moss (Chairman)	Minority Counsel
Mr. Ottinger	
Mr. Santini	
Mr. Waxman	

Witnesses:

Mr. Ben Smethurst, Special Assistant, Subcommittee on Oversight and Investigations.
Mr. Jack E. Earnest, Manager, Natural Gas Worldwide Division on Exploration and Producing, Mobil Oil Corporation.
Mr. George Lewnes, Assistant General Counsel, FPC.
Mr. Russell Mamone, Trial Attorney, FPC
Morton L. Simons, Esq., Attorney at Law

This was the third and last of a series of hearings in which the subcommittee is examining the nation's natural gas supply and the alleged shortage of gas for the interstate market. On Wednesday the 21st, testimony was received which indicated that proved reserves, as reported by the American Gas Association (AGA) and as used by the Federal Power Commission (FPC), may have underestimated the country's currently available supply by as much as 37%. On Thursday, evidence was presented concerning the failure of two industry officials, representing Mobil Oil and Continental Oil, to report accurately the volume and in at least one case, the existence of gas reserves.

Today's hearing explored the history of Grand Isle field 95, the reserves of which are known to its owners to amount to over 400 billion cubic feet of gas, but which went unreported to the AGA for use in calculating national reserves. This field, part of the Outer Continental Shelf, is ready for production. The record indicates, however, that the Mobil Oil Corporation has not delivered this gas to the interstate market.

In March 1975, Mobil applied for authority to sell this gas, but attached conditions which were unacceptable to the FPC. The Commission offered a temporary certificate which was refused by Mobil. The FPC then issued a permanent certificate but declined to approve one of Mobil's three demanded conditions, a ten year term for the contract, because the Commission found it contrary to the public interest.

Finally, the FPC issued a permanent or temporary certificate accepting a ten year contract with the pipeline and Mobil again refused to accept, arguing that it could not comply with the FPC recent Order No. 539 (establish minimum quantity of daily deliverable gas).

The hearing was to establish the reasonableness of Mobil's refusal to accept FPC certificates so that they might commence well production.

Morton L. Simons maintained that Mobil could have begun production under a temporary certificate, reserving the right to litigation over contractual terms. It was his opinion that Mobil desired the short term contract (10 years) anticipating the passing of deregulation bills, thus enabling them to raise natural gas prices upon contract expiration.

Mr. George Lewnes of FPC stated that short term contracts were disadvantageous to the consumer because he would be faced to pay rates which would absorb higher pipeline amortization costs. Mr. Lewnes and Mr. Mamone both believed that Mobil's withholding was intentional and unsupportable.

Mr. Jack Earnest of Mobil Oil was hard-pressed by Chairman Moss to defend that company's actions and stated that: 1) FPC did not have the authority to mandate contract changes 2) His company did not believe that short term contracts were contrary to the public interest 3) Mobil Oil would have received authorization too late to complete transmission facilities in time to alleviate this winter's projected natural gas shortage.

For more information or statement, contact Jerry Roscoe, 961-8240.

FEDERAL ENERGY ADMINISTRATION

Date: January 23, 1976

Reply to Attn of: Paul Cyr, Director for Congressional Affairs

Subject: Natural Gas

To: Distribution

The Energy and Power Subcommittee of the House Commerce Committee continued its lengthy schedule of hearings into the question of natural gas deregulation. The Subcommittee has a number of legislative proposals, but the Chairman, Mr. Dingell, favors some alternative to long-term deregulation. Witnesses during the past week of hearings have been divided between support for S. 2310, which has passed the Senate, and H.R. 11265, both of which are decontrol bill,s and H.R. 9159 and similar bills which strengthens government controls and extend them to the intrastate gas market.

The first witness was Mr. Frank Zarb, Administrator of FEA, accompanied by Deputy Administrators John Hill and Eric Zausner. Mr. Zarb summarized his written testimony and submitted two Technical Reports for the Record. He stated that it is extremely important to take immediate action on this legislation, as the nation's natural gas supply outlook is growing worse. He reiterated the Administration's support for deregulation in the form of S. 2310 and H.R. 11265, which illustrate a viable deregulation plans. He provided an in-depth analysis of the various legislative proposals concluding that H.R. 9159, introduced by Representative Fraser is completely unacceptable to the Administration.

The Subcommittee Members questioned the witnesses at length. Some of the important areas of inquiry included the impact of deregulation on the various sectors of the economy, production levels at different prices of gas, distribution of costs to the consumers, and FEA authority under the legislative proposals. The Members were also interested in the data which FEA uses to predict the results of specific actions. Mr. Zausner promised to provide the Subcommittee with methodology and other background information.

The second panel of witnesses consisted of Commissioners of State Public Utility Commissions across the country. They were Commissioners Leonard Ross of California, David Sweet of Ohio, Joel Jacobsen of New Jersey and Ralph Wickberg of Idaho. The main concern of each of the Commissioners was the effect of natural gas supply on the generation of power. Since most states rely heavily on natural gas to fire boilers in the steam generation plants, any increase in the interstate price of gas would necessarily be reflected in higher utility bills to the consumer.

The State Commissions are continuously being attacked because of rising rates for electric power and would certainly not wish those rates to go higher. Therefore, three of the four Commissioner advocated legislation that would continue to control the price of gas through the Federal Power Commission. Mr. Wickberg of Idaho did not agree. He supported deregulation as the only means to guarantee sufficient supplies of gas to meet the increasing demands for electricity. The Northern Tier states which will lose their supplies of imported residual oil from Canada in the near future must rely more heavily on domestic natural gas, and other sources of power, at any cost.

The Subcommittee will continue hearings through the week of January 26.

Members Present:

Democrats	Republicans
Mr. Dingell	Mr. Moorhead
Mr. Wirth	
Mr. Eckhardt	
Mr. Krueger	
Mr. Sharp	

For additional information please contact Larry Gallo, 961-7281.

OFFICE OF CONGRESSIONAL AFFAIRS

ENERGY-RELATED HEARINGS
JANUARY 26, 1976

	TO BE COVERED BY
SENATE	
Public Works, Mark up Clean Air Amendments. 4200 DOB, 9:30 am	Margot Hastings
HOUSE	
Appropriations, Overview of FEA. Rm B-308, RHOB, 1:00 pm	Denny Dennis
Commerce, Energy & Power Subcommittee, cont. natural gas legislation. 10:00 am, Rm 2123 RHOB.	Larry Gallo
Science & Technology, ERD&D on near term energy R&D, 2318 RHOB 9:30 a.m.	Buffy Linehan

June 21, 1976

Dear Congressman Rhodes:

In my February 26, 1976, Energy Message I urged the Congress to pass legislation needed to authorize loan guarantees that are necessary to help assure that the private sector proceeds with the construction of a limited number of facilities to demonstrate the commercial feasibility of producing synthetic fuels from coal, oil shale, and other domestic resources. I am pleased that the House of Representatives will soon be taking up H.R. 12112 which would authorize the necessary program.

The United States dependence on foreign sources of oil and gas continues to grow. Domestic production of oil and natural gas has been declining since the early 1970's. I have proposed a number of actions that would reduce our growing dependence on foreign oil and gas, including the removal of price controls. Some of these have been adopted and others are still under consideration. However, even with these actions, our dependence on imported petroleum will continue to grow in the 1990's if additional long-term efforts, such as the development of synthetic fuels, are not undertaken. For this important reason, I continue to urge, in the strongest terms, enactment of legislation to create a synthetic fuels commercial demonstration program.

Such a program will enable us to attain several important objectives. We can:

- obtain early information and essential experience with the financial, environmental, economic, institutional, and technical aspects of synthetic fuel production;

- demonstrate our capacity to tap our vast domestic resources; and

- establish our technical leadership in synthetic fuels among consuming nations.

I hope that you will urge your colleagues in the Congress to recognize the urgency of our energy problems and the necessity for the synthetic fuels commercial demonstration program.

Sincerely,

Gerald R. Ford

The Honorable John J. Rhodes
Minority Leader
House of Representatives
Washington, D.C. 20515

(1)

ENERGY AND ENERGY RELATED BILLS INTRODUCED IN THE SENATE ON JULY 2, 1976

S. 3655 - (Eagleton for himself and Symington) - A bill to clarify and reaffirm the intent of Congress with respect to the transmission and sale of electric power and energy generated or purchased in the southwestern power area. Referred to the Committee on Appropriations.

S. 3660 - (Cranston for himself Johnston and Tunney 7/2/76) - A bill to amend section 8 of the Emergency Petroleum Allocation Act of 1973 to exempt first sales of crude oil produced and owned by any State or political subdivision thereof from certain regulations. Referred to the Committee on Interior and Insular Affairs.

ENERGY AND ENERGY RELATED BILLS INTRODUCED IN THE HOUSE ON JULY 2, 1976

H.R. 14696 - (O'Neill for himself, Abzug, AuCoin, Badilo, Beard of R.I., Boland, Burke of Calif., Carney, Collins of Ill., Corman, Cotter, Dodd, Downey of N.Y., Edgar, Edwards of Calif., Eilberg, Flood, Fraser, Gilman, Hall, Harrington, Harris, Howard, Jeffords, and Mrs. Keys 7/2/76) - A bill to amend the Energy Policy and Conservation Act to minimize the use of energy in residential housing, commercial and public buildings, and industrial plants; to create an Energy Conservation Extension Service; to establish energy conservation research, development, and demonstration institutes; to authorize a Federal program of research, development, and demonstration designed to promote efficiency of energy use; to insure coordination of Federal energy conservation activities; and for other purposes. Divied and referred as follows: Title I. Jointly to the Committee on Banking, Currency and Housing, and to the Committee in Interstate and Foreign Commerce; and title II to the Committee on Science and Technology.

H.R. 14697 - (O'Neill for himself, Koch, LaFalce, Leggett, Lehman, Lundine, Maguire, Meyner, Mitchell of Md.., Moakley, Moffett, Murphy of N.Y., Nix, Oberstar, Ottinger, Pepper, Richmond, Rodino, Rosenthal, Sarbanes, Scheuer, Seiberling, Mrs. Spellman, Solarz, and Stark 7/2/76) - Same title as H.R. 14696.

H.R. 14698 - (O'Neill for himself, Mrs. Mink, Studds, Symington, Thompson, Udall, Van Deerlin, Vander Veen, Waxman, Weaver, and Zeferetti 7/2/76) - Same title as H.R. 14696.

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ENERGY AND ENERGY RELATED BILLS INTRODUCED IN THE SENATE ON JUNE 29, 1976

S. 3631 - (Magnuson for himself and Pearson by request 6/29/76) - A bill to amend the Motor Vehicle Information and Cost Savings Act of 1972, to atuhorize appropriations for fiscal year 1978. Referred to the Committee on Commerce.

S. 3637 - (Moss 6/29/76) - A bill to establish a materials policy for the United States, to create a materials research and development capability, and to provide an organizational structure for the effective application of such research capability, and for other purposes. Referred jointly, by unanimous consent to the Committees on Banking, Housing, and Urban Affairs; Aeronautics and Space Sciences; Agriculture and Forestry; Armed Services; Commerce; Foreign Relations; Government Operations; Interior and Insular Affairs; Judiciary; Labor and Public Welfare; and Public Works.

ENERGY AND ENERGY RELATED BILLS INTRODCUED IN THE HOUSE ON JUNE 29, 1976

H.R. 14609 - (Sharp for himself, Wirth, Staggers, Moss, Dingell, Rogers, Ottinger, and Brodhead 6/29/76) - A bill to compel the removal of mandatory allocation controls from middle distillates and to convert the authority to require the allocation of this category of petroleum products to a standby status; to the Committee on Interstate and Foreign Commerce.