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3/15/76

THE NEED FOR A SYNTHETIC FUEL
COMMERCIAL DEMONSTRATION PROGRAM

Declining Supplies of U.S. Oil and Gas

The U.S. dependence on foreign sources of oil and gas continues to grow. Domestic supplies of oil and gas are projected to decline beginning in the late 1980's. Production of domestic oil and natural gas has already fallen in the last several years and even with deregulation and decontrol, domestic oil and gas supplies would only be extended 5-10 years. Even using advanced oil and gas recovery techniques and extensive production from the Outer Continental Shelf and Alaska, improved energy conservation, expansion of nuclear power capacity, and greater direct burning of coal, imports will continue to rise substantially if synthetic fuels are not available in substantial quantities by the 1990's.

This projection that synthetic fuels will be needed in substantial quantities in the 1990's is based on realistic estimates of domestic production of oil and gas and also assumes substantial growth in nuclear power as well as optimistic projections of the contributions from conservation programs and solar and geothermal sources. If any of these domestic energy supplies fails to provide what we expect, then the need for synthetic fuels could be much more than the currently estimated demand in 1995 for 5 million barrels per day.

Long Lead-Time to Create New Industry

Initiating a synthetic fuels industry capable of providing this 5 million equivalent barrels/day (i.e., about 100 major plants) by 1995 requires an immediate "commercial demonstration program" to resolve a number of uncertainties related to economic feasibility, environmental feasibility, socio-economic impacts, resource requirements, capital cost, financing, and regulatory constraints. These uncertainties must be resolved in order to enable adequate plant investment in the middle 1980's so that significant production can be achieved in the 1990's. Thus, the lead times involved require the construction and operation over the next 5 to 10 years of a representative mix of synthetic fuels plants to obtain the necessary data and information to resolve these uncertainties to enable the required industry expansion to proceed.



What Information the Proposed Program Provides

The information program proposed in H.R. 12112 is designed to resolve future investment uncertainties through the construction and operation of a limited number of commercial demonstration plants using coal, oil shale, solid waste and other renewable resources to result in the production of about 350,000 oil equivalent barrels/day of synthetic fuels by the early 1980's.

The construction and operation of these plants using commercial-scale components and operating procedures will produce necessary information not available from R, D and D technology-testing facilities. Such information includes:

- Economic Feasibility: What are actual product costs based upon the efficiencies of continuous operations, the economies of scale achieved and the utilization of technically-proven system designs and components.
- Environmental Feasibility: What are the actual environmental impacts from ongoing commercial-scale plant operations and can they be confined within acceptable standards.
- Socioeconomic Impact: What are the impacts upon local communities that result from their accommodation of commercial-scale plants and can mechanisms be developed to sufficiently mitigate them to gain widespread community acceptance for these plants.
- Resource Requirements: What are the actual water, mining, transportation and labor requirements of commercial plants in various parts of the country.
- Capital Cost and Financing: What amounts of private capital will be required at what cost from the financial community and what conditions will be established for access to this capital.
- Regulatory Constraints: What will be required by Federal and state regulatory commissions to authorize the construction and operation of commercial plants and which synthetic fuel products will be subject to what kind of regulation.

Proposed Legislation

The proposed legislation would provide limited financial incentives, on a competitive basis, to the private sector for the construction and operation of commercial demonstration plants using a representative mix of existing synthetic fuel technologies. The proposed incentive would be in the form of Federal loan guarantees for up to 75 percent of the total project cost. Each incentive award would be so designed to provide sufficient Federal assistance to enable plant development but also require a considerable financial commitment by the private sector.

The proposed program places great emphasis on environmental quality issues and would provide financial and technical assistance to affected localities for needed socio-economic infrastructure development. In this regard, ERDA has published for public comment a draft Environmental Impact Statement (ERDA-1547) on the proposed program in December, 1975 and will require a site-specific EIS for each proposed project. Both the programmatic and site-specific statements will guide a rigorous project monitoring effort to identify and control all potential environmental problems.

March 24, 1976

BRIEF RESPONSES TO
KEY CRITICISMS OF
SYNTHETIC FUELS PROGRAM

Key Criticisms of Legislation

Responses to Criticisms

Budget and Costs

1. The loan guarantee program will cost the taxpayer \$2 billion. Subsequently, additional loan guarantees will bring the total cost to \$6 billion and the price guarantee program will cost an additional \$4.5 billion.

2. The loan guarantee program will not work without additional price guarantee and grant legislation.

3. The proposed loan guarantee program is an off budget proposal and is another example of back-door financing.

1. Although the total amount guaranteed in the case of loans would be \$6 billion, the actual cost to the taxpayer would only be the amount resulting from loan defaults. This is only expected to be a small fraction of the total amount guaranteed. The same argument is true for price guarantees.

2. This is untrue. There are many projects such as high Btu coal gasification, electric utility and industrial fuel projects, bio-conversion projects and others which could be initiated just with loan guarantees.

3. The loan guarantee program is not back-door financing. It provides that the borrowing authority to cover potential loan defaults would be subject to full appropriation committee approval and would be counted in the budget authority totals under prevailing budget resolutions. The proposed method of handling this guarantee program is totally consistent with the Budget Control and Impoundment Act.

4. The synthetic fuels loan guarantee program is a first step toward the \$100 EIA proposal. If Congress approves the Synthetic Fuels Program it would be endorsing the entire EIA program.

5. The Interagency Task Force's quantitative analysis concluded that the cost of the 350,000 barrels per day program exceeded the benefits by \$1.75 billion.

4. The loan guarantee program for synthetic fuels should be considered separately from the EIA, on its own merits. The Congress will have the opportunity to consider and debate the EIA which is a more comprehensive program of Federal financial assistance.

5. It is true that the calculated net benefit from the proposed program was slightly negative. However, the quantitative analysis did not include several potential benefits of an international and economic nature which could have made the net benefit of the program positive. The task force took account of this in making its recommendation for a 350,000 barrels per day first-phase program.

Use of Guarantee Funds

6. Although the proposed Section 103 states that authority for providing guarantees will be available for renewable resource projects and conservation, the Administration intends to use all the loan guarantee authority for synthetic fuels projects.

7. The proposed program amounts to a Government give-away to the large oil companies who would be the primary beneficiary of the loan guarantee program.

6. There was a substantial contingency included in the \$6 billion loan guarantee estimate for synthetic fuels. Some of this could be used specifically for guaranteeing renewable resource and conservation projects.

7. The large oil companies would be among the smallest beneficiaries of the proposed program because it is anticipated that at the maximum \$1 billion of the total of \$6 billion would be used for guaranteeing oil shale plants and not all of those plants would be sponsored by large

oil companies. The remaining \$5 billion of guarantees would be provided to regulated gas pipeline companies, electric utilities, industrial energy users, municipalities and localities for socioeconomic impact assistance.

8. The proposed guarantees will be used for uneconomic first-generation technologies which will soon be superseded by improved technologies now being developed under ERDA's Fossil Energy RD&D Program.

8. While ERDA does have improved technologies under development, the environmental, economic, regulatory, institutional, socioeconomic, and other information gained from constructing a limited number of commercial-scale plants using existing technology is essential in speeding the commercialization of second-generation technologies when they become available.

Environmental and Socioeconomic Considerations

9. The proposed legislation provides no safeguards for ensuring environmental protection.

9. The proposed loan guarantee legislation coupled with the Nonnuclear Act provides for environmental monitoring by EPA, state approvals of all projects, compliance with Federal and State environmental laws and regulations and compliance with NEPA including preparation of site specific EISs.

10. A proposed guarantee program would authorize the construction of commercial oil shale plants larger than is necessary to demonstrate commercial viability with consequent harm to the human and physical environment.

10. The proposed legislation specifically provides that the Administrator of ERDA can only guarantee shale oil plants which are no larger than necessary to demonstrate commercial viability considering economic environmental and other factors.

11. There is not an adequate Congressional oversight of the proposed program to ensure environmental preservation.

12. The proposed legislation does not adequately provide for impact assistance to communities effected by synthetic fuels development.

13. The proposed legislation does not provide for the normal government patent and licensing procedures thereby reducing competition in this new industry.

14. The proposed legislation does not provide for adequate dissemination of information for what is argued as an information program.

11. The proposed legislation provides for each large project that the Congress has a 60-day review period in which either House of Congress could pass a resolution preventing a project from proceeding to construction. Furthermore, the proposed legislation provides that ERDA supply Congress with a comprehensive plan and program to be updated annually.

12. This is untrue. The proposed legislation provides for \$350 million in guarantee, loan and grant authority to ensure the timely financing of public infrastructure needed in connection with synthetic fuel plants.

13. Inventions made or conceived in the course of a guarantee under this program will be subject to the title and waiver provisions of the Federal Nonnuclear Energy R&D Act. Also, in the event of plant default, patents and technology are considered project assets.

14. Subsection (v) of the proposed legislation (H.R. 12112) provides that the ERDA Administrator make available to the public all pertinent information with exception of trade secrets and proprietary information.

Patents/Information/Competition

15. The provision of loan guarantees to certain companies will reduce competition and will lead to increased concentration in the energy industry.

15. The proposed legislation specifically provides that the ERDA Administrator give due consideration to a review of each proposed guarantee by the Attorney General concerning the impact of any guaranty on competition and concentration in the energy industry.

STATEMENT OF
DR. ROBERT C. SEAMANS, JR.
ADMINISTRATOR
U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
BEFORE THE
SCIENCE AND TECHNOLOGY COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

March 31, 1976

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today with other members of the Administration as the Committee begins its consideration of H.R. 12112 which would provide ERDA loan guarantee authority and authorization for synthetic fuel and other commercial demonstration projects.

Mr. Chairman, the President strongly supports the early enactment of this legislation and believes it essential that the Congress move promptly and decisively on this proposal. In this regard, I want to take this opportunity to compliment you personally for so courageously and effectively moving for rapid reconsideration of this measure that is so essential to our Nation's energy future.

Mr. Chairman, there have been few energy legislative proposals which have been studied so thoroughly and received such detailed scrutiny. Last year, following the President's proposal for a synthetic fuels program, a 50-man, 13-Agency

Federal Task Force under the aegis of the Energy Resources Council completed a 2,200 page comprehensive study which resulted in a recommendation to the President for a 350,000 bbl/d commercial demonstration program. The House completed hours of hearings on the loan guarantee and other aspects of this proposal before Mr. Hechler's and Mr. McCormack's Subcommittees and before this full Committee. The Conference Committee and its staff worked tirelessly to fashion, what I believe, is one of the most innovative, thoughtful and potentially effective pieces of energy legislation. Unfortunately, the results of all of these positive Executive and Legislative Branch efforts were not realized after the legislation passed the Senate by a wide margin but unfortunately failed on the House floor.

Nevertheless, ERDA has continued to pursue studies to facilitate the required prompt initiation of this program should the Congress enact H.R. 12112 this spring. In this regard, we believe sufficient studies have already been completed to support the decision to proceed with this legislation. These additional studies relate primarily to questions of program implementation.

Mr. Chairman, it is time for positive and decisive action on this proposal so that we can begin laying the foundation for reducing our Nation's reliance on conventional supplies of oil and gas. Today we are importing 40 percent of our petroleum supplies compared with 36 percent two years

ago shortly before the Arab oil embargo. Our domestic gas production has been steadily declining for the past three years. I submit that it does not require a sophisticated understanding of energy matters to see the clear trend of increased reliance on imports, and I for one believe this Country must reverse it.

The President has proposed a comprehensive set of near-term energy supply and conservation measures that include Alaska and OCS development, use of our Naval Petroleum Reserves, auto fuel economy standards, appliance efficiency labeling, strategic oil storage, natural gas deregulation and others. But even if all of these measures were adopted immediately, U.S. domestic production of oil and gas is projected to resume its decline in the late 1980s. This means that just to maintain oil imports at the current level of about 6 million barrels per day, synthetic fuels will have to be produced in substantial quantities early in the 1990s. In fact, ERDA projects that the demand for synthetic fuels will be about 5 million barrels per day in 1995 and 10 million barrels per day in the year 2000 even assuming gas deregulation and other supply and conservation measures. In order to achieve this production capacity, our synthetic fuel industry would have to grow from 1 million barrels per day in 1985 at a compounded annual rate of about 17 percent per year -- a very optimistic target for such a

capital intensive industry. Because of the long lead-times in constructing these plants and the regulatory uncertainties involved, we must begin now to establish the basis for the necessary growth of this industry in the late 1980s and early 1990s.

We cannot, however, expect the private sector to meet this need in a timely fashion without positive Government assistance. There are a number of serious obstacles now inhibiting private investment in this new and complex field. Uncertainties in both the future OPEC determined price of world oil, and in the price of synthetic fuels produced from the first plants, are important factors discouraging private investment. If world oil prices were to fall substantially, large plant investments could not be paid off from the lower revenues generated from synthetically-produced fuels. Adding to this risk are other uncertainties including those related to environmental impacts, socio-economic impacts, financing of synthetic fuels facilities, adequacy of available labor and materials and public acceptance. These uncertainties must be understood and resolved in the near future if we are going to achieve levels of private investment needed to finance the production of several million barrels per day of synthetic fuels early in the 1990s.

Mr. Chairman, this is the reason your proposed legislation is needed now to enable the Federal Government to offer needed incentives to build and operate over the next five years a limited number of commercial or near-commercial scale plants to produce clean synthetic fuels from coal, oil shale and other domestic resources. Such a program will provide vital information concerning the commercial viability and environmental acceptability of each of the major synthetic fuels types in contributing to our Nation's future energy supplies.

Without such a program of Federal assistance we, as a Nation, run the risk of either seriously delaying the time when synthetic fuels can be available in the U.S. and thus substantially increasing our level of imports, or of inviting a crash synthetic fuels program five to ten years from now. The latter would entail a precipitous effort that undoubtedly would result in inadequate consideration of environmental, socio-economic and other factors that should be carefully provided for early in the commercialization process.

Mr. Chairman, I do not think we want to run the risk of repeating the experience we have recently been through in the nuclear power area, where many of the environmental, regulatory and other governmental policy uncertainties, not having been fully resolved prior to wide commercialization, are now slowing the growth of this important energy source.

We should learn from this experience and, in the synthetic fuels area, address and resolve any potential problems at the outset.

Finally, Mr. Chairman, I would like to make several general comments on the proposed legislation, H.R. 12112. While this legislation provides a framework for accomplishing the goals of the proposed program, it should be clearly understood that the \$2 billion in loan guaranties provided by H.R. 12112 would only initiate the program recommended by the Administration. Additional authorizations are included in the President's budget for FY 1977 under the proposed Energy Independence Authority. We remain firmly convinced that in order to achieve the objectives of the full 350,000 barrels per day program, that \$6 billion in loan guaranty authority will be required along with about \$4.5 billion in price guaranty authority and about \$600 million in grants. It should be noted in the case of the loan and price guaranties the actual cost to the government is expected to be only a fraction of the required authorizations. We estimate, at a maximum, the actual budget authority to cover the price and loan guaranties for the authorized plants would be about \$2.5 billion.

H.R. 12112, along with ERDA's existing authorities and other applicable laws, also includes the necessary safeguards to ensure that this program is carried out with

minimum environmental and socio-economic impacts and with maximum overall benefit to the Nation. Examples of such key provisions are:

- o A comprehensive guarantee program for assisting local communities to finance essential public facilities needed as a result of the siting of a synthetic fuels plant.
- o Environmental monitoring of each plant along with full compliance with the National Environmental Policy Act including site-specific Environmental Impact Statements.
- o Review and approval, by the Governor of the potentially affected State, of the proposed commercial demonstration project.
- o Compliance with all applicable Federal and state environmental laws and regulations.
- o Preparation of an assessment of water availability and the impact on water supplies of each proposed project.
- o Review by the Attorney General of all proposed guarantees to ensure no adverse impacts on competition or concentration in the energy industry.
- o Dissemination of information generated from the program to all interested parties.

In addition to these requirements, ERDA plans to form an Environmental Advisory Committee to ensure regional, state and local input into the decision-making process on the proposed program.

In summary, Mr. Chairman, the proposed legislation is essential, it is responsible and I urgently request the Congress to act favorably on it. I have attached several suggestions for modification of the proposed legislation which I hope the Committee will carefully consider.

Finally, I would like to note for the Committee that about two weeks ago, for the first time in our Nation's history, we actually imported more oil than we produced during a given day. In as much as it would take us at least five to six years to build the first plants to replace these natural fuels from coal or shale, it would seem the height of national imprudence not to provide legislative means to proceed with such construction as quickly as possible. Our energy fuel clock is ticking away steadily. It is running down on a irreversible course and it is not going to wait for political considerations or resolution of all market uncertainties.

Thank you, Mr. Chairman. I will be pleased to answer any question you or any other member of the Committee may have at this time.

ERDA'S RECOMMENDED CHANGES TO H.R. 12112

Judicial Review of Administrator's Decision to Override Governors' Veto of Proposed Award (Section 17(sic)(e)(1))

It is ERDA's view that this subsection would give new authority to any person to seek judicial review of the Administrator's decision not to accept a Governor's recommendation. While ERDA believes such authority is appropriate for the Governor of the potentially affected state, granting such authority to any person would automatically build in a substantial program delay which may range up to 24 months or more for any project not unanimously approved by every party which may claim interest. Delay of this extent would, as a practical matter, preclude initiation of fully meritorious projects which might meet every other applicable Federal and State law and regulation. We believe that Federal law should not provide a mechanism of this kind for any party capriciously to halt or substantially delay an important energy project which would otherwise go forward. ERDA strongly believes that encouraging court action of this kind by any party is not in the best interests of achieving energy independence in the future.

H.R. 12112 requires the Administrator, before he approves loan guaranties for any project, to obtain numerous concurrences including that of the Congress. Because of these, ERDA is of the opinion that the Administrator's decision will already have been subjected to general review.

ERDA, therefore, believes that the right of judicial review should be limited to the Governor whose recommendations are being overridden and that the present access to such review by any party should be eliminated from the Bill.

New Conflict of Interest Provision (Section 17(sic)(t))

In ERDA's views, Section (t) should be eliminated from H.R. 12112, since to a large extent it duplicates existing requirements established under Executive Order 12112, and ERDA regulations, both of which provide that ERDA employees must report financial interests of any kind in any company over a level deemed inconsequential. ERDA finds no reason to believe that Section (t) would assure more adequate reporting than the present requirements. Section (t) appears

unnecessary since existing law (18 U.S.C. 208) provides criminal penalties for Federal employees who knowingly participate in governmental actions affecting private companies in which they have financial interests, unless they have received in advance formal written exemption. Section (t), in contrast, requires only a publicly available report.

In this connection, making public an employee's financial interests is contrary to the policy of the Privacy Act which protects the legitimate rights of employees in their private affairs. In many cases, the financial interests which would have to be made public, have no relationship to the actual duties of the employee. For example, an employee may have an interest in a company which has nothing to do with activities under H.R. 12112, but nevertheless, that employee would be required to make that information available to the public under the proposed legislation. Such a provision is not necessary to assure public confidence in the integrity of government employees. Existing procedures will uncover such conflicts of interest as may exist and deal with them appropriately.

Lastly, this provision enlarges upon existing law for dealing with conflicts of interest (18 U.S.C. 201-209), but only for certain categories of employees, and only in certain areas. ERDA believes that if changes are necessary they should be made uniform as to all Federal employees rather than singling out those concerned with the loan guaranty activities proposed under H.R. 12112.

Limitation on Amount of Loan Guaranty Authority for Socio-economic Impact (Section 17(sic)(k)(1))

The \$350 million authorization for Community Impact Assistance which appears in H.R. 12112 was calculated for use in connection with implementation of the full 350,000 barrel per day, \$6 billion loan guaranty program.

Since H.R. 12112 provides only the initial \$2 billion increment of that program, the \$350 million should be adjusted accordingly. Since the time the \$350 million was calculated ERDA has, principally on account of inflation, revised its estimate of required public infrastructure costs upward. ERDA recommends that this limitation be changed to \$150 million to correspond to the \$2 billion in total guaranty authority. (See Program Fact Book for details).

Authority for Administrative Expenses

H.R. 12112 does not provide specific authorization for the expenses of administering the loan guaranty program authorized therein. It is recommended that a sum of \$15 million per year, which ERDA finds to be necessary and sufficient, be so authorized.

Congressional Approval (Section 17(sic)(m))

This section as currently written provides that either House may affectively block implementation of loan guaranty awards in excess of \$500,000,000 (appears in legislation as \$500,000) that are recommended by the Administrator.

Before such award can be made, the Administrator will have had to proceed with the following steps:

1. Obtain the concurrence of the Secretary of the Treasury with regard to the terms and conditions of the proposed loan guaranty.
2. Provide opportunity to the Attorney General to comment on the project with regard to anti-competitive and concentration characteristics.
3. Provide for review and comment by State and local governments, and by the general public.
4. Obtain comments of the Governor of the State concerned and appropriate officials of each political subdivision thereof and Indian tribes whose interests are affected by the project, and provide opportunity for the Governor to formally object to award of a loan guaranty thereto.
5. Obtain an assessment of water availability and impacts for each proposed project from the Water Resources Council.
6. Prepare programmatic and site specific environmental impact statements which are further subject to public review and comment.

In view of the foregoing, and the careful scrutiny to which each proposed loan guaranty award will be subject,

it appears to us that the recommendation of the Administrator should only be overturned in the final stages by a procedure which will have the same characteristic of balancing of interests. It is ERDA's further opinion that the structure of the legislature has within it the checks and balances which are required, but only if both Houses of Congress are involved in the process. ERDA, therefore, recommends that the concurrence of both Houses be required in any resolution to set aside the Administrator's decision regarding incentive award.

*1 5/11/76
2 5/11/76
3 5/11/76*
ALABAMA

Nichols 1
Bevill 1
Jones 1
Flowers 1
*Edwards 1
*Dickinson 1
*Buchanan 1

ALASKA

* Young 1

ARIZONA

Udall nv*
*Rhodes 1
Steiger 5 3
*Conlan 1

ARKANSAS

Alexander 1
Mills 1
Thorton 1
*Hammerschmidt 1

CALIFORNIA

Johnson 1
Moss 5
Leggett 5 1
Burton, J nv
Burton, P nv
Miller 5
Dellums 5
Stark 5
Edwards 5*
Ryan 5* 1
Mineta 5 1
McFall 1
Sisk 1
Krebs 5 2
Corman 1
Rees 1
Waxman 5 4
Roybal 5* 1
Burke 5
Hawkins 5
Danielson 5* 1
Wilson 1
Anderson 5* 4
Hannaford 1
Lloyd 5* 1
Brown 1
Patterson 1
Van Deerlin 5* 1

CALIFORNIA (Contd)

Clausen 5 1
McCloskey 5
Talcott 5 1
Ketchum nv
Lagomarsino 5 2
Goldwater 5
Moorhead 5 1
Rousselot 5 1
Bell nv 1
Clawson 5 1
*Pettis 1
Wiggins 5 4
*Hinshaw (can't vote)
*Wilson 1
Burgener 5 1

COLORADO

Schroeder 5*
Wirth 1
Evans 1
Johnson 5 2
Armstrong 5

CONNECTICUT

Cotter 1
Dodd 5*
Giaino 1
Moffett 5
*McKinney 1
*Sarasin 1

DELAWARE

Du Pont 5

FLORIDA

Sikes nv*
Fuqua 1
Bennett 1
Chappell 1
Gibbons 5*
Haley 5*
Rogers 5
Lehman 1
Pepper 1
Fascell 5*
Kelly 5
Young 5
*Frey 1

FLORIDA (Contd)

Bafalis 5
Burke 5

GEORGIA

Ginn 1
Mathis 1
Brinkley 1
Levitag 1
Young 5
Flynt nv*
McDonald 5*
Stuckey 1
Landrum nv*
Stephens 1

HAWAII

Matsunaga 5
Mink 5

IDAHO

Symms 2 5
Hansen 5

ILLINOIS

Metcalf 1
Murphy 1
Russo 5*
Fary 1
Collins 5*
Rostenkowski 1
Yates 5*
Mikva nv*
Annunzio 1
Hall 5*
Shipley 1
Price 1
Simon 1
*Derwinski 1
*Hyde 1
Crane 5
*McClory 1
Erlenborn 5
*Anderson 1
*O'Brien 1
*Michel 1
*Railsback 1
Findley 5
Madigan 5

INDIANA

Madden	5*
Fithian	5
Brademas	5*
Roush	5*
Evans	5*
Hayes	5*
Hamilton	5*
Sharp	5
Jacobs	5*
*Hillis	1
*Myers	1

IOWA

Mezvinsky	5
Blouin	5*
Smith	1
Harkin	5*
Bedell	5
*Grassley	5

KANSAS

Keys	5*
Sebelius	nv 2
*Winn	1
Shriver	5 2
Skubitz	5 2

KENTUCKY

Hubbard	1
Natcher	1
Mazzoli	1
Breckinridge	1
Perkins	1
Snyder	5
*Carter	1

LOUISIANA

Hebert	nv*
Boggs	5*
Waggoner	5*
Passman	1
Breaux	5*
Long	5*
Treen	5
Moore	5

MAINE

*Emery	1
Cohen	5

MARYLAND

Long	5
Sarbanes	5
Spellman	5
Byron	5*
Mitchell	5
Bauman	5
Holt	5
*Gude	5

MASSACHUSETTS

Boland	5
Early	5
Drinan	5
Tsongas	5
Harrington	5*
Macdonald	5*
O'Neill	1
Moakley	5*
Burke	5*
Studds	5
Conte	5
Heckler	5

MICHIGAN

Conyers	5
Vander Veen	5*
Carr	5
Riegle	5*
Traxler	5
O'Hara	5
Diggs	5
Nedzi	5
Ford	nv
Dingell	5
Brodhead	5
Blanchard	3

*Esch	1
*Brown	1
Hutchinson	5
Vander Jagt	nv
*Cederberg	1
Ruppe	5 /
Broomfield	5

MINNESOTA

Karth	5
Fraser	nv
Nolan	5
Bergland	1
Oberstar	5*
Quie	5
*Hagedorn	5
*Frenzel	5

MISSISSIPPI

Whitten	1
Bowen	1
Montgomery	1
Cochran	5
Lott	5

MISSOURI

Clay	5
Symington	5*
Sullivan	5
Randall	1
Bolling	1
Litton	5* 2
Ichord	nv*
Hungate	5*
Burlison	1
*Taylor	5

MONTANA

Baucus	5*
Melcher	5*

NEBRASKA

Thone	5
McCollister	5
Smith	5

NEVADA

Santini	5*
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NEW HAMPSHIRE

D'Amours	5
*Cleveland	1

4-5-76

NEW JERSEY

Florio 5
 Hughes 5
 Howard 5
 Thompson 5
 Maguire 5
 Roe 5
 Helstoski 5*
 Rodino 5*
 Minish 5*
 Meyner 5*
 Daniels 5*
 Patten 1
 Fenwick 5
 *Forsythe 1
 Rinaldo 5

NEW MEXICO

Runnels 1
 *Lujan 1

NEW YORK

Pike 5*
 Downey 5
 Ambro 1
 Wolff 5
 Addabbo 5*
 Rosenthal 5
 Delaney 5*
 Biaggi 5*
 Scheuer 5
 Chisholm 5
 Solarz 5
 Richmond 5
 Zeferetti 5*
 Holtzman 5
 Murphy 5*
 Koch 5
 Rangel 5
 Abzug 5
 Badillo 5
 Bingham 5
 Ottinger 5
 McHugh 5*
 Stratton 1
 Pattison 1
 Hanley 5
 LaFalce 5
 Nowak 5
 Lundine 5*

NEW YORK (Contd)

Lent 5
 Wydlar 5
 Peyser nv
 Fish 5
 *Gillman 1
 *McEwen 5
 Mitchel 5
 *Walsh 1
 Horton nv
 Conable 5
 Kemp 5

NORTH CAROLINA

Jones 5*
 Fountain 5
 Henderson 5*
 Andrews 5
 Neal 5*
 Preyer 1
 Rose 5*
 Hefner 5
 Taylor 5*
 *Martin 1
 Broyhill 5

NORTH DAKOTA

Andrews 5

OHIO

Ashley 5
 Seiberling 5
 Hays 5*
 Carney 5
 Stanton 5
 Stokes 5
 Vanik 5
 Mottl 5*
 Gradison 5
 Clancy 5
 *Whalen 5
 Guyer 5
 Latta 5
 Harsha 5
 Brown 5
 Kindness 5
 *Miller 1
 *Stanton 1
 Devine 5
 *Mosher 1
 Wylie 5
 Regula 5
 Ashbrook 5

OKLAHOMA

Jones 1
 Risenhoover 1
 Albert 1
 Steed 1
 English 1
 *Jarman 1

OREGON

AuCoin 5*
 Ullman 5*
 Duncan 5*
 Weaver nv*

PENNSYLVANIA

Barrett 5*
 Nix 1
 Green 5*
 Eilberg 5*
 Yatron 1
 Edgar 5
 Flood 1
 Murtha 1
 Moorhead 5*
 Rooney 5*
 Gaydos nv*
 Dent 1
 Morgan 1
 Vigorito 5
 *Schulze 5
 Biester 5
 Shuster 5
 *McDade 1
 Coughlin 5
 Eshleman 5
 Schneebeli 5
 Heinz nv
 *Goodling, W 1
 *Johnson 1
 *Myers 1

RHODE ISLAND

St. Germain 5
 Beard 5

4-5-76

SOUTH CAROLINA

Davis	nv*
Derrick	5*
Mann	5*
Holland	5*
Jenrette	nv*
Spence	5

SOUTH DAKOTA

Pressler	5
Abdnor	5

TENNESSEE

Lloyd	1
Evins	1
Allen	5*
Jones	5
Ford	5*
*Quillen	1
*Duncan	1
*Beard	1

TEXAS

Patman	5*
Wilson	5* /
Roberts	5*
Teague	1
Eckhardt	5
Brooks	5*
Pickle	1
Poag	1
Wright	1
Hightower	1
Young	1
De La Garza	5*
White	1
Burleson	1
Jordan	5-3
Mahon	1
Gonzalez	5
Krueger	nv*
Casey	(resigned)
Kazen	1
Milford	1
*Collins	1
Steelman	5
Archer	5

UTAH

McKay	1
Howe	1

VERMONT

Jeffords	5
-----------	----

VIRGINIA

Downing	1
Satterfield	5*
Daniel	1
Harris	5-2
Fisher	5
Whitehurst	5
Daniel	5
Butler	5
Robinson	5
*Wampler	1

WASHINGTON

Meeds	1
Bonker	1
McCormack	1
Foley	1
Hicks	1
Adams	1
Pritchard	5

WEST VIRGINIA

Mollohan	1
Staggers	5
Slack	1
Hechler	5

WISCONSIN

Aspin	5
Kastenmeier	5
Baldus	5
Zablocki	5* /
Reuss	5*
Obey	5
Cornell	5
Steiger	5
Kasten	5

WYOMING

Roncallo	35
----------	----

APR. 1 1976

THE WHITE HOUSE
WASHINGTON

4-1-76

Date

~~3-31~~

TO:

Charlie

FROM: Max L. Friedersdorf

For Your Information

Please Handle



Please See Me

Comments, Please

Other

P.B. get their info to Jack **DONE**
Janukowsky 4-5-76
cdp



UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

ADD 1976 April 1, 1976

MEMORANDUM FOR MAX FRIEDERSDORF

FROM: H. Hollister Cantus

SUBJECT: PRESIDENT'S SYNTHETIC FUELS PROGRAM

As you know, a bill providing authorization for the President's synthetic fuel commercial demonstration program has been reintroduced in the House by Tiger Teague and referred to Tiger's Science and Technology Committee. The bill (H.R. 12112) provides for \$2 billion in loan guaranties and coincides with the President's 1976 budget supplemental request of \$2 billion in guaranty authority.

The bill is now in full Committee and the plan is to finish the hearings (which began on Wednesday) late next week and to mark up before the Easter recess. Following the recess the bill would be reported to the floor.

Tiger has requested that the White House get to Speaker Albert and indicate the President's strong support of the program. We agree.

Attached are some talking points for you to use in a telephone call to the Speaker. Also attached is a three page background paper on the need for the synthetic fuels program.

Thanks, in advance.

Attachments



4/1/76

TALKING POINTS FOR MR. FRIEDERSDORF
IN CONNECTION WITH THE PRESIDENT'S
SYNTHETIC FUEL PROGRAM

- As you know, Mr. Speaker, Tiger Teague has re-introduced the loan guaranty bill for synthetic fuels. It was referred to his Committee and he is now conducting full Committee hearings and will go to the floor with the bill shortly after the Easter recess.
- The President asked me to call you to ensure that you understand that he is in strong support of Tiger's bill. Anything you can do to assist Tiger will be greatly appreciated by the President. The President believes that this bill is worthy of strong bipartisan support.
- The bill provides loan guaranties to facilitate the construction of a limited number of commercial-scale plants so that we can begin to lay the foundation for a synthetic fuels industry to augment our dwindling supplies of conventional oil and gas.
- The U.S. is becoming increasingly dependent on foreign supplies of oil and gas and if we don't begin this program this year, in a responsible fashion, we run the risk at a later date of embarking upon a crash effort with inadequate attention to environmental and other values.
- The President supports Tiger Teague in moving ahead with this essential energy supply program. We are already beginning to experience supply shortfalls in this Country and we can ill afford to wait any longer while our import dependence continues to grow.
- The President would appreciate your letting Tiger know of your support in this matter.

3/15/76

THE NEED FOR A SYNTHETIC FUEL
COMMERCIAL DEMONSTRATION PROGRAM

Declining Supplies of U.S. Oil and Gas

The U.S. dependence on foreign sources of oil and gas continues to grow. Domestic supplies of oil and gas are projected to decline beginning in the late 1980's. Production of domestic oil and natural gas has already fallen in the last several years and even with deregulation and decontrol, domestic oil and gas supplies would only be extended 5-10 years. Even using advanced oil and gas recovery techniques and extensive production from the Outer Continental Shelf and Alaska, improved energy conservation, expansion of nuclear power capacity, and greater direct burning of coal, imports will continue to rise substantially if synthetic fuels are not available in substantial quantities by the 1990's.

This projection that synthetic fuels will be needed in substantial quantities in the 1990's is based on realistic estimates of domestic production of oil and gas and also assumes substantial growth in nuclear power as well as optimistic projections of the contributions from conservation programs and solar and geothermal sources. If any of these domestic energy supplies fails to provide what we expect, then the need for synthetic fuels could be much more than the currently estimated demand in 1995 for 5 million barrels per day.

Long Lead-Time to Create New Industry

Initiating a synthetic fuels industry capable of providing this 5 million equivalent barrels/day (i.e., about 100 major plants) by 1995 requires an immediate "commercial demonstration program" to resolve a number of uncertainties related to economic feasibility, environmental feasibility, socio-economic impacts, resource requirements, capital cost, financing, and regulatory constraints. These uncertainties must be resolved in order to enable adequate plant investment in the middle 1980's so that significant production can be achieved in the 1990's. Thus, the lead times involved require the construction and operation over the next 5 to 10 years of a representative mix of synthetic fuels plants to obtain the necessary data and information to resolve these uncertainties to enable the required industry expansion to proceed.

What Information the Proposed Program Provides

The information program proposed in H.R. 12112 is designed to resolve future investment uncertainties through the construction and operation of a limited number of commercial demonstration plants using coal, oil shale, solid waste and other renewable resources to result in the production of about 350,000 oil equivalent barrels/day of synthetic fuels by the early 1980's.

The construction and operation of these plants using commercial-scale components and operating procedures will produce necessary information not available from R, D and D technology-testing facilities. Such information includes:

- Economic Feasibility: What are actual product costs based upon the efficiencies of continuous operations, the economies of scale achieved and the utilization of technically-proven system designs and components.
- Environmental Feasibility: What are the actual environmental impacts from ongoing commercial-scale plant operations and can they be confined within acceptable standards.
- Socioeconomic Impact: What are the impacts upon local communities that result from their accommodation of commercial-scale plants and can mechanisms be developed to sufficiently mitigate them to gain widespread community acceptance for these plants.
- Resource Requirements: What are the actual water, mining, transportation and labor requirements of commercial plants in various parts of the country.
- Capital Cost and Financing: What amounts of private capital will be required at what cost from the financial community and what conditions will be established for access to this capital.
- Regulatory Constraints: What will be required by Federal and state regulatory commissions to authorize the construction and operation of commercial plants and which synthetic fuel products will be subject to what kind of regulation.

Proposed Legislation

The proposed legislation would provide limited financial incentives, on a competitive basis, to the private sector for the construction and operation of commercial demonstration plants using a representative mix of existing synthetic fuel technologies. The proposed incentive would be in the form of Federal loan guarantees for up to 75 percent of the total project cost. Each incentive award would be so designed to provide sufficient Federal assistance to enable plant development but also require a considerable financial commitment by the private sector.

The proposed program places great emphasis on environmental quality issues and would provide financial and technical assistance to affected localities for needed socio-economic infrastructure development. In this regard, ERDA has published for public comment a draft Environmental Impact Statement (ERDA-1547) on the proposed program in December, 1975 and will require a site-specific EIS for each proposed project. Both the programmatic and site-specific statements will guide a rigorous project monitoring effort to identify and control all potential environmental problems.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 9, 1976

NOTE TO: MAX FRIEDERSDORF/CHARLIE LEPPERT ✓
FROM: ALAN M. KRANOWITZ *AK*

Per our previous conversation, you might be interested in seeing a copy of Jim's letter to Tiger Teague regarding syn fuels.

Attachment

cc:
Mr. Leoffler
Mr. Rowland

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 9 - 1976

Honorable Olin E. Teague
Chairman
Committee on Science and Technology
Washington, D. C. 20515

Dear Mr. Chairman:

I would like to extend my appreciation to you and the other members of your Committee for your continuing efforts to pass legislation, specifically H.R. 12112, which would provide loan guarantee incentives for the production of synthetic fuels from coal, oil shale, and other domestic resources.

In his February 26 message to the Congress on energy policy, the President reiterated the need to reduce our vulnerability to the economic disruption which a few foreign countries can cause by cutting off our energy supplies or by arbitrarily raising prices. The synthetic fuels commercialization program, which will result from the legislation you are considering, is a key step toward demonstrating our nation's capability to counter this vulnerability by making more effective use of our domestic energy resources. Let me assure you of the President's strong support for favorable congressional action on the \$2 billion loan guarantee program proposed in H.R. 12112.

The synthetic fuels commercialization program is important because it will provide critically needed information about the economics and the environmental and socio-economic impacts of commercial-scale synthetic fuel production. It is imperative that we obtain such information as quickly as possible so that, as a nation, we can have the basis for undertaking further efforts to tap domestic energy resources through synthetic fuel production. Loan guarantee incentives will play an essential role in obtaining both private industry expertise and investment for the initiation of this program.

Dr. Seamans has suggested several modifications to H.R. 12112 which I endorse. In particular, I would like to draw your attention to the one-House veto provision--subsection (m)--which is of substantial concern to the Administration. Several Attorneys

General have expressed the view that such provisions are unconstitutional since they do not comport with requirements for enactment of legislation (Art. I, Sec. 7). In addition, on programmatic grounds we do not believe a one-House veto is in the interest of either the legislative or executive branch in this instance. The selection of a project for a loan guarantee will be a competitive procedure incorporating a number of complex criteria including technical, environmental, economic and other factors. We believe such a competitive procedure should be conducted in the most careful, analytic and objective manner in order that the country may receive the best results from its investments. The one-House veto procedure will impede this process by inviting unwarranted lobbying campaigns by the sponsors of competing projects. Furthermore, this procedure is likely to introduce significant delays in program implementation (in excess of 60 days) causing slippage in meeting an already tight time schedule for the synthetic fuels commercialization program.

I urge you and your Committee to act quickly on this legislation in the national interest.

Sincerely yours,

(Signed) James T. Lynn

James T. Lynn
Director

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THOMAS N. DOWNING, VA.
DON FUQUA, FLA.
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WALTER FLOWERS, ALA.
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RAY THORNTON, ARK.
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RICHARD L. OTTINGER, N.Y.
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MARVIN L. ESCH, MICH.
JOHN B. CONLAN, ARIZ.
GARY A. MYERS, PA.
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LARRY PRESSLER, S. DAK.

COMMITTEE ON SCIENCE AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES
SUITE 2321 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

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ROBERT C. KETCHAM
REGINA A. DAVIS
MINORITY COUNSEL:
MICHAEL A. SUPERATA

April 9, 1976

Charles Leppert, Jr.
Special Assistant for Legislative Affairs
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

re: H.R. 12112

Dear Mr. ^{Charlie} Leppert:

Enclosed is the relevant portion of our April 7 hearing where Chairman Teague expressed displeasure with the degree of support which he perceives the synthetic fuel loan guarantee bill is receiving.

Sincerely,

Michael A. Superata
Michael A. Superata
Minority Counsel

MAS/lmt

1 Mr. Parsky. I think I have made every attempt to cooper-
2 ate with the Committee in any way I can and I know that time
3 constraints are often difficult for both of us. I have two
4 gentlemen here with me who were supplying me with some infor-
5 mation, and they participated in the program and I have always
6 thought that in testifying before Congress you wanted to have
7 the best information available. That is all I was trying to
8 provide.

9 Mr. Hechler. I have no criticism.

10 The Chairman. Last year from the White House numerous
11 times upon the highest authority we were assured of support
12 and help for this type legislation and we got absolutely none.
13 This bill is not going back to the floor unless we have
14 some assurance they are going to do something besides talk.
15 Just coming here to testify is not enough. I was told yester-
16 day by a former member of Congress that he bumped into a man
17 from the White House who told him that this legislation was
18 about at the bottom of their priority up here on the Hill.
19 If that ⁶ ~~is~~ true, I will quit having hearings and forget it.

20 Mr. Parsky. If that were true, I would advise you to
21 do that. I was under the impression that this is an impor-
22 tant piece of legislation. That is why I have come back to
23 testify and I have tried to arrange things.

24 The Chairman. You have done everything you can, but
25 some other people have not done anything. And if they want



1 this legislation they had better help. I am not about to
2 go back to the House floor and get embarrassed by people not
3 knowing what it is all about.

4 Thank you, sir.

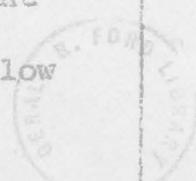
5 Mr. Parsky. Thank you.

6 Mr. Hechler. Thank you, Mr. Parsky.

7 Dr. Habicht, I wonder if you could continue with your
8 presentation.

9 Dr. Habicht. Thankyou, Mr. Chairman. I was about to say
10 that we believe that price is an important signal to the
11 consumer in order to effect efficient use of resources. And
12 insofar as we interfere with accurate price signals we will
13 stimulate consumption of unnecessary volumes of natural gas
14 and in the future, of course, place additional burdens on the
15 capital market simply by virtue of the fact that we are
16 artificially maintaining low prices of a scarce commodity.

17 We believe there is a broad identify of interest between
18 those concerned with protecting the environment and American
19 consumers, workers and investors. This identify of interest
20 arises from the fact that there are a number of investment
21 strategies which promise to bring forth both relatively low
22 cost energy and higher employment levels than presently
23 obtain at a reduced level of environmental damage and invest-
24 ment risk. Unfortunately, these strategies are largely
25 ignored by federal energy policy makers and are not enhanced



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

RECOMMENDED TELEPHONE CALL

TO: Chairman Teague of the House
Science and Technology Committee

DATE: Monday, April 12, 1976

RECOMMENDED BY: James T. Lynn

PURPOSE: To assure Mr. Teague that he will receive support from the Administration

BACKGROUND: Chairman Teague has re-introduced loan guaranty legislation (H.R. 12112) for the President's proposed synthetic fuels program and the bill was referred exclusively to this Committee. Hearings are now in progress. Markup is scheduled for Tuesday, April 13.

TALKING POINTS:

1. President appreciates Mr. Teague's early and vigorous action to re-introduce the loan guaranty legislation. Notes that to begin soon to lay the foundation for converting our plentiful domestic coal, oil shale and other resources into clean liquid and gaseous fuels is extremely important.
2. Expresses his disappointment along with that of Mr. Teague that this legislation did not pass last December. The President is aware that the Chairman did not receive the strong minority support he needed.
3. President expresses awareness that Mr. Teague's bill will be coming to the floor after Easter. He informs the Chairman that Jack Marsh and Max Friedersdorf will be lending their full support to the bill's passage and John Rhodes will also be working hard to give Mr. Teague all the help needed to get this bill through quickly.
4. Recognizes that Mr. Teague will be under pressure to amend the bill in ways we both wouldn't want. We're 100 percent behind you.

DATE OF SUBMISSION

April 8, 1976

ACTION _____

CONSERVATIVES* VOTING AGAINST SECTION 103

Abdnor, James
Archer, Bill
Armstrong, William L.
Ashbrook, John M.
Bauman, Robert E.
Broomfield, Wm. S.
Brown, Clarence J.
Broyhill, James T.
Burgener, Clair W.
Butler, M. Caldwell
Byron, Goodloe E.
Clancy, Donald D.
Clausen, Don H.
Clawson, Del
Cochran, Thad
Conable, Barber B.
Crane, Philip M.
Daniel, Robert W., Jr.
Devine, Samuel L.
Erlenborn, John N.
Eshleman, Edwin D.
Findley, Paul
Fountain, L. H.
Goldwater, Barry M., Jr.
Gradison, Willis D., Jr.
Grassley, Charles E.
Hagedorn, Tom
Haley, James F.
Hansen, George
Harsha, William H.
Hastings, James F.
Hinshaw, Andrew J.
Holt, Marjorie S.
Hutchinson, Edward
Johnson, James P.
Jones, Walter B.
Kelly, Richard
Kemp, Jack E.
Kindness, Thomas N.
Lagomarsino, Robert J.

Latta, Delbert L.
Lott, Trent
McCollister, John Y.
McDonald, Larry
McEwen, Robert C.
Mann, James R.
Mitchell, Donald J.
Moore, W. Henson
Moorhead, Carlos J.
Pettis, Shirley N.
Quie, Albert H.
Robinson, J. Kenneth
Rousselot, John H.
Satterfield, David E.
Schneebeli, Herman T.
Schulze, Richard T.
Sebelius, Keith G.
Shriver, Garner E.
Shuster, Bud
Skubitz, Joe
Smith, Virginia
Snyder, Gene
Spence, Floyd
Steelman, Alan
Steiger, Sam
Steiger, William A.
Symms, Steven D.
Talcott, Burt L.
Taylor, Gene
Thone, Charles
Treen, David C.
Waggoner, Joe D.
Wampler, William C.
Whitehurst, G. William
Wiggins, Charles E.
Wilson, Bob
Wylie, Chalmers P.
Young, C. W. Bill

CONSERVATIVES* NOT VOTING ON SECTION 103

Burke, J. Herbert
Ketchum, William M.

* ACA Rating of 70 or greater

ALABAMA

Nichols 1
 Bevill 1
 Jones 1
 Flowers 1
 *Edwards 1
 *Dickinson 1
 *Buchanan 1

ALASKA

* Young 1

ARIZONA

Udall nv*
 *Rhodes 1
 Steiger 5 3
 *Conlan 1

ARKANSAS

Alexander 1
 Mills 1
 Thorton 1
 *Hammerschmidt 1

CALIFORNIA

Johnson 1
 Moss 5
 Leggett 5 1
 Burton, J nv
 Burton, P nv
 Miller 5
 Dellums 5
 Stark 5
 Edwards 5*
 Ryan 5* 1
 Mineta 5 1
 McFall 1
 Sisk 1
 Krebs 5 2
 Corman 1
 Rees 1
 Waxman 5 4
 Roybal 5* 1
 Burke 5
 Hawkins 5
 Danielson 5* 1
 Wilson 1
 Anderson 5* 4
 Hannaford 1
 Lloyd 5* 1
 Brown 1
 Patterson 1
 Van Deerlin 5* 1

CALIFORNIA (Contd)

Clausen 5 1
 McCloskey 5
 Talcott 5 1
 Ketchum nv
 Lagomarsino 5 2
 Goldwater 5
 Moorhead 5 1
 Rousselot 5 1
 Bell nv 1
 Clawson 5 1
 *Pettis 1
 Wiggins 5 4
 *Hinshaw (can't vote)
 *Wilson 1
 Burgener 5 1

COLORADO

Schroeder 5*
 Wirth 1
 Evans 1
 Johnson 5 2
 Armstrong 5

CONNECTICUT

Cotter 1
 Dodd 5*
 Giaimo 1
 Moffett 5
 *McKinney 1
 *Sarasin 1

DELAWARE

Du Pont 5

FLORIDA

Sikes nv*
 Fuqua 1
 Bennett 1
 Chappell 1
 Gibbons 5*
 Haley 5*
 Rogers 5
 Lehman 5
 Pepper 1
 Fascell 5*
 Kelly 5
 Young 5
 *Frew 1

FLORIDA (Contd)

Bafalis 5
 Burke 5

GEORGIA

Ginn 1
 Mathis 1
 Brinkley 1
 Levitas 1
 Young 5
 Flynt nv*
 McDonald 5*
 Stuckey 1
 Landrum nv*
 Stephens 1

HAWAII

Matsunaga 5
 Mink 5

IDAHO

Symms 2 5
 Hansen 5

ILLINOIS

Metcalf 1
 Murphy 1
 Russo 5*
 Fary 1
 Collins 5*
 Rostenkowski 1
 Yates 5*
 Mikva nv*
 Annunzio 1
 Hall 5*
 Shipley 1
 Price 1
 Simon 1
 *Derwinski 1
 *Hyde 1
 Crane 5
 *McClory 1
 Erlenborn 5
 *Anderson 1
 *O'Brien 1
 *Michel 1
 *Railsback 1
 Findley 5
 Madigan 5

DIANA

Madden 5*
 Fithian 5
 Brademas 5*
 Roush 5*

Evans 5*
 Hayes 5*
 Hamilton 5*
 Sharp 5
 Jacobs 5*
 Hillis 1
 Myers 1

WA

Mezvinsky 5
 Blouin 5*
 Smith 1
 Harkin 5*
 Bedell 5
 Grassley 5

NSAS

Keys 5*
 Sebelius nv 2
 *Winn 1
 Shriver 5 2
 Skubitz 5 2

KENTUCKY

Hubbard 1
 Natcher 1
 Mazzoli 1
 Breckinridge 1
 Perkins 1
 Snyder 5
 *Carter 1

LOUISIANA

Hebert nv*
 Boggs 5*
 Waggoner 5*
 Passman 1
 Breaux 5*
 Long 5*
 Treen 5
 Moore 5

MAINE

*Emery 1
 Cohen 5

MARYLAND

Long 5
 Sarbanes 5
 Spellman 5
 Byron 5*
 Mitchell 5
 Bauman 5
 Holt 5
 *Gude 5

MASSACHUSETTS

Boland 5
 Early 5
 Drinan 5
 Tsongas 5
 Harrington 5*
 Macdonald 5*
 O'Neill 1
 Moakley 5*
 Burke 5*
 Studds 5
 Conte 5
 Heckler 5

MICHIGAN

Conyers 5
 Vander Veen 5*
 Carr 5
 Riegle 5*
 Traxler 5
 O'Hara 5
 Diggs 5
 Nedzi 5
 Ford nv
 Dingell 5
 Brodhead 5
 Blanchard 3

*Esch 1
 *Brown 1
 Hutchinson 5
 Vander Jagt nv
 *Cederberg 1
 Ruppe 5 /
 Broomfield 5

MINNESOTA

Karth 5
 Fraser nv
 Nolan 5
 Bergland 1
 Oberstar 5*
 Quie 5
 *Hagedorn 5
 *Frenzel 5

MISSISSIPPI

Whitten 1
 Bowen 1
 Montgomery 1
 Cochran 5
 Lott 5

MISSOURI

Clay 5
 Symington 5*
 Sullivan 5
 Randall 1
 Bolling 1
 Litton 5* 2
 Ichord nv*
 Hungate 5*
 Burlison 1
 *Taylor 5

MONTANA

Baucus 5*
 Melcher 5*

NEBRASKA

Thone 5
 McCollister 5
 Smith 5

NEVADA

Santini 5*

NEW HAMPSHIRE

D'Amours 5
 *Cleveland 1

Florio	5
Hughes	5
Howard	5
Thompson	5
Maguire	5
Roe	5
Helstoski	5*
Rodino	5*
Minish	5*
Meyner	5*
Daniels	5*
Patten	1
Fenwick	5
*Forsythe	1
Rinaldo	5

Lent	5
Wydler	5
Peysler	nv
Fish	5
*Gillman	1
*McEwen	5
Mitchel	5
*Walsh	1
Horton	nv
Conable	5
Kemp	5

Jones	1
Risenhoover	1
Albert	
Steed	1
English	1
*Jarman	1

OREGON

AuCoin	5*
Ullman	5*
Duncan	5*
Weaver	nv*

NORTH CAROLINA

Jones	5*
Fountain	5
Henderson	5*
Andrews	5
Neal	5*
Preyer	1
Rose	5*
Hefner	5
Taylor	5*
*Martin	1
Broyhill	5

PENNSYLVANIA

Barrett	5*
Nix	1
Green	5*
Eilberg	5*
Yatron	1
Edgar	5
Flood	1
Murtha	1
Moorhead	5*
Rooney	5*
Gaydos	nv*
Dent	1
Morgan	1
Vigorito	5

NEW MEXICO

Runnels	1
*Lujan	1

NORTH DAKOTA

Andrews	5
----------	----

OHIO

Ashley	5
Seiberling	5
Hays	5*
Carney	5
Stanton	5
Stokes	5
Vanik	5
Mottl	5*

*Schulze	5
Biester	5
Shuster	5
*McDade	1
Coughlin	5
Eshleman	5
Schneebeli	5
Heinz	nv
*Goodling, W	1
*Johnson	1
*Myers	1

RHODE ISLAND

St. Germain	5
Beard	5

NEW YORK

Pike	5*
Downey	5
Ambro	1
Wolff	5
Addabbo	5*
Rosenthal	5
Delaney	5*
Biaggi	5*

Scheuer	5
Chisholm	5
Solarz	5
Richmond	5
Zeferetti	5*
Holtzman	5
Murphy	5*
Koch	5
Rangel	5
Abzug	5
Badillo	5
Bingham	5
Ottinger	5
McHugh	5*
Stratton	1
Pattison	1
Hanley	5
LaFalce	5
Nowak	5
Lundine	5*

Gradison	5
Clancy	5
*Whalen	5
Guyer	5
Latta	5
Harsha	5
Brown	5
Kindness	5
*Miller	1
*Stanton	1
Devine	5
*Noshier	1
Wylie	5
Regula	5
Akkerman	5

SOUTH CAROLINA

Davis	nv*
Derrick	5*
Mann	5*
Holland	5*
Jenrette	nv*
Spence	5

SOUTH DAKOTA

Pressler	5
Abdnor	5

TENNESSEE

Lloyd	1
Evins	1
Allen	5*
Jones	5
Ford	5*

*Quillen	1
*Duncan	1
*Beard	1

TEXAS

Patman	5*
Wilson	5* /
Roberts	5*
Teague	1
Eckhardt	5
Brooks	5*
Pickle	1
Poag	1
Wright	1
Hightower	1
Young	1
De La Garza	5*
White	1
Burleson	1
Jordan	5-3
Mahon	1
Gonzalez	5
Krueger	nv*
Casey	(resigned)
Kazen	1
Milford	1
*Collins	1
Steelman	5
Archer	5

UTAH

McKay	1
Howe	1

VERMONT

Jeffords	5
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VIRGINIA

Downing	1
Satterfield	5*
Daniel	1
Harris	5-2
Fisher	5
Whitehurst	5
Daniel	5
Butler	5
Robinson	5
*Wampler	1

WASHINGTON

Meeds	1
Bonker	1
McCormack	1
Foley	1
Hicks	1
Adams	1
Pritchard	5

WEST VIRGINIA

Mollohan	1
Staggers	5
Slack	1
Hechler	5

WISCONSIN

Aspin	5
Kastenmeier	5
Baldus	5
Zablocki	5* /
Reuss	5*
Obey	5
Cornell	5
Steiger	5
Kasten	5

WYOMING

Roncalio	35
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

file #R12112

April 9, 1976

NOTE TO: MAX FRIEDERSDORF/CHARLIE LEPPERT
FROM: ALAN M. KRANOWITZ *AMK*

Per our previous conversation, you might be interested in seeing a copy of Jim's letter to Tiger Teague regarding syn fuels.

Attachment

cc:
Mr. Leoffler
Mr. Rowland ✓

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 9 - 1976

Honorable Olin E. Teague
Chairman
Committee on Science and Technology
Washington, D. C. 20515

Dear Mr. Chairman:

I would like to extend my appreciation to you and the other members of your Committee for your continuing efforts to pass legislation, specifically H.R. 12112, which would provide loan guarantee incentives for the production of synthetic fuels from coal, oil shale, and other domestic resources.

In his February 26 message to the Congress on energy policy, the President reiterated the need to reduce our vulnerability to the economic disruption which a few foreign countries can cause by cutting off our energy supplies or by arbitrarily raising prices. The synthetic fuels commercialization program, which will result from the legislation you are considering, is a key step toward demonstrating our nation's capability to counter this vulnerability by making more effective use of our domestic energy resources. Let me assure you of the President's strong support for favorable congressional action on the \$2 billion loan guarantee program proposed in H.R. 12112.

The synthetic fuels commercialization program is important because it will provide critically needed information about the economics and the environmental and socio-economic impacts of commercial-scale synthetic fuel production. It is imperative that we obtain such information as quickly as possible so that, as a nation, we can have the basis for undertaking further efforts to tap domestic energy resources through synthetic fuel production. Loan guarantee incentives will play an essential role in obtaining both private industry expertise and investment for the initiation of this program.

Dr. Seamans has suggested several modifications to H.R. 12112 which I endorse. In particular, I would like to draw your attention to the one-house veto provision--subsection (m)--which is of substantial concern to the Administration. Several Attorneys

General have expressed the view that such provisions are unconstitutional since they do not comport with requirements for enactment of legislation (Art. I, Sec. 7). In addition, on programmatic grounds we do not believe a one-house veto is in the interest of either the legislative or executive branch in this instance. The selection of a project for a loan guarantee will be a competitive procedure incorporating a number of complex criteria including technical, environmental, economic and other factors. We believe such a competitive procedure should be conducted in the most careful, analytic and objective manner in order that the country may receive the best results from its investments. The one-house veto procedure will impede this process by inviting unwarranted lobbying campaigns by the sponsors of competing projects. Furthermore, this procedure is likely to introduce significant delays in program implementation (in excess of 60 days) causing slippage in meeting an already tight time schedule for the synthetic fuels commercialization program.

I urge you and your Committee to act quickly on this legislation in the national interest.

Sincerely yours,

(Signed) James T. Lynn

James T. Lynn
Director



UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

April 28, 1976

MEMORANDUM FOR RECORD

HS&T MARKUP OF H.R. 12112, THE SYNFUELS BILL

The House Committee on Science and Technology met today to commence the mark-up of the SynFuels Bill and took the following action:

1. After considerable debate and after voting down several substitute amendments, the Committee voted 28-2 to adopt the McCormack amendment to authorize that loan guarantees be allocated in the following proportions: Not more than 50% to High-Btu gasification, not more than 30% to other fossil fuel processes and not more than 50% to the renewable energy sources. This, in effect, sets aside 20% of the loan guarantee authority to renewable energy sources.

Amendments defeated:

- (a) An Emery amendment to authorize: not less than 30% to renewables (Voice vote)
- (b) A Harkin amendment : Not less than 20% to renewables (13-16)
- (c) An Ottinger amendment: change "more" to "less" (making the 50% to renewables a floor rather than a ceiling) (Voice vote)
- (d) An Emery amendment making the proportions 60-35-5 (5-25)
- (e) A Scheuer amendment making the proportions 50-35-15 (voice vote)

2. A Thornton amendment increasing the program to \$2 Billion in FY77 and \$2 Billion in FY 78, not to exceed the aggregate of \$4 Billion at any time, was passed by a vote of 19-10.

The Committee will reconvene tomorrow morning at 9:30 a.m. in 2318 Rayburn.

H. Hollister Cantus, Director
Office of Congressional Relations

Voting against the McCormack amendment were Mssrs. Goldwater and Scheuer.

Voting against the Thornton amendment were Mssrs. Roe, Goldwater, Myers, Scheuer, Ottinger, Waxman, Hayes, Harkin and Blouin..10th vote unknown.





UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

April 29, 1976

MEMORANDUM FOR THE RECORD

HS&T MARKUP OF H.R. 12112, THE SYNFUELS BILL

The House Committee on Science and Technology met today to continue the markup of the Synfuels Bill and took the following action:

1. The Wirth "Modular" Amendment:

- The Committee adopted a Thornton substitute which authorizes the Administrator to utilize other forms of Federal assistance (grants) for the purpose of demonstrating modular facilities.
- The Committee adopted the Mosher amendment to reinsert the Treasury Department tax regulations with regard to tax-exempt entities.
- The Committee passed the Wirth Amendment, as amended, by a vote of 24-6.

2. The Harkin amendment stressing industrial energy conservation passed by unanimous consent.

3. The Harkin amendment barring guarantees for component manufacturers passed by unanimous consent.

4. The Harkin amendment terminating authority for ERDA to furnish loan guarantees after "1982" was amended to "1986," and passed unanimously.

5. The Ottinger Synfuels Demonstration Program Study Amendment was amended to require that those studies already initiated by the Administrator concerning the synthetic fuels demonstration program must be completed before guarantees under this section shall be committed, and passed.

6. The Mosher Amendment to impose the same statutory prohibition against Federal guarantees of tax-exempt obligations issued in connection with geothermal projects as is provided for all other loan guarantees under this bill passed unanimously.



7. The Ottinger amendment limiting obligations issued under this bill to only small business was rejected. In a voice vote, Mr. Ottinger cast the only affirmative vote.

The Committee will reconvene tomorrow at 8:00 a.m. in 2318 Rayburn. The pending order of business calls for further consideration of the conflict-of-interest amendments.



H. Hollister Cantus, Director
Office of Congressional Relations

Voting against the Wirth amendment were Messrs. Goldwater, Conlan, Pressler, Ottinger, Hayes and Blouin.



ENERGY RESEARCH AND
DEVELOPMENT ADMINISTRATION

JUN 1 1976

June 1, 1976

Office of
Congressional Relations

NOTE TO CHARLIE LEPPERT

URGENT

Subject: SynFuels Bill, HR 12112

I have attached a few talking papers - one on the differences between this year's and last year's synfuels bills, and one on the key issues and answers -- which may be of help to you.

I need someone to talk to the following M/C:

Dingell S/C of Commerce:

Reps. Sharp, Brodhead, Eckhardt, Maguire, Moffett and one of our guys: Heinz.

Moorhead S/c of Banking

Reps. LaFalce, Sullivan, Spellman, Tsongas and St. Germaine.

We (ERDA) can field all the technical questions but we need some clear Administration push to make these people believe! Also: Kelly of Florida and Schulze of Pa. need a little enlightenment as to why this program is needed with or without dereg & decontrol.

Can you help here?? Time is short..the subs may have to report out by the end of the week.



H. Hollister Cantus
Director

May 20, 1976

BRIEF RESPONSES TO
KEY CRITICISMS OF
SYNTHETIC FUELS PROGRAM

Key Criticisms of Legislation

Responses to Criticisms

Budget and Costs

1. The loan guarantee program will cost the taxpayer \$4 billion. Subsequently, additional loan guarantees will bring the total cost to \$6 billion and the price guarantee program will cost an additional \$4.5 billion.

2. The loan guarantee program will not work without additional price guarantee and grant legislation.

3. The proposed loan guarantee program is an off budget proposal and is another example of back-door financing.

1. Although the total amount guaranteed in the case of loans would be \$4 billion, the actual cost to the taxpayer would only be the amount resulting from loan defaults. This is only expected to be a small fraction of the total amount guaranteed. The same argument is true for price guarantees.

2. This is untrue. There are many projects such as high Btu coal gasification, bio-conversion projects and others which could be initiated just with loan guarantees.

3. The loan guarantee program is not back-door financing. It provides that the borrowing authority and the loan guaranty authority would be subject to full appropriation committee approval. The budget authority would be counted in the totals under prevailing budget resolutions. The handling of this guarantee program is totally consistent with the Budget Control and Impoundment Act.

4. The synthetic fuels loan guarantee program is a first step toward the \$100 EIA proposal. If Congress approves the Synthetic Fuels Program it would be endorsing the entire EIA program.

5. The Interagency Task Force's quantitative analysis concluded that the cost of the 350,000 barrels per day program exceeded the benefits by \$1.75 billion.

4. The loan guarantee program for synthetic fuels should be considered separately from the EIA, on its own merits. The Congress will have the opportunity to consider and debate the EIA which is a more comprehensive program of Federal financial assistance.

5. It is true that the calculated net benefit from the proposed program was slightly negative. However, the quantitative analysis did not include several potential benefits of an international and economic nature which could have made the net benefit of the program positive. The task force took account of this in making its recommendation for a 350,000 barrels per day first-phase program.

Use of Guaranteed Funds

6. Although some indicate that the proposed program will provide guaranties for renewable resource and conservation projects, the Administration intends to use all the loan guarantee authority for synthetic fuels projects.

7. The proposed program amounts to a Government give-away to the large oil companies who would be the primary beneficiary of the loan guarantee program.

6. The proposed legislation (H.R. 12112) specifically provides that up to 50% and not less than 20% of the guaranty funds be available for renewable resource and conservation projects.

7. The large oil companies would be among the smallest beneficiaries of the proposed program because it is anticipated that at the maximum \$0.5 billion of the total of \$4 billion would be used for guaranteeing oil shale plants and not all of those plants would be sponsored by large oil companies. The remaining \$3.5 billion of guarantees would be provided to regulated

gas pipeline companies, electric utilities, industrial energy users, municipalities and localities for socioeconomic impact assistance.

8. The proposed guarantees will be used for uneconomic first-generation technologies which will soon be superseded by improved technologies now being developed under ERDA's Fossil Energy RD&D Program.

8. While ERDA does have improved technologies under development, the environmental, economic, regulatory, institutional, socioeconomic, and other information gained from constructing a limited number of commercial-scale plants using existing technology is essential in speeding the commercialization of second-generation technologies when they become available.

Environmental and Socioeconomic Considerations

9. The proposed legislation provides no safeguards for ensuring environmental protection.

9. The proposed loan guarantee legislation coupled with the Nonnuclear Act provides for environmental monitoring by EPA, state approvals of all projects, compliance with Federal and State environmental laws and regulations and compliance with NEPA including preparation of site specific EISs.

10. A proposed guarantee program would authorize the construction of commercial oil shale plants larger than is necessary to demonstrate commercial viability with consequent harm to the human and physical environment.

10. The proposed legislation specifically provides that the Administrator of ERDA cannot provide assistance for a full-scale oil shale facility until a 6,000 to 10,000 bbl/day modular facility has been successfully demonstrated.

11. There is not an adequate amount of water to conduct the proposed program in the western U.S.

11. Less than 1% of the available water of the Colorado, Upper Missouri and Ohio river basins would be needed to carry out the proposed program. Furthermore,

each proposed guaranty requires preparation of an assessment of water availability and the impact on water supplies of each proposed project.

12. There is not an adequate Congressional oversight of the proposed program to ensure environmental preservation.

12. The proposed legislation provides for each project over \$200 million, that the Congress has a 90-day review period in which it could pass a resolution preventing a project from proceeding to construction. Furthermore, the proposed legislation provides that ERDA supply Congress with a comprehensive report to be updated annually.

13. The proposed legislation does not adequately provide for impact assistance to communities affected by synthetic fuels development.

13. This is untrue. The proposed legislation provides for \$300 million in guarantee, loan and grant authority to ensure the timely financing of public infrastructure needed in connection with synthetic fuel plants.

Patents/Information/Competition

14. The proposed legislation does not provide for the normal government patent and licensing procedures thereby reducing competition in this new industry.

14. Inventions made or conceived in the course of a guarantee under this program will be subject to the title and waiver provisions of the Federal Nonnuclear Energy R&D Act. Also, in the event of plant default, patents and technology are considered project assets.

15. The proposed legislation does not provide for adequate dissemination of information for what is argued as an information program.

15. The proposed legislation (H.R. 12112) provides that the ERDA Administrator make available to the public all pertinent information with exception of trade secrets and proprietary information.

16. The provision of loan guarantees to certain companies will reduce competition and will lead to increased concentration in the energy industry.

16. The proposed legislation specifically provides that the ERDA Administrator give due consideration to a review of each proposed guarantee by the Attorney General and the Chairman of the FTC concerning the impact of each guaranty on competition and concentration in the energy industry. Furthermore, the proposed legislation provides that the ERDA Administrator give an adequate opportunity for small business to participate in the program.

May 20, 1976

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KEY CRITICISMS OF
SYNTHETIC FUELS PROGRAM

Key Criticisms of Legislation

Responses to Criticisms

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KEY MODIFICATIONS BY HOUSE COMMITTEE
TO SYNTHETIC FUELS PROGRAM

- Reduced original \$6 billion guaranty limit to \$4 billion for synthetic fuels, renewable resource and energy conservation projects.
- Provides that up to 50% (but no less than 20%) be used to demonstrate renewable energy resources and energy conservation technologies.
- Limits oil shale projects to "commercial modules" rather than full-scale commercial plants and authorizes "cost-sharing" agreements.
- Encourages maximum participation in program by small business.
- Stipulates that all demonstration projects be located within the United States.
- Establishes stringent conflict of interest requirements for ERDA officials administering program including public disclosure.
- Mandates ERDA Annual Reports to Congress on all major aspects of the program including any significant potential adverse impacts which may result and all funds received and disbursed under program.
- Requires that all proposed projects costing over \$200 million be subject to Congressional review and possible veto.
- Establishes a statutory advisory panel to ensure adequate consideration of views of affected States, Indian tribes, industry, environmental organizations, and the general public on the impact of the program.
- Requires competitive bidding procedures for ERDA awards.

KEY SAFEGUARDS INCLUDED IN PROGRAM

- A comprehensive \$300 million guaranty program for assisting local communities to finance essential public facilities needed as a result of a synthetic fuels plant.
- Environmental monitoring of each plant along with full compliance with the National Environmental Policy Act including site-specific Environmental Impact Statements.
- Review and approval, by the Governor of the potentially affected State, of the proposed demonstration project.
- Compliance with all applicable Federal and State environmental laws and regulations.
- Preparation of an assessment of water availability and the impact on water supplies of each proposed project.
- Review by the Attorney General and the Chairman of the FTC of all proposed guaranties to ensure no adverse impacts on competition or concentration in the energy industry.
- Government takes title to inventions conceived in course of demonstration project although ERDA can grant waivers.
- Dissemination of information generated from the program to all interested parties except proprietary information and trade secrets.

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