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prepared by J. Hill
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[ca. 1/6/74]

SENT



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: Status of Negotiations on H.R. 7014 - S. 622

The Conference Committee on H.R. 7014 - S. 622 has taken tentative action on about 60% of the numerous provisions and programs before the Conference. A brief summary of these actions is provided in Attachment A.

Although we have a number of problems with some of the provisions approved by the Committee to date, we have been successful in deleting some of the bills' most objectionable provisions (e.g. the mandatory gasoline shortage, mandatory conservation standards, etc.) and modifying others to a point that could be considered acceptable within the context of a good pricing provision. Discussions with Committee members and staff also lead me to believe that further improvements in some of the remaining problem areas are possible if we can reach agreement on a pricing program.

As we all expected, the price issue is likely to be the key to whether or not an acceptable bill can be delivered to your desk. After debating the issue for a week, the Senate Conferees voted yesterday (14-9) to adopt a pricing provision proposed by Senator Stevenson that is clearly not acceptable. This provision would:

- Establish an average control price for all domestic oil at \$7.55 (the current average is \$8.75) and allow the President to increase the average up to 10% per year according to certain findings that FEA strongly believes to be impossible to prove in the event of court litigation.



- . The \$7.55 program (which is equivalent to an \$11.00 cap on new oil while holding old oil constant at \$5.25) would increase imports over your 39 month proposal by 280,000 barrels per day in 1976; 650,000 per day in 1977 and 1.2 million barrels per day in 1980. Increases over existing price controls would be even greater.

The House Conferees responded with a program offered by John Moss that reduces the Senate control price of \$7.55 to \$7.15 with a smaller escalator of 8%. This provision, which is even more unacceptable, passed the House Conferees 4 - 3.

I have indicated to the Conferees that I would have to recommend a veto of the bill if they stay with either of these pricing provisions. I have done so on the basis that we cannot accept a bill that:

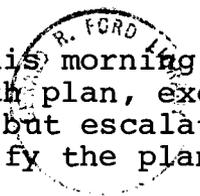
- . Produces a deep price roll-back from current controls;
- . Reduces domestic production over the next 4-5 years until controls expire; and
- . Significantly increases imports during the control period (even though we might take a slight increase in the short-term to get them past the election as we did in the 39 month program).

In my view, these are principles from which we cannot depart, regardless of how we design the program to phase out controls on old oil. The Conferees have problems with these principles in that they give lesser priority to reduce our import vulnerability than they do to lowering prices to consumers and keeping the oil industry from generating any further profits -- even though the profits are needed to expand domestic exploration and production. Partisan and election year politics are obviously paramount in their minds.

Current Status of Pricing Provision

I am currently pursuing a number of strategies to reverse both the Senate and House Conferees from the positions they adopted yesterday.

- . John Dingell offered a compromise plan this morning that is basically similar to your 39 month plan, except that it lowers the initial cap to \$10.50 but escalates it at a faster rate. Congress could modify the plan



after two years by disapproving (either House) a proposal submitted by the President to continue the phase out of old oil. I told John that this plan was rock bottom.

Although the Dingell plan failed by a vote of 4-3 with the House Conferees, we are currently working on Paul Rogers to switch his vote to Dingell. If this occurs, we will have a major split between the House and the Senate and hence more time to work with the Senate.

- Senator Stone is offering amendments to the Stevenson plan this afternoon which, if accepted, would make the Stevenson plan acceptable. These amendments involve certain exceptions that would have the effect of raising the Stevenson average from \$7.55 to around \$8.50.

SUMMARY AND CONCLUSIONS

Although we are still hanging in on the pricing issue, we are running out of time (the Conferees want to finish this bill by tomorrow night) and we are still very far apart on the pricing issue.

One item that we should begin to consider is the \$2.00 tariff. Although its removal would reduce prices and increase consumption by about 100,000 per day, removal (immediate or phased) of the tariff could break the ice if we reach hard impasse. No decision is needed on this issue now.

Attachment



ATTACHMENT A

ACTIONS TAKEN ALREADY BY CONFEREES

SUPPLY AVAILABILITY

Energy Supply and Environmental Coordination Act (ESECA)

- Extends recently expired authorities to convert facilities from gas or oil to coal until June 30, 1977, and extends authority to enforce orders until December 31, 1984.

ACCEPTABLE

Coal Loan Guarantees

- Authorizes \$750 million for guarantees of loans to small coal producers.

UNACCEPTABLE: This provision will have a small effect on coal production, but will result in large expenditures.

Prohibitions on Exports

- Prohibits exports of all oil and gas produced in the United States, but the President may waive requirement if he finds it in the national interest or it is required by treaty, executive agreement, or interests of the foreign policy of the Nation.
- President has discretionary authority to restrict exports of energy materials.
- President directed to restrict exports of coal, refined petroleum products, fossil fuels and petrochemical feedstocks as necessary to achieve objectives of the EPAA. An exemption is provided for historical trading relationships with Canada and Mexico.

MARGINALLY UNACCEPTABLE: While it is discretionary, it sets several precedents.

Materials Allocation

- Requires President to allocate supplies of materials and to require the selective performance of contracts if he finds that supplies are scarce, critical and essential to maintaining or furthering exploration and production, and that these objectives cannot be "reasonably accomplished" without exercising such authority.

- Also requires report to Congress within 60 days on how the authorities will be administered.

MARGINALLY UNACCEPTABLE: Should not be mandatory and reporting times are too short.

Leasing Policy for Oil, Natural Gas, and Coal on Public Lands

- Staff was directed to draft language incorporating Senate legislation (not part of the Conference) on OCS oil leasing and coal leasing into the House language. These would include expeditious timetables for production.

UNACCEPTABLE: OCS provisions contain measures to delay leasing and production. Coal timetables are too short.

Production at Maximum Efficient Rates (MER) and Utilization

- The Secretary of Interior is directed to establish MER on all Federal lands, which may be mandated in non-emergency situations; and to establish temporary rates that may be mandated only in emergencies.
- The Secretary may mandate increased production during emergency situations on State lands only if State has established MER's or temporary rates.
- President is given discretionary authority to require the utilization of production of any oil and gas producing properties on Federal lands.

MARGINALLY UNACCEPTABLE: The Secretary of Interior already has authority to require production at MER's; authorities create enormous administrative burden.

Joint Ventures

- Incorporates the recent Interior Department OCS joint venture regulations into law, but grants exceptions with respect to high-risk areas and where necessary to permit more efficient development.
- Directs Interior to report to the Congress on the feasibility of extending such regulations to on-shore oil and gas, oil shale and coal.

MARGINALLY ACCEPTABLE: Interior already has authority, but it is flexible.

Recycled Oil

- Promotes the use of recycled or re-refined oil and directs the Federal Government to encourage procurement of such oil.

ACCEPTABLE

Strategic Reserves

- Establishes policy to create a reserve not less than between 560 million barrels and 1 billion barrels, but does not mandate size or a schedule.
- No-year budget authorization of a specific amount (not yet determined) which would be sufficient to construct and fill the Early Storage Program (150 million barrels) and to construct facilities for the long-range program.
- Authorizes the Early Storage Program, with a plan to be submitted within 90 days.
- Construction of facilities for the long-range problem is subject to the presentation of an overall plan within one year. The plan is subject to an either-House disapproval within 45-60 days. Filling of the long-range program facilities is subject to additional authorizing legislation.

MARGINALLY ACCEPTABLE: About as good as we can get.

STANDBY EMERGENCY AUTHORITIES

- Both rationing and conservation plans would be sent to Congress within 180 days. Such plans would have to be approved in 60 days.
- When a supply emergency exists, conservation plans may be implemented without further Congressional action, but rationing plans could be implemented only if either House does not disapprove within 10 days.
- Contains no International Energy Agreement (IEA) trigger and all standby authorities would expire June 30, 1985.

MARGINALLY ACCEPTABLE: There are a few minor objections that can probably be cleared up in the final drafting.

Motor Vehicle Mileage Standards

- Production-weighted average fuel economy standards are imposed on the manufacturers culminating in a 27.5 mpg goal for model year 1985. The 1985 standard may be lowered to 26 mpg administratively; any lower figure is subject to either-House disapproval.
- Modifications to mileage standards may be made by the Secretary of DOT upon showing that emissions, safety, noise or damageability standards have reduced efficiency.
- Penalties are set at \$5 per tenth of a mile per gallon below the standard; credit for surpassing the standard can be carried backward or forward one year. Modifications to civil penalties may be made by the Secretary of DOT upon showing of cause.
- Labeling program run by FEA/EPA in consultation with DOT/FTC.

MARGINALLY ACCEPTABLE: While the 1985 standard of 28 mpg poses problems, the 2 mpg flexibility without Congressional override and various bail-out provisions (noise, emissions, damageability, and safety) appear to give much of the necessary flexibility we require. The 1980 interim standards do not pose a major problem.

Appliances

- 20% improvement goal by 1980 for all appliances over 1972 levels.
- Labeling required for most major appliances with the addition of any others contingent upon feasibility determined by FEA.
- FEA responsible for program direction and priorities. Testing procedures to be developed by NBS. FTC responsible for label content and enforcement.
- Federal labeling preempts state laws; advertising regarding energy costs must conform to label; citizen suits allowed for nonconformance.

GENERALLY ACCEPTABLE: The 20% improvement goal is probably achievable over the eight-year period. Even if it would not be achieved, the Act does not mandate that FEA set mandatory standards, but only that it begin proceedings to determine if such standards are achievable and would not result in manufacturer

and consumer resistance. As FEA would set priorities and guidelines and would be responsible for determining what should be tested, the role of the FTC in developing the content of the label and enforcement would be largely ministerial. A major problem is the citizen suit provisions which must be scaled down.

State Conservation Programs

- States required to assess feasibility of setting 5% energy consumption reduction targets for 1980.
- Administrator, FEA, will determine interim conservation goals for each state based on their assessments and a study of individual states' projected socio-economic impacts.
- States to submit conservation programs to FEA based on Administration's guidelines.
- Approved state plans result in eligibility for federal grant-in-aid monies to assist conservation programs.
- Grants would also be available for standby emergency planning.

GENERALLY ACCEPTABLE: As long as standards are not mandated on the states and FEA has flexibility in administering the program.

Industrial Energy Conservation

- FEA, in consultation with DOC/ERDA, shall establish a national industrial energy efficiency goal of at least 20% (over 1972 levels) by 1980.
- Major energy consuming industries (consuming at least one trillion Btu's of energy per year) shall be identified and ranked according to consumption. Energy conservation targets will be set for at least the 10 most energy consumptive industries by FEA.
- Mandatory reporting requirements on efficiency progress will be levied on the 50 most energy consumptive companies within each of the 10 major industries. FEA will submit annual report to Congress.

MARGINALLY ACCEPTABLE: Mandatory reporting requirements are a burden on industry and could result in an intrusion into private matters (black lists, etc.).



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

November 7, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: RECOMMENDATIONS ON ENERGY BILL

SUMMARY OF PRICING PROVISION ADOPTED BY CONFEREES

The Senate Conferees adopted a pricing provision Thursday evening that does not meet the minimally acceptable criteria that you conveyed to Paul Rogers and several other Members. The major provisions of the pricing program, which passed the Senate by a vote of 15-9 and was accepted by the House Conferees by a vote of 4-3, are as follows:

- Establishes a \$7.55 per barrel average domestic price that can be escalated at a rate of 10% per year as per Presidential findings. With old oil held constant at \$5.25, this level implies a roll-back of the new oil cap to \$11.00.
- Although the Conferees accepted our version of the Presidential findings, they rejected the stripper well exemption you proposed to Paul Rogers (even though the House initially voted to accept the exemption).
- In addition to the rejection of the stripper well exemption, the program prohibits the escalator unless your tariff is removed and requires the Congress to approve a continuation of the escalator every year (by failure to disapprove a Presidential recommendation to continue the escalator). Neither of these provisions were a part of your agreement with Paul Rogers.

In its current form, the provision is inadequate in terms of reducing our imports. It further provides virtually no certainty to industry to plan investments in exploration and development. (See Table 1)



There are, as you know, a number of other problems in the bill not related to pricing, including mandatory conservation reporting requirements for industry, GAO audit and inspection authorities regarding industrial books and records (both producers and users) that would give GAO and Members of Congress virtually free access to proprietary information without sanctions against dissemination, overly rigid auto efficiency standards, and an unnecessary codification of OCS leasing regulations. Our ability to improve these provisions may be lessened by the Conferee's agreement on price. These items, of course, must also be balanced against the positive provisions in the bill from the standpoint of your own energy program -- strategic storage, emergency stand-by authorities, and coal conversion.

THE BASIC DECISION

The basic decision that must be addressed is whether or not to veto the bill.

. Arguments In Favor Of A Veto Include:

- the increased level of imports that would result from the bill's pricing provisions;
- other objectionable provisions in the bill that may not get changed;
- the fact that signing could be perceived by many as a victory for Jackson on the pricing issue since the present bill clearly would represent a step back from your previously announced goals;
- the elaborate new regulatory apparatus mandated by the bill that would add further complications to an industry already tied up by government regulation; and
- the fact that the bill will result in a major reduction in incentives for investment in new high cost oil production.

. Arguments Against A Veto Include:

- the possibility of immediate decontrol and the resulting higher prices that will occur;
- continuing confrontation with the Congress on the energy issue, whether or not the veto is sustained; and
- the desirable features of the bill that could begin to be implemented immediately.



In evaluating the pros and cons of a veto, consideration would also have to be given to the positions of Republicans and Democrats who have stood with us on this issue.

OPTIONS IF YOU DECIDE TO VETO

There are basically two options regarding our next steps if you decide to veto the bill:

(1) Announce your intention to veto the bill and send up an Administrative decontrol plan today

Pros:

- Dramatically signals your intention to veto.
- Gives the Congress as a whole one last chance to agree upon a phased decontrol plan.

Cons:

- Could harden the attitude of the Conferees toward any chances of improving the pricing provision next week.
- Infringes on the Conference Committee's jurisdiction over pricing at a time when their bill has not been reported back to Congress.
- Even if the plan is accepted, the Act expires November 15 and the Congress would defer to the Conferees in writing the extension and its pricing provisions.
- Likely to be defeated just before a possible veto fight.

(2) Zarb announcement of your intention to veto unless the pricing provision and other problem areas are improved

Pros:

- Leaves your options open.
- Provides the Conferees with both an incentive and another chance to reconsider the pricing provision.

Cons:

- Could signal the possibility of a further compromise on our part on the pricing issue.
- Eliminates possibility of submitting an Administrative plan.



RECOMMENDATION

I recommend Option 2. This option gives us another chance to improve the pricing provision and other problem areas. A few key votes on the Senate side (Glenn, Weicker, Bumpers) could swing it our way.



TABLE 1

PRELIMINARY COMPARISON OF ENERGY PROPOSALS

	<u>12 Mon</u>	<u>24 mon</u>	<u>36 mon</u>
<u>DOMESTIC COMPOSITE PRICE (\$/BBL)</u>			
. Original 39 Month Program	\$ 8.96	\$10.74	\$12.97
. Stone Amendment w/Stripper	8.94	9.76	10.47
. Conference Committee Plan	8.31	9.14	10.05
<u>OLD AND NEW OIL PRICES</u>			
. Old Oil - All Programs	5.25	5.25	5.25
. IMPLIED NEW OIL CAP			
. 39 Month Program	12.10	12.70	13.30 *
. Stone w/Stripper	13.64	14.37	14.14
. Conference Committee	12.31	13.22	13.54
<u>IMPORTS (MM B/D)</u>			
. 39 Month Program	6.9	7.7	6.3
. Stone w/Stripper	6.9	7.9	6.9
. Conference Committee	7.2	8.2	7.3

* Under the 39 month plan only about 4% of domestic oil would sell at \$5.25; whereas 96% would sell at the \$13.30 ceiling price. Under either the Stone or the Conference Committee proposals a considerably greater proportion of domestic oil would sell at the \$5.25 price level.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

November 10, 1975

MEMORANDUM FOR JIM CONNOR

FROM: FRANK G. ZARB *FZ*

I would appreciate your getting this paper to the President just as soon as you can.

Thanks.

Attachment



CONFERENCE ENERGY BILL

The energy bill tentatively agreed to by the House and Senate Conferees is a complex bill that requires careful evaluation from a variety of perspectives, including:

- the President's energy program;
- the legislation that went into the conference committee;
- the fact that this is the Congress' first attempt to ever legislate national energy programs; and
- its substantiative ability to begin reducing the nation's independence on foreign oil.

ELEMENTS OF THE PRESIDENT'S PROGRAM INCLUDED IN THE CONFERENCE BILL

The bill contains five of the provisions that were an integral part of the President's energy program:

- Strategic Reserves

The provisions are remarkably close to the President's program, and do eliminate much of the restrictive and overly specific language of the Senate version. Although not tied directly to production from NPR's, NPR legislation now in conference will be connected to Strategic Reserve program if approved.

- Standby Emergency Authorities

Provides most of the standby energy authorities requested by the President. Burdensome and complicated Congressional review procedures were eliminated from bill.

- International Authorities

Contains the authorities requested by the President to allow the United States to participate in the International Energy Program.

- Coal Conversion

Language is identical to that requested by the President.



- Appliance Labeling

Establishes the basic mandatory labelling program included in the President's energy program. FTC jurisdiction of the program included in House version was successfully eliminated in Conference.

Although the conference bill includes a mandatory automobile efficiency program, the bill is identical in its requirements to the President's voluntary agreement with the auto-makers through 1980. There is a major problem with the targets established for 1985, but there is a provision in the bill to allow the target to be changed upon recommendation of the Secretary of Transportation. Requirement in Senate bill to have government build a production prototype automobile was successfully eliminated.

The bill also "codifies" the current FEA/Commerce voluntary industrial conservation program. Senate provisions (S.622) to have FEA set and enforce mandatory conservation standards for industry and other consumers were successfully eliminated in Conference Committee, as were mandatory reporting requirements.

COMPARISON WITH LEGISLATION THAT WENT INTO CONFERENCE COMMITTEE

A number of major improvements were made by the Conference when compared to the five pieces of legislation that they were working with. In addition to the improvements mentioned above, the Conference also:

- rejected the mandatory gasoline shortage of S.622;
- rejected the objectionable provisions of House and Senate bills relating to Federal lands leasing policy;
- eliminated H.R. 7014's removal of the President's authority to set tariffs under Section 232 of the Trade Expansion Act; and
- rejected a permanent extension of the Emergency Petroleum Allocation Act that would have rolled back new oil to \$7.50 and old oil to \$4.25 (a composite of \$5.55) and allowed no increases. (See pricing discussion below).

Although the bill does continue the Emergency Petroleum Allocation Act for a period of 40 months the Conferees agreed to major changes that would allow FEA to radically

simplify the allocation and price control program and to strong language in the Conference Manager's report instructing FEA to dismantle the allocation program and as much of its price controls as practicable soon as possible. This is viewed as a major concession in that the Congress has been unwilling, to date, to let FEA reduce the scope of its regulatory program.

PRICING

The pricing provision adopted by the Conferees is the most troublesome action of the Committee. Although it represents considerable improvement over the pricing provision that went to the Conference, it is not as good as that contained in the President's 39 month program proposed in July.

The program establishes an initial composite price of \$7.66 (compared to the current average of \$7.95 if the fee were removed) and allows the composite price to move up at 10% per year under certain conditions and a greater percentage under others. The pricing provision is described in Attachment 1.

Compared to current controls with the fee removed, the provision will lead to higher imports in the near term, but lower imports than current controls beyond 24 months:

	<u>IMPORTS (MMB/D)</u>				
	<u>Now</u>	<u>12 mos.</u>	<u>24 mos.</u>	<u>36 mos.</u>	<u>40 mos.</u>
Current Controls	6.2	7.75	8.24	7.24	7.29
Conferency Energy Bill	6.2	7.98	8.48	7.14	7.20

Compared to current controls, the average price of domestic oil is as follows:

	<u>PRICE (\$/BBL.)</u>				
	<u>Now</u>	<u>12 mos.</u>	<u>24 mos.</u>	<u>36 mos.</u>	<u>40 mos.</u>
Current Controls	7.95	8.69	9.63	11.20	11.40
Conference Energy Bill	7.66	8.43	9.27	11.00	11.39



If new oil were held at \$5.25, the implied new oil cap related to the beginning composite of \$7.66 is \$11.28 (the maximum allowed within scope of the bills before the committee).

Although the pricing provision is marginal, it does set a course towards decontrol. The major losses occur on the demand side: consumption will be significantly higher from the provision than from the 39 month program. On the supply side, however, the provision is roughly equal to current controls for the first 18 months, and then better thereafter. The bill does provide adequate incentives to explore for new oil, but less revenues to do so than the 39 month program.

OTHER PROBLEM AREAS

The bill contains a number of objectionable provisions that the Administration could not get changed, including:

- GAO audits

The bill authorizes the Comptroller General to conduct verification audits on its own or at the request of any Congressional Committee with respect to the books and records of persons who are required to submit energy information or data to FEA, FPC and the Department of Interior or of all integrated oil companies. The provision is restricted, however, by further authorization and appropriation requirements for GAO to receive resources to carry out these provisions.

- Coal Loan Program

A loan program of \$750 million is authorized for small coal producers. Restrictions on the loan program, however, are similar to those contained in the Energy Independence Authority.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

November 10, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *FZ*

SUBJECT: OIL DECONTROL LEGISLATION

We have been working with staff and selected Members over the weekend. Since the straight-out exemption of strippers gave some Members difficulty, we have been discussing a somewhat different approach to get us generally the same results. The "bottom-line" changes, which we are currently discussing with the Conference Committee are attached.

We will continue to keep you advised of progress.

Attachments



AMENDMENT PROPOSAL

- (1) Delete Section 2(c) in current pricing policy. This would eliminate the legislative requirement that the import fee be removed, although the President would stipulate to its removal upon the Conferees agreement to an acceptable pricing provision.
- (2) Amend Section 4 to revise the Congressional review to only once during the 40 month period and to limit the review of upward adjustment of the composite price to the additional 3 percent relating to enhanced recovery and high cost properties. This would allow the GNP deflator to continue throughout the 40 month period of controls.
- (3) Amend the existing pricing provisions in Section 1 to allow for removal of certain high cost future production from calculation of the domestic average price. High cost domestic crude production is defined as tertiary recovery, oil produced above the Arctic Circle, certain new high cost Outer Continental Shelf production and marginal stripper well production. Under this amendment, the amount of high cost production removed could be no greater than 5% of total domestic crude production beginning June 1, 1976 and rising to 10% after December 1, 1976, plus the total amount of Alaska crude oil produced above the Arctic Circle whenever it comes on line.

The high cost production exempted from calculation of the composite price could not be sold at a price in excess of the highest domestic price allowed under the bill.

- (4) Amend the current provision that allows the President to submit proposal to increase the percentage inflator every six months to every three months.
- (5) Add a provision that requires the President to test compliance with the weighted average price constraint every six months (to allow for data collection lags) and that allows for carry forward of unused amounts, as well as rollbacks in excess of the average.



DOMESTIC COMPOSITE PRICE
(\$/bbl)

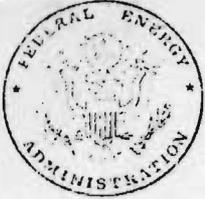
PLAN \ END OF	1-1-76	12 mo.	24 mo.	36 mo.	40 mo.
Current Controls	\$8.75	\$9.59	\$10.67	\$12.46	\$12.68
Original 39 mo. program	7.71	8.96	10.74	12.91	13.50
New plan ^{1/}	7.55	8.53	9.49	11.68	12.12
Conference Committee ^{2/}	7.55	8.31	9.14	10.05	10.38

^{1/}Current Conference Committee provision with following changes:

- a. 5% of domestic oil production automatically removed from composite calculation on June 1, 1976.
- b. An additional 5% removed automatically from composite calculation on January 1, 1977.
- c. Alaska removed automatically from composite in 1978 when it comes on line (e.g. oil thru the pipeline).

^{2/}Provision as approved by House and Senate Conferees on November 6.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20161

Office of the Administrator

BR

CONNOR, Jim

November 10, 1975

MEMORANDUM FOR JIM CONNOR

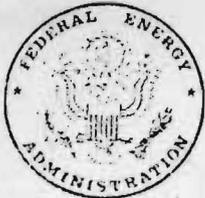
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November 10, 1975

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- (5) Add a provision that requires the President to test compliance with the weighted average price constraint every six months (to allow for data collection lags) and that allows for carry forward of unused amounts, as well as rollbacks in excess of the average.



DOMESTIC COMPOSITE PRICE
(\$/bbl)

END OF PLAN	1-1-76	12 mo.	24 mo.	36 mo.	40 mo.
Current Controls	\$8.75	\$9.59	\$10.67	\$12.46	\$12.68
Original 39 mo. program	7.71	8.96	10.74	12.91	13.50
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FEDERAL ENERGY ADMINISTRATION
NOV 11 1975

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Staron in Gen
of Stat. Anal.

TOP SECRET

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *Frank G. Zarb*
THRU: ROGERS C.B. MORTON
SUBJECT: BIWEEKLY STATUS REPORT

Imports for the 4-week period ending October 31 dropped from 6.26 million barrels per day in the period covered by the last biweekly report to 5.95 million barrels per day. This was 12.0 percent, or 810,000 barrels per day, below the 1974 level and 888,000 barrels per day below 1973.

Demand for all products, at 15.81 million barrels per day, was 19.6 percent below 1974.

Domestic crude oil production, which has dropped very little in the past few months, is now at 8.32 million barrels per day -- 3.4 percent below last year and 9.8 percent below the 1973 level.

Of the major products only motor gasoline demand, at 6.73 million barrels per day, is above last year (by only 50,000 barrels per day). Demand for gasoline is 210,000 barrels per day above 1973, or 3.2 percent, compared with the 9 to 10 percent which was expected had earlier trends continued.

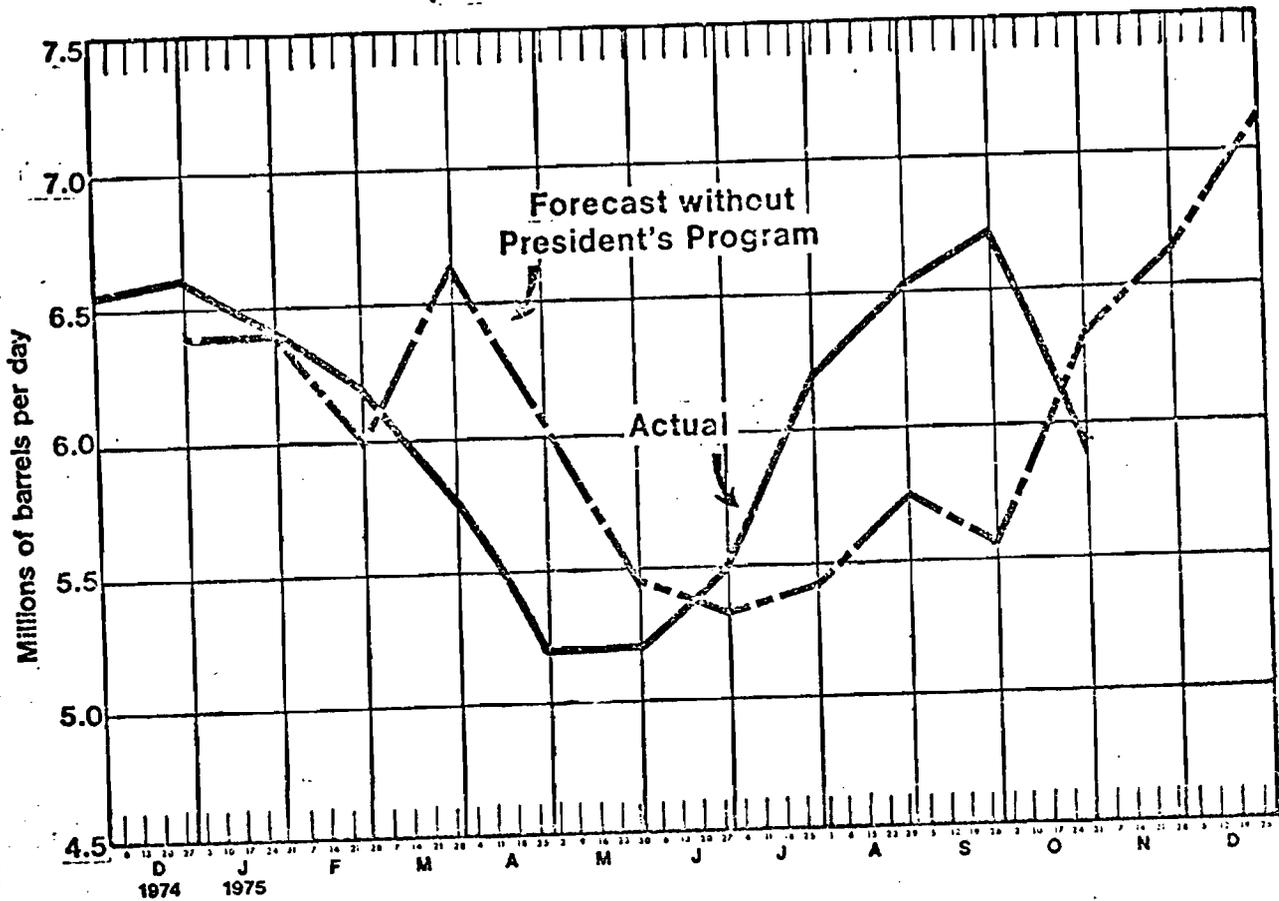
Attachment



xCom:dem:Room 3309:NPOB:X8241:11/10/75:Changes made by S. Minihan

ce File
Chron (O&GS)
Zarb Sig
AE (2)
Zausner
Rathbun
Curtis
Dwyer
Chiron (OSA)

Figure 1
**Total U.S. Petroleum Imports
 (Crude and Product)**

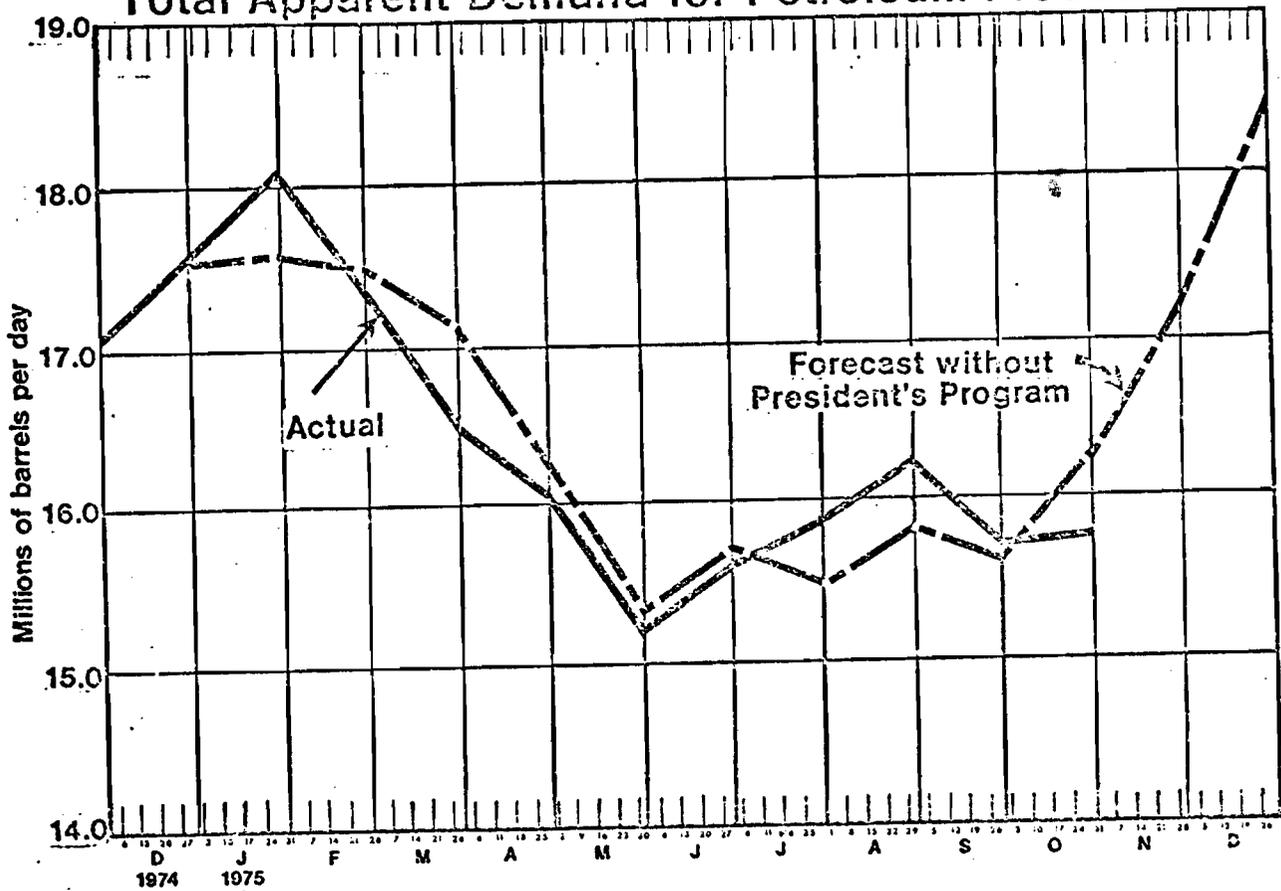


- o For the 4 weeks ending October 31, total imports averaged 5.95 million barrels per day, down from 6.26 million barrels for the period ending October 17. This was 810,000 barrels per day (or 12.0 percent) below the 1974 level, and 880,000 below 1973.



Figure 2

Total Apparent Demand for Petroleum Products

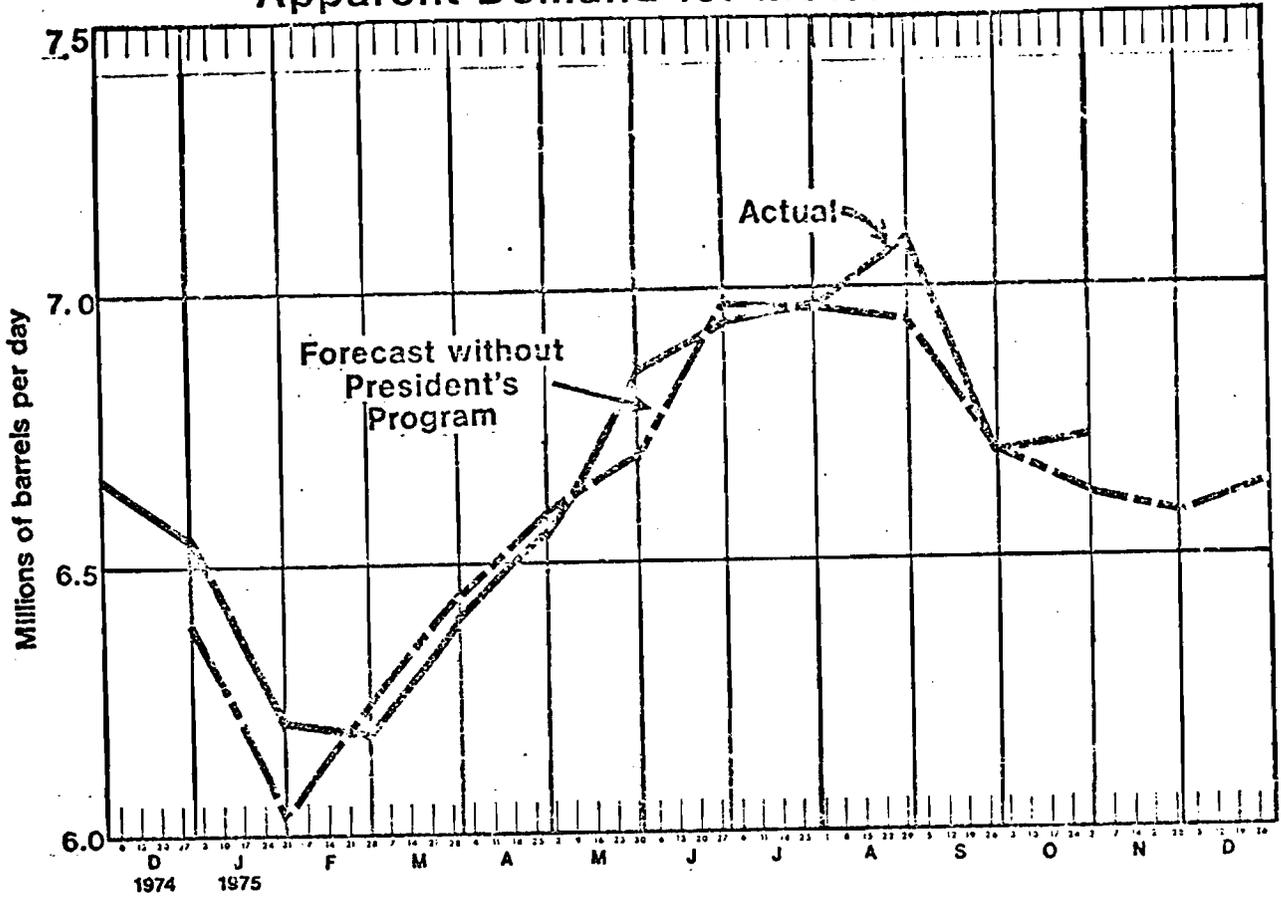


- o Total apparent demand during the 4 weeks ending October 31 was 15.81 million barrels per day, 1,680,000 barrels per day (or 9.6 percent) below last year and 1,930,000 below 1973.



Figure 3

Apparent Demand for Motor Gasoline

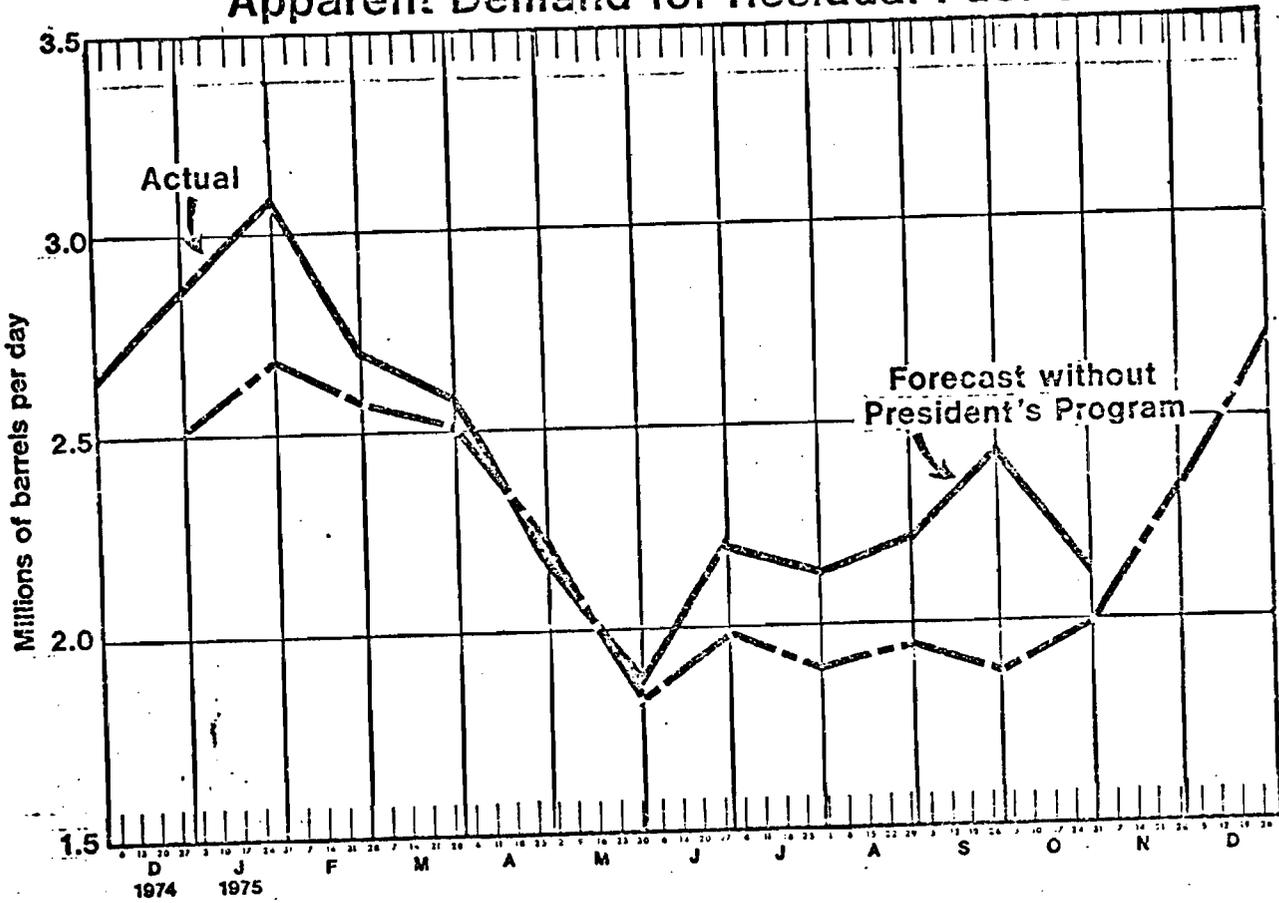


- o Apparent demand for motor gasoline in the 4 weeks ending October 31 averaged 6.73 million barrels per day, slightly above last year, and 210,000 barrels per day (or 3.2 percent) above 1973.



Figure 4

Apparent Demand for Residual Fuel Oil

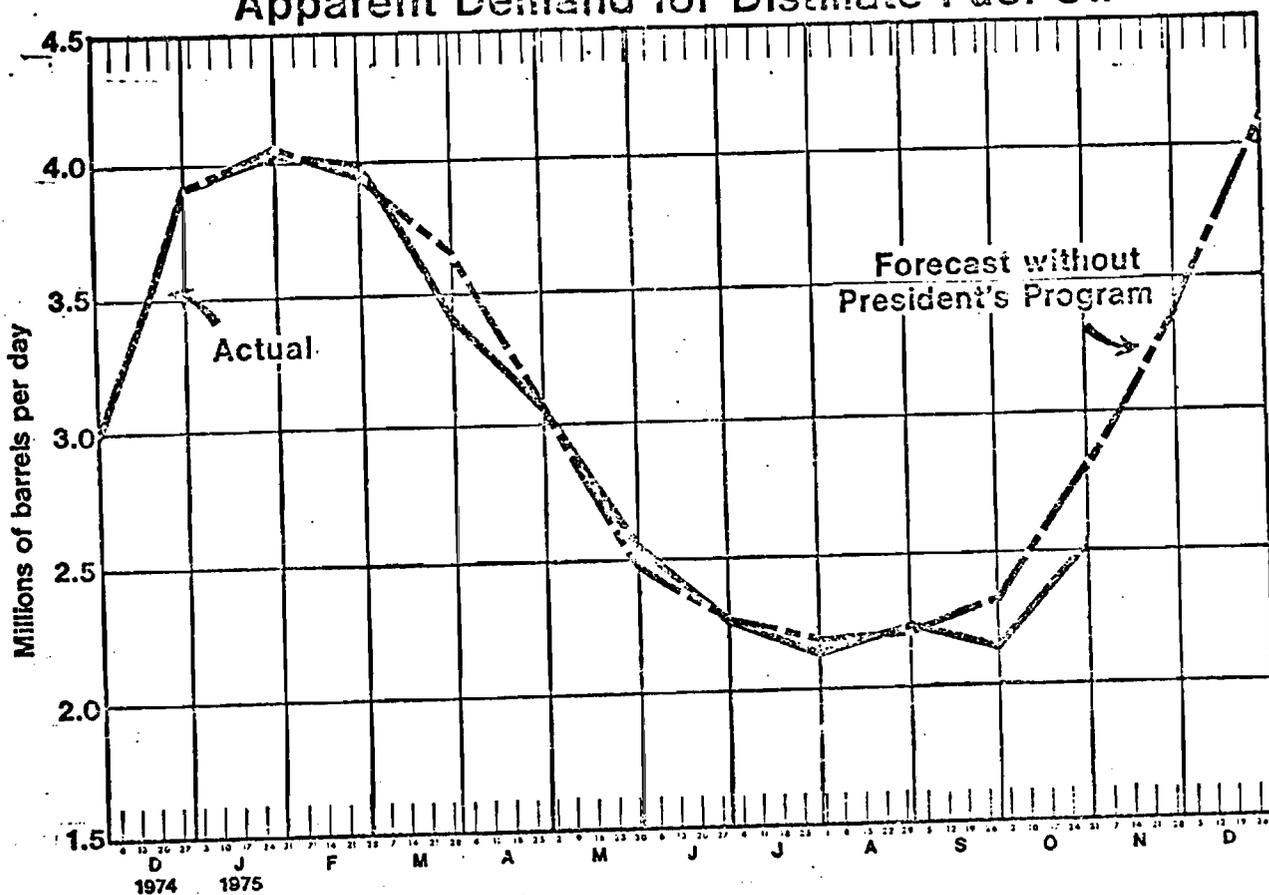


- o For the 4 weeks ending October 31, apparent demand for residual fuel oil was 2.14 million barrels per day. This was 600,000 barrels per day (22.0 percent) below last year, and 670,000 below 1973.



Figure 5

Apparent Demand for Distillate Fuel Oil

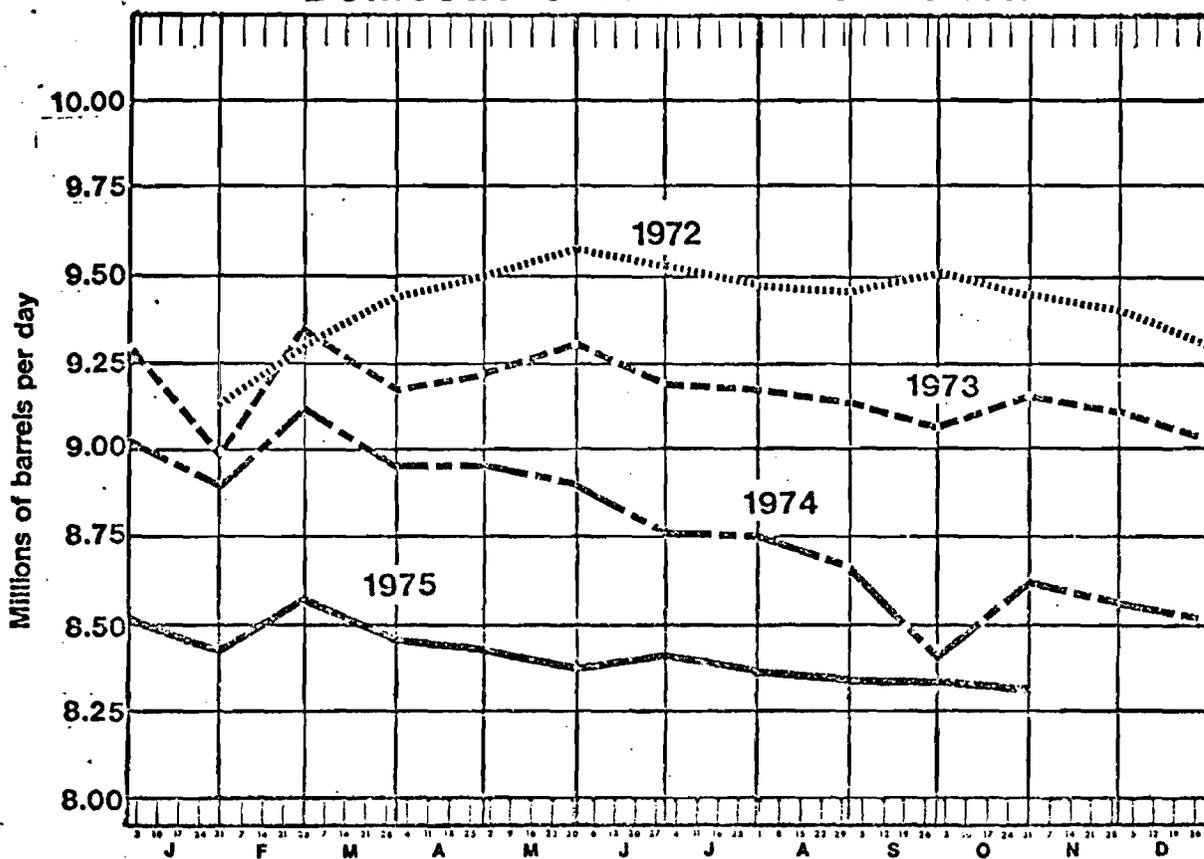


- o Apparent demand for distillate fuel oil for the 4-week period ending October 31 was 2.53 million barrels per day, 480,000 barrels per day less than last year and 400,000 below 1973.



Figure 6

Domestic Crude Oil Production

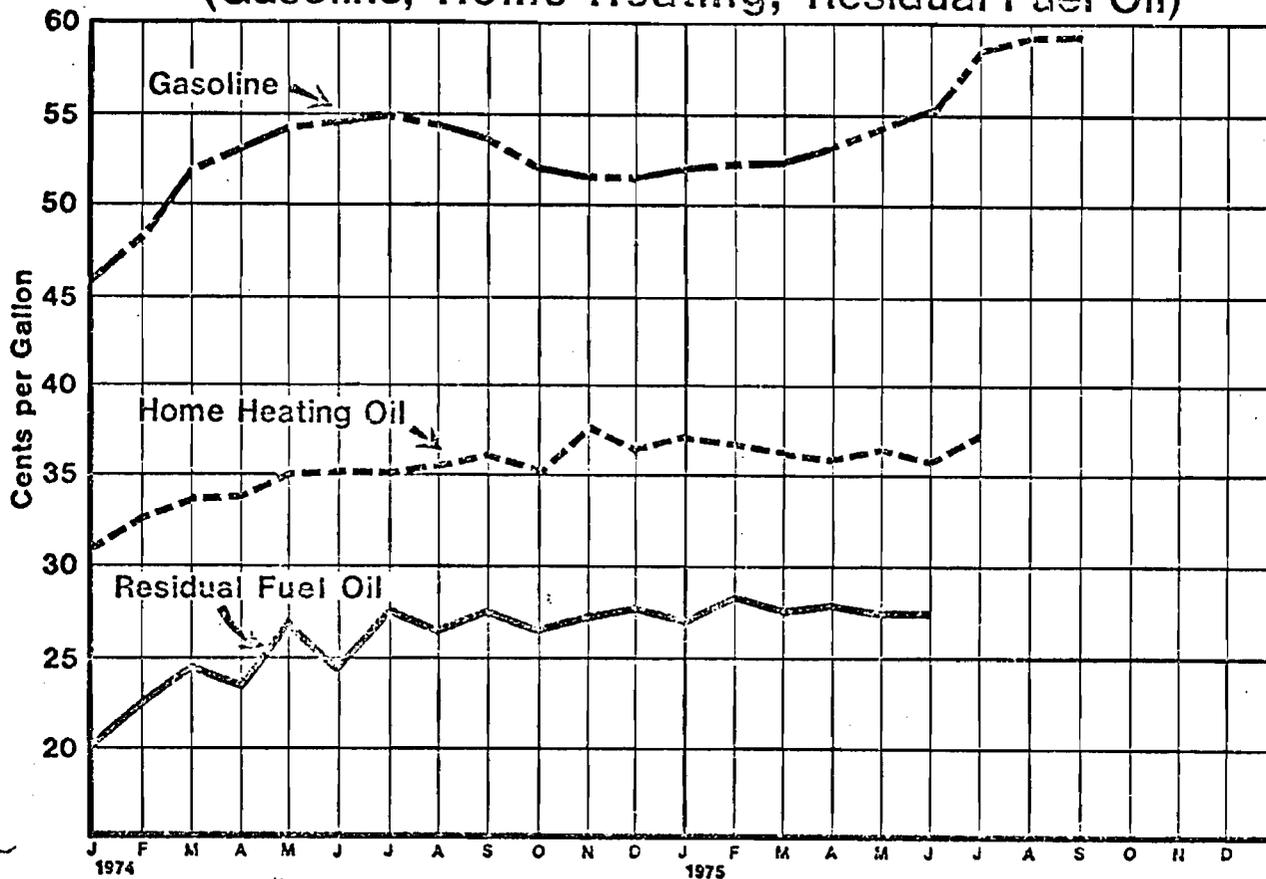


- o Production of crude oil for the 4 weeks ending October 31, was 8.32 million barrels per day, according to API estimates, 3.4 percent and 9.8 percent below the corresponding 1974 and 1973 BOM figures.



Figure 7

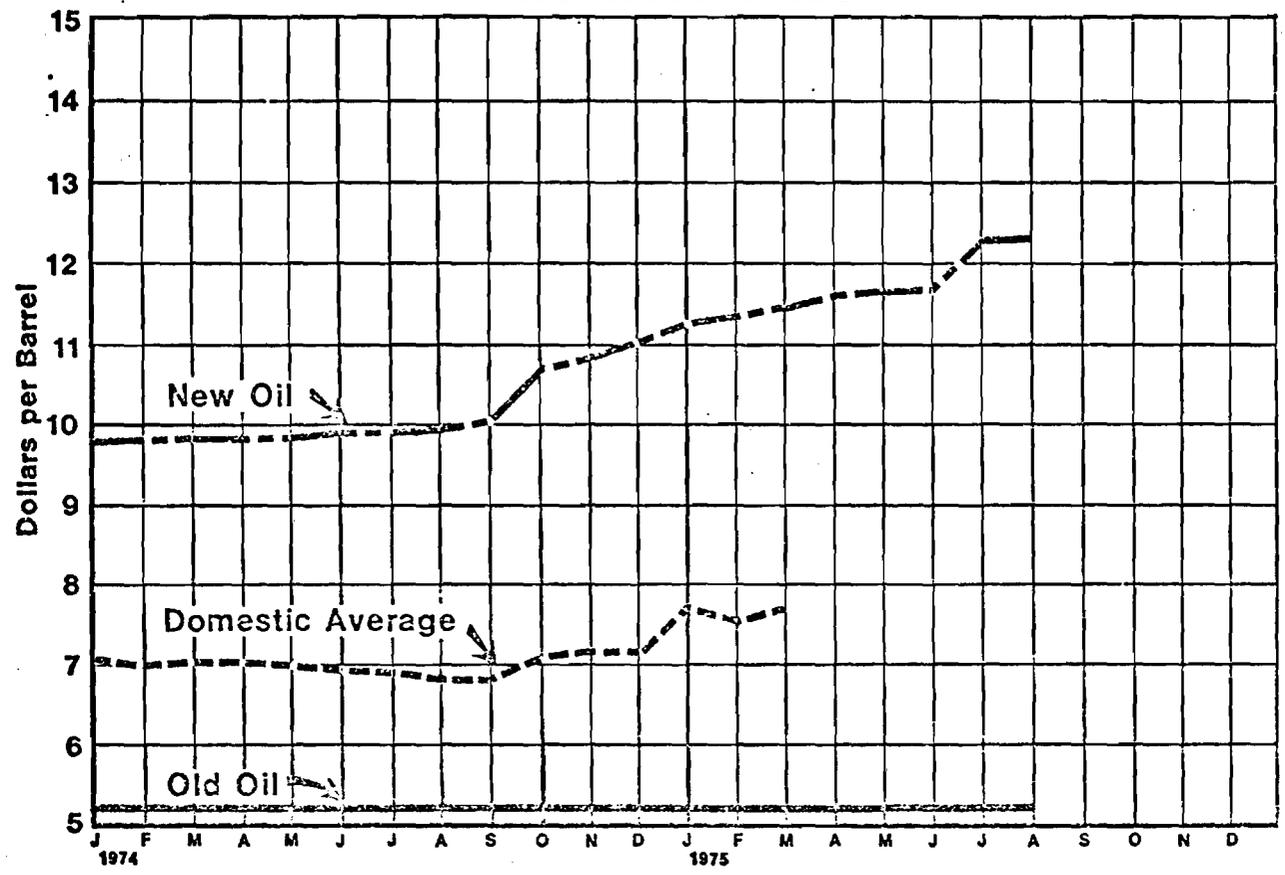
Retail Prices (Gasoline, Home Heating, Residual Fuel Oil)



- o Gasoline (no new data since last report).
- o The national average price for heating oil sold to residential customers during July was 37.6 cents per gallon, essentially unchanged from January 1974, but 2.4 cents per gallon higher than the July 1974 figure.
- o The national average price for residual fuel remained stable during June at 27.6 cents per gallon.



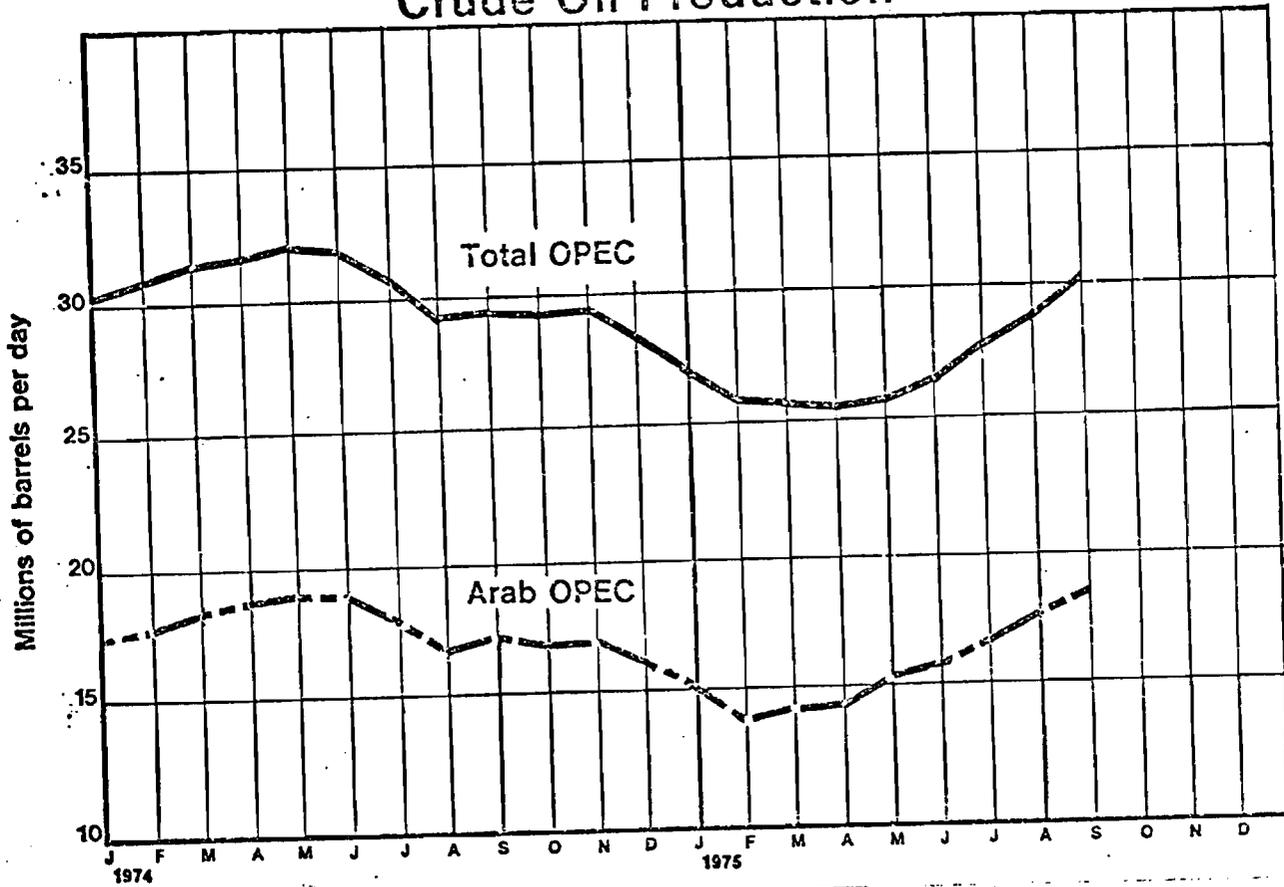
Figure 8
**Crude Oil
 Wellhead Price**



(No new data since last report).



Figure 10
**OPEC Countries
Crude Oil Production**



(No new data since last report).



DEFINITIONS

- Apparent Demand -- Domestic demand for products, in terms of real consumption, is not available; inputs to refineries plus estimated refinery gains, plus net imports of products plus or minus net changes in primary stocks of products are used as a proxy for domestic demand. Secondary stocks, not measured by FEA, are substantial for some products.
- Actuals -- Monthly data through September from FEA's Weekly Petroleum Reporting System and Monthly Petroleum Reporting System, and 4-week moving average from the API Weekly Statistical Bulletin for 4 weeks ending October 31 (figure 1). Demand after September estimated for figures 2, 3, 4, and 5 by FEA primarily from the Bulletin. Figure 6, BCM through June, API monthly July, August, and September, API 4-week moving average for period ending October 31. Figures 7, 8, 9, and 10 from FEA.
- Forecast -- A petroleum product demand forecast is made, based on a projection of the economy, which would occur without the President's program, and on a projection of normal weather. The forecast is periodically revised to take account of actual weather and revised macroeconomic forecasts.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

November 13, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: MEETING WITH REPUBLICAN MEMBERS OF CONGRESS
ON ENERGY LEGISLATION

I have attached a brief summary of the provisions contained in the Conference Committee energy bill tentatively approved last night.

I would recommend that you indicate your desire to hear their views on the bill after I have covered the pro's and con's of the various provisions of the bill. John Hill will be available to discuss all of the details of the bill if necessary.

Attachment



FEDERAL ENERGY ADMINISTRATION

NOV 13 1975

11/10 - gl
11/11 - retype

FORM 1 (6-8-74)

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

19 (Signature)

SUBJECT: LETTER OF COMMENDATION FOR THE UNITED STATES COAST GUARD

The Coast Guard performed an outstanding task in cutting a path through the Arctic ice to enable the barges to reach Prudhoe Bay at the Alaska's North Slope oilfields. The equipment was desperately needed to assure delivery of Alaskan oil to the Lower 48 in 1977.

Accordingly, I believe a letter of commendation is in order. The attached letter is submitted for your consideration.

Attachment



CONCURRENCES

SYMBOL							
SURNAME							
DATE							

DRAFT
George C. Lovell, Director
Materials & Priorities
Federal Energy Administration
(202) 961-8146

Admiral Owen W. Siler
Commandant of the Coast Guard
Washington, D. C. 20590

The part played by the Coast Guard in getting the desperately needed equipment to Prudhoe Bay was magnificent.

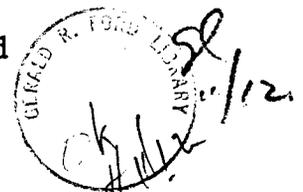
On behalf of the people of the United States, I wish to commend the Coast Guard and express appreciation for the outstanding service performed in this endeavor.

The Coast Guard's feat in clearing a path for the barges through the ice-choked Arctic Ocean was vital to this country's energy goals. Your help assured the timely arrival of the critically needed North Slope processing equipment which must be in operation to assure the delivery of Alaskan oil to the Lower 48 by 1977.

The Coast Guard, again, has maintained its tradition of service under the most difficult and hazardous conditions.

Gerald R. Ford

Revised:CDavenport:EC:x7913:rm 3311
Retyped:AE:11/11/75:x8241:rm 3309



11/17 - Lanes
Taken to H. Fellers
etc.

FEDERAL ENERGY ADMINISTRATION

NOV 18 1975

FORN, GERMANY

MEMORANDUM FOR THE PRESIDENT

FROM : FRANK G. ZARB *Frank G. Zarb*

SUBJECT: FEDERAL ENERGY ADMINISTRATION PROPOSED
CONSUMER REPRESENTATION PLAN

I am pleased to submit the Proposed Consumer Representation Plan for the Federal Energy Administration. As I stated in the Preamble to this document, the development of this plan for consumer representation provides the basis for and a commitment to, more complete involvement of consumers in the agency's activities.

All offices within FEA have participated in the development of this document. Each Assistant Administrator and Office Director will cooperate fully in its implementation.

We have begun to prepare the Guidelines called for in the Plan so that it can be implemented at the earliest possible date.

Enclosure



CONCURRENCES

SYMBOL	CA/SI						
	<i>AR</i>	<i>ll</i>	<i>ok/ok</i>	<i>11/17</i>			
SURNAME		<i>ap</i>	<i>dl</i>				
DATE		<i>11/17</i>					

PROPOSED CONSUMER REPRESENTATION PLAN

FEDERAL ENERGY ADMINISTRATION



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FEDERAL ENERGY ADMINISTRATION
CONSUMER REPRESENTATION PLAN

Preamble ..

The Federal Energy Administration was established during a crisis resulting from the sudden energy shortage created by the Oil Embargo of 1973. Its functions were primarily regulatory in that the agency was mandated to allocate available petroleum products to consumers at equitable prices. During the first year of the agency's existence, an analytical and data gathering arm was established to assist the President in developing a national energy policy as required by the Federal Energy Administration Act of 1974. Therefore the FEA is in the unique position of acting as both a regulatory and policy formulating agency. Additional programs grew out of the energy policy articulated by the President. In addition, the agency has been continuously required to respond on short notice to requests for energy analysis from both Congress and the Administration.

As the crisis atmosphere subsided and as agency officials became sensitized to the need for public acceptance of agency policies and goals, the mechanisms for involving consumers have been used more frequently. The development of this plan for consumer representation provides the basis for and a commitment to, more complete involvement of consumers in the agency's activities.

Consumer participation techniques have always been used in the agency's regulatory process to the extent required by law, and consumer and public interest groups have in fact participated in the rulemaking and other activities by which FEA regulatory policies are effectuated. Those offices which are responsible for the development and implementation of programs have, to some extent, used one or more of the consumer participation techniques listed in this Plan (See page 5).

When the agency has failed to solicit consumer involvement in the early stages of policy formulation it has been due to the nature of the energy crisis, which involves national security considerations and the need for a rapid response to Congressional and Administration requests. In those instances where the agency has failed to provide specific impact information, it has been due to the fact that FEA initially used supply, demand and consumption data compiled by other agencies and industry. Those data were not compiled in a format which allowed detailed specific impact evaluation. FEA has now developed its own data base and has supplemented identified data gaps. We will continue to refine our data system to provide more specific impact information.

I. STATEMENT OF PURPOSE

The purpose of this Consumer Representation Plan is to ensure to the greatest extent possible that persons who are affected by any major FEA sponsored legislation, regulation, policy, decision or program action have the opportunity to comment on the subject before a decision is reached, and that these views are duly considered in the agency's decision-making process. It is FEA's intent to more actively solicit consumer opinion and to make the individual offices more responsive to the consumer.

It is a basic premise of this plan that where the machinery and the techniques for assuring consumer representation already exist within FEA they are to be strengthened and that where they do not exist they will be instituted.

II. PRIMARY OPERATING UNITS INVOLVED

Due to the influence of petroleum on American life and the role that this agency plays in determining national energy policy, actions of virtually every office in FEA have high impact upon consumers. Those offices and their functions are as follows:

The Office of Consumer Affairs and Special Impact is presently housed in the Office of Intergovernmental, Regional and Special Programs, but by special provision the Director of OCA/SI has independent and direct access to the decision-making process and the Administrator. The functions of this office are as follows:

1. Review and analyze the actual and potential impact of FEA policies, programs and energy related problems on the consumer, the poor, the handicapped, and the elderly.
2. Advise the Administrator on the results of reviews and analyses so that he may consider those factors in the development of FEA policies and programs.
3. Provide information on FEA policies and programs to Federal, State, and local agencies, and private organizations representing consumer and special impact concerns.
4. Review the policies and programs of other Federal agencies with potential for alleviating the energy-related problems of consumers, the poor, the handicapped, and the elderly.

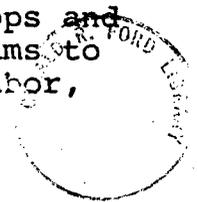
5. Recommend new or modified Federal policies and programs to alleviate the adverse effects of energy problems on consumers, the poor, the handicapped, and the elderly and assist in the development and implementation of new programs.
6. Review the policies and programs at State and local levels with potential for alleviating the energy-related problems of the consumer, the poor, the handicapped, and the elderly.
7. Recommend new or modified State and local level programs to alleviate the adverse effects of energy problems on consumers, the poor, the handicapped, and the elderly and assist in the development and implementation of new programs.

In performing these functions OCA/SI has sought maximum consumer involvement. With respect to policies and programs which originate in other offices, OCA/SI has both coordinated consumer input upon request by those offices and encouraged the offices to solicit consumer input on FEA policies.

Office of Energy Resource Development assesses the adequacy of energy resources to meet demands in both the short and long-term for all sectors of the economy and for the general public; develops and implements policies and programs which promote the development of energy resources to insure adequate supplies; and facilitates the development, on a site-specific basis, of necessary energy projects.

Office of Regulatory Programs develops plans and programs for dealing with energy shortages; promotes stability in energy prices to the consumer; promotes free and open competition in all aspects of the energy field; prevents unreasonable profits within the various segments of the energy industry; and assures that energy regulations are designed and implemented in a fair and efficient manner so as to minimize hardship and inequity.

Office of Conservation and Environment develops and oversees voluntary energy conservation programs to promote the cost effective substitution of labor, material, capital and technology for energy.



Office of Policy and Analysis collects, evaluates, assembles and analyzes energy information on reserves, production, demand and related economic data; develops plans and programs for dealing with energy production shortages; assesses the adequacy of energy resources to meet demands in the immediate and longer range future for all sectors of the economy and for the general public by forecasting short and long range supply and demand; analyzes the economic impact of energy policies on consumers, industry and the economy; and recommends policies to the Administrator with respect to the establishment of a comprehensive national energy policy in relation to the energy matters for which the Administration has responsibility and has responsibility for preparing inflation impact evaluations.

Office of Management and Administration administers a broad range of FEA-wide management activities which include organization program formulation and analysis.

Office of Intergovernmental, Regional and Special Programs develops effective arrangements for the participation of State and local governments, small business and consumers in the resolution of energy problems and acts as a liaison between the National FEA office and the ten regional offices.

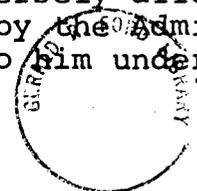
Office of Congressional Affairs responds to requests from Congress and acts as FEA's Congressional liaison and processes consumer/constituent communications which have been sent by the consumer to members of Congress.

Office of Communications and Public Affairs responds to public/consumer inquiries and disseminates information from the agency to the public.

Office of Nuclear Affairs develops policies and programs to assure a viable nuclear option in the development of energy resources for meeting the nation's energy needs.

Office of International Affairs directs development, analysis, evaluation, monitoring, coordination and implementation of international aspects of energy policy, analyzes domestic energy policy from an international perspective and seeks to assure appropriate integration of domestic and international policies.

Office of Private Grievances and Redress receives and evaluates petitions filed by persons adversely affected by any order, rule or regulation issued by the Administrator in carrying out the functions assigned to him under the



FEA Act and petitions filed by persons requesting special redress, relief or other extraordinary assistance and makes recommendations to the Administrator for appropriate action.

Office of General Counsel serves as the chief legal advisor to the Administrator in all matters of law and policy, and particularly with regard to implementation of statutes administered by the Federal Energy Administration and regulations promulgated pursuant to such statutes; provides continuing legal review of agency operations, compliance and enforcement activities, and represents the agency, through the Department of Justice, in all litigation where the agency is a party.

III. DEVELOPMENT OF THE PLAN

In developing this plan we have selected, analyzed and evaluated major FEA programs and policies which have had significant consumer impact. In assessing those programs and policies we have identified the following Consumer Participation Techniques:

1. Consumer Participation Techniques

- Using consumer newsletters; preparing digests
- Utilizing consumer complaints as an information and guidance tool
- Improving procedures for comment on rules, orders, etc.
- Increasing availability of documents and materials containing consumer impact evaluation
- Performing marketing surveys or consumer behavior studies
- Intervention in agency proceedings
- Holding formal hearings
- Conducting consumer or citizen conferences
- Tying-in to existing consumer forums
- Organizing Technical Consumer Advisory Boards
- Forming liaison with consumer groups

2. Agency Techniques

- Improving staff handling of complaints and grievances
- Development of consumer information and analytical materials by staff
- Speeches by key decision makers
- Forming external liaisons
- Soliciting the advice of consumer consultants for specific problems



IV. EXECUTIVE SUMMARY

A. In order to develop an effective plan for consumer representation in FEA, it was necessary to examine the existing mechanisms for consumer input and information dissemination to the public. Eleven FEA program and policy areas in FEA were examined to determine the effectiveness of these input-output mechanisms. Examples of all mechanisms identified in the preceding section were found in the eleven analyses. Some mechanisms were well utilized. Others were not used in specific cases. From these analyses several recommendations have been developed.

1. Issuance by the Administrator of general Guidelines for all FEA Assistant Administrators or office directors to follow in obtaining consumer participation in FEA program and policy development. The Guidelines will include provisions for implementing the following improved procedures for consumer participation:

a. Advisory Committees

FEA will reexamine the composition of the agency's Advisory Committees to ensure adequate consumer representation on each Advisory Committee. As a result of this investigation new policies for selection of Advisory Committee members will be developed which will be outlined in the Guidelines to be issued by the Administrator.

b. Utilizing Consumer Complaints as an Information and Guidance Tool

The Office of Consumer Affairs/Special Impact plans to implement a computerized consumer complaint/correspondence processing system. This system will be designed to provide data on the energy problems of consumers by location and by type of complaint. These data will be circulated routinely to all program offices for use in policy and program planning, implementation and evaluation.



c. Consumer or Citizen Conferences

Each regional CA/SI officer will conduct state Consumer Energy Workshops in coordination with the National office in order to provide a forum for the exchange of ideas and information and to obtain input on major FEA policies and programs from all interested consumer groups and citizens. The Office of Energy Resource Development will conduct consumer/citizen conferences in those areas where energy resource development has the potential to create boom towns in order to develop policies to relieve any adverse social and economic impacts resulting from rapid growth.

d. Liaison with Consumer Groups

Each office shall have standing arrangements that provide to the maximum extent practicable for appropriate consultation and exchange of views with interested or affected persons and organizations on development or revision of major policies or programs prior to decision-making.

e. Public Hearings.

FEA will insure adequate notice of proposed changes in rules, regulations, orders, etc. by providing, the maximum possible notice of public hearings in the Federal Register in straightforward language, and will ensure publication of notices in national and local press and periodicals in the form of news articles.

f. Staff Development of Consumer Information and Analytical Materials

- (1) The Assistant Administrator or Office Director shall provide, to



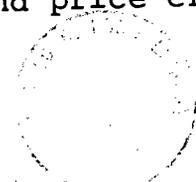
the extent practicable, policy or technical information concerning major proposals and other important programs or policy actions at the earliest practicable time, and at places easily accessible to interested or affected persons and organizations, and inform consumers about the availability of such material to enable them to make informed and constructive contributions to the agency's decision-making process. Special efforts shall be made to summarize complex technical materials for public and media use.

- (2) The office initiating a program or policy action will provide a response to interested or affected persons and organizations concerning their recommendations and suggestions (other than comment on rulemaking) within a reasonable period of time after receipt of such recommendations.

g. Consumer Impact Evaluation

For any major proposal as defined by the FEA Directive for Implementation of Executive Order 11821 (which requires that major proposals for legislation and for the promulgation of rules and regulations by an executive branch agency be accompanied by a statement certifying that the inflationary impact of the proposal has been evaluated) the Assistant Administrator or Office Director must indicate that where such a major proposal has been evaluated, the evaluation includes a section on consumer impact which contains:

- (1) An analysis of the principal cost or direct price effects of the action on markets, consumers, businesses, regions of the country, and where feasible, an analysis of secondary cost and price effects.



These analyses should have as much quantitative data and precision as practicable and should cover a time period sufficient to determine economic and inflationary impacts.

- (2) An indication of the benefits to be derived from the proposed action. These benefits should be quantified to the extent practicable.

(h) Increased Availability of Materials Containing Consumer Impact Evaluations

FEA will increase availability of materials containing consumer information at the earliest practicable time and at places easily accessible to interested or affected persons and organizations and inform them of the availability of this information through consumer organizations, press releases and speeches by FEA officials.

(i) External Liaison

Media communication techniques will be utilized more fully to solicit consumer input and publicize agency decisions and their impact. This will be accomplished through providing increased accessibility for consumers to regular mailing lists, speeches by key officials outlining the opportunities for consumer input and influence on agency decisions, and wider dissemination of opportunities for participation through press releases, national periodicals and newsletters.

The public meetings which are to be held in early 1976 on both the Plan and the Guidelines will be publicized in the manner described above in order to obtain maximum consumer input.

2. The Director of the Office of Consumer Affairs will be responsible for coordinating the implementation of these recommendations and will report directly to the Administrator. Each program office will submit plans for implementation of the Plan and the Guidelines.

V. AGENCY PLAN

A. INFORMATION INPUT

Input from consumers occurs through those techniques outlined in Section Three. The FEA utilization of these techniques is described in greater detail below.

1. Advisory Committees:

There are currently 15 FEA Advisory Committees in addition to the Consumer Affairs/Special Impact (CA/SI) Advisory Committee. Each of these has 1 or 2 consumer representatives. The majority of the members of the CA/SI Advisory Committee represent various consumer sub-groups. FEA will reexamine the composition of the other Advisory Committees to ensure adequate consumer representation on each one. In reassessing consumer representation on all advisory committees, FEA will examine the number of representatives, their expertise and whether or not they represent diverse regional and economic interests. In addition, the following questions will be considered: Do the consumer representatives have adequate staff to assist them in developing issues and proposals? Are the members able to spend the necessary time to be on the Advisory Committee? Should there be a stated length of service time in order to encourage turnover and the development of new ideas? Can the Management Office responsible for the Advisory Committee provide adequate staff support? As a result of this investigation, new policies will be developed which will be outlined in the Guidelines to be issued by the Administrator.

2. Utilizing consumer complaints as an information and guidance tool:

In general, the FEA system for processing consumer complaints does not presently lend itself to use in the policy formulation and implementation process. Consumer mail is not fully analyzed nor is information which is obtained from correspondence referred to appropriate offices for use as a policy making tool.



The Office of Consumer Affairs/Special Impact will implement a computerized consumer complaint/correspondence processing system. In addition to collecting, storing and providing data on correspondence received by the various offices within the Federal Energy Administration, including the Office of Communications and Public Affairs, the system will be designed to remedy the defects which currently exist in FEA's correspondence and complaint handling procedures as those defects relate to policy formation.

First, all correspondence and complaint data will be located at one point, for easy reference. Data stored will include the type of complaint, by region, State and discernible socio-economic characteristics of the complainee. By arranging this information in various combinations, data emerges which will be helpful in providing support for policy formulation which accurately reflects the interests and concerns of consumers as they are expressed in their correspondence. For example, if correspondence data reveals that a current policy or regulation is having an undesirable effect on a specific part of the population, such as the elderly, this information can be used to support a recommendation to change that policy or regulation.

Second, this system will produce summary sheets on a monthly basis which, it is planned, will be circulated to all program offices. The sheets will provide those offices with an accurate profile of the types of complaint by region, State and socio-economic characteristics of both the correspondence which has been received during the month and a summary of all correspondence received prior to that date. If more detailed information is desired by any office, a request can be made and the appropriate data will be provided.

It is anticipated that, along with the institution of the computer system, a

correspondence unit will be added to the Office of Consumer Affairs/Special Impact, enabling that office and therefore FEA, to more effectively and rapidly deal with consumer correspondence by giving it the capability to refer complaints and problems to other governmental agencies and provide organizations which have the ability and authority to solve the complaints and aggressively follow referrals. The system will be capable of maintaining referral information, including follow-up, to determine whether the referral agency was successful or helpful.

In the future, the system will be capable of storing and producing correspondence information not only from energy-related consumer correspondence that is received by FEA, but also that from State and local energy offices, when that information is provided to FEA by the agencies, on a voluntary basis. This will yield an even greater data base for use in the formulation of Federal energy policy.

3. Consumer or Citizen Conferences

Consumer/citizen conferences have been used for both general and informational purposes such as the Consumer Energy Workshops, and for specific program planning circumstances, e.g., the Utility Conservation Action Now (UCAN) Program.

OCA/SI has held seven regional Consumer Energy Workshops. The purpose was to present energy issues and options and solicit consumer response and recommendations on those issues and options. From each workshop a summary of recommendations was prepared and forwarded to the Administrator.

Now that the series of Workshops has been completed, OCA/SI is preparing an overall summary which will contain major findings and specific policy and program recommendations which were presented by citizens at those workshops.



The workshop format was designed so that, if successful, it could be used on a state-by-state basis. The workshop participants overwhelmingly judged them to be successful in survey forms which were distributed in each city, and the regional OCA/SI officers are now moving forward to assist State energy offices and other groups in the planning of state-level workshops. OCA/SI has found this consumer/citizen conference format to be extremely useful in obtaining citizen opinions and ideas for use in policy formulation and revision, and it will be used more frequently by other FEA offices in the future. In fact, the Office of Energy Resource Development is now planning to hold consumer/citizen conferences in those areas where boomtowns are likely to grow as a result of energy-related development activity in order to obtain citizen input in the development of policies to relieve any adverse social and economic impact resulting from that growth.

Consumer/citizen conferences have also been useful in specific program planning circumstances. For example, the Utility Conservation Action Now (UCAN) Program was designed by the Office of Conservation to enable utilities, regulatory agencies and consumers to interact with each other in the formulation of action plans to achieve conservation and efficiency goals in electricity and natural gas. Consumer/citizen conferences were held to facilitate this interaction.

4. Liaison with Consumer Groups

FEA maintains regular contacts with consumer groups at both the national and regional levels. For example, the Office of Consumer Affairs notifies these groups of proposed rulemakings and solicits their comments for those proceedings. On occasion, contracts have been let or demonstration projects conducted containing specific provisions which require the solicitation of consumer opinion. The major problem is that this is not done often enough.



Each FEA office will improve utilization of this technique by developing standing arrangements that provide, to the maximum extent practicable, for appropriate consultation and exchange of views with interested or affected persons and organizations on development or revision of major policies or programs prior to decision-making. Such arrangements could include either maintaining a list of all persons interested in participating in the decision-making process and contacting interested and affected persons and organizations before issues are resolved, or advising the OCA/SI office that they would like to solicit consumer input. In addition, each FEA office will regularize this contact with consumer groups by periodically scheduling meetings to permit consumers to present their views on major program or policy actions. The offices will provide program, policy or technical information for such meetings to interested or affected individuals.

5. Public Hearings

Public hearings are held whenever they are required by the FEA Act and other laws. The typical problem inherent in these proceedings is providing adequate public notice. One method of overcoming this problem, as described in the previous section on Liaison with Consumer Groups, is to actively solicit input through mass mailings to groups with interest in a particular issue. However, this procedure alone is inadequate. Suggested further measures include providing the maximum possible notice of public hearings in the Federal Register, publication of notices in national and local press and periodicals in the form of news articles, and use of straightforward language in the text of the notice. Specific recommendations for the institution of these measures will be incorporated in the Guidelines which are to be promulgated by the Administrator.

6. Marketing Surveys and Consumer Behavior Research

The institution of a successful nationwide energy program is dependent upon public acceptance. FEA has conducted pilot conservation projects to determine opinions regarding programs such as PROJECT CONSERVE. Opinion polls and marketing surveys are conducted each month on consumer attitudes towards energy policy issues and energy conservation behavior. The use of this technique will be increased in developing conservation policies and evaluating responses of consumers to those policies.

A traditional marketing effort will be conducted to support conservation initiatives. These efforts will be preceded by market research to determine the conservation needs and the most effective methods to successfully influence the various specific target audiences. The objective of this program element is to familiarize each of the specific target audiences with the FEA program most relevant to their energy conservation needs. These marketing campaigns present the savings potential of the various FEA programs, create a general understanding of the means to achieve these savings, provide specific technical assistance and motivation to the recipient, and increase the active participation rate made by individual homeowners, building owners/managers, industrial and commercial establishments and utilities.

B. INFORMATION OUTPUT

1. Consumer Education

Recognizing the complexity of the energy problem, a constant attempt has been made to translate highly technical information and its many facets into a form that is relevant to and understandable by the general public.



FEA has implemented a public service advertising campaign, distributed educational materials to a cross section of the American public, implemented citizens' training seminars, and implemented marketing strategies for many conservation programs (i.e., Vanpool Program, Project Conserve, Lighting and Thermal Operations), and developed a consumer research program.

During FY '77, FEA plans to expand its public awareness and education programs so that the number of persons aware of the energy situation will increase, and the quality of knowledge about energy conservation will improve. FEA also will expand its marketing efforts to reach a larger audience in both the private and industrial sectors. Through these efforts, it is anticipated that the public will better understand the critical nature of our energy shortage, and necessary institutional and private energy conservation changes will be made possible.

2. Increased Availability of Documents and Materials Containing Consumer Impact Evaluations

Subsection 7(i), paragraph (E), of the Federal Energy Administration Act of 1974 states that all internal rules and guidelines related to the development of a rule, regulation or order should be publicly available, with adequate provisions for ensuring confidentiality. Part 202 of the Federal Energy Guidelines sets forth in detail the procedures for handling requests for information.

The problem involved in ensuring that information is available to the consumer is that frequently the public is not aware of the types of useful information which have been developed by FEA and are available upon request. Further, even an awareness of a document's existence does not guarantee its accessibility.



The Guidelines promulgated by the Administrator will contain provisions to ensure that the availability of informational materials is adequately publicized and that accessibility is increased. In addition, FEA will provide policy, program and technical information at the earliest practicable time and at places easily accessible to interested or affected persons and organizations so they can make informed and constructive contributions to agency decisions. FEA will publicize the availability of this information through consumer newsletters, special mailings to consumer organizations, press releases and speeches by FEA officials.

3. Improved Staff Handling of Complaints and Grievances

Because of the nature of the jurisdiction conferred upon the agency by its enabling legislation, rarely is a consumer complaint resolved by the FEA office which receives it. In most cases, the complainant must be referred to another Federal agency or to one at the State or local level with authority to resolve the particular problem. Limited staffs in both major correspondence offices (Public and Consumer Affairs) make it necessary to accomplish referrals by a letter to the consumer with a copy of the letter to the referral agency. There is not adequate staff available to refer the consumer's letter directly to another agency and then perform follow-up to make certain that it is received and acted upon.

From time to time, when FEA has jurisdiction to act or the subject matter of the correspondence warrants attention, a letter is referred for resolution or response to a program office within the agency which is involved in policymaking. This is only done when the correspondence is technical in nature or involves an issue about which the Office of Communications and Public Affairs cannot comment.

As mentioned in the section on Consumer Correspondence, FEA is planning to implement a computerized complaint processing system.



While FEA's authority to resolve individual consumer complaints will not be increased, the computerized system will permit improved analysis of significant consumer complaints and trends. This analysis will provide aggregate data which will be used to identify and resolve recurring consumer energy problems.

4. Staff Development of Consumer Information and Analytical Materials

Generally, consumer information and analytical materials have not been developed specifically for distribution to consumers during the early stages of policy and program formulation. For the most part this has been due to those factors outlined in the Preamble which have limited the agency's ability to widely publicize proposed policies and programs.

However, FEA will improve utilization of this technique through the issuance of Guidelines requiring that policy, program or technical information be made available to interested or affected persons or organizations at the earliest practicable time, at places easily accessible and that consumers are informed about the availability of such material so they can make informed and constructive contributions to agency decisions. FEA will provide feedback to consumers on their recommendations and suggestions.

5. Speeches by Key Decision-Makers

FEA officials have sought public input through their speeches. However, FEA will expand this function after promulgation of the Guidelines and key officials will publicize FEA's effort to improve consumer input by publicly soliciting that input.



6. External Liaison

Currently, the FEA Office of Communications and Public Affairs provides news releases on major policy decisions, speeches by key officials, notices of hearings, and other agency activities, to interested press officials via routine mailing. Consumer groups and other interested individuals can be added to the mailing lists upon request but are generally not aware that this service exists. The Office of Consumer Affairs will submit its mailing list (see following page) for addition to that of the Office of Communications and Public Affairs. Further, it will make certain that this mailing service is publicized through all available channels.

A special newsletter, The Energy Reporter, provides information on FEA policies to consumers and community leaders in non-technical language. Often ideas for articles submitted by recipients are followed up in order to provide a publication which is responsive to consumers.

The Office of Communications and Public Affairs also is responsible for scheduling and coordinating appearances by key officials on radio and television. In addition, it arranges newspaper and magazine interviews for those persons.

The communication tools described above have rarely been used to solicit consumer input. The Guidelines promulgated by the Administrator will include provisions to ensure that media communication techniques are utilized to both publicize



opportunities for consumer input and provide feedback on agency decisions. The public meetings which are scheduled for January and February 1976 on both the Plan and the Guidelines for Consumer Representation will be publicized through improved use of media communication techniques in order to solicit maximum consumer input.

Both the Office of Consumer Affairs and the Office of Public Affairs maintain mailing lists of public interest groups which are categorized according to the areas of specific interest or expertise.

The mailing list maintained by the Office of Public Affairs is the mailing list for the Energy Reporter. This system has the capability to access public interest groups by category of interest, region or state. Currently the circulation of the Energy Reporter is limited to 30,000 due to budgetary constraints. However, consumer interest in the publication has steadily increased. It is hoped that circulation can be expanded to 100,000 within the next year since the circulation level is nearing the point where requests must be denied. In addition, the Office of Consumer Affairs/Special Impact maintains a categorized list of public interest groups and interested citizens. This list is not computerized. However the computer system for the Energy Reporter mailing list has the capacity for additional sub-systems of data. Therefore OCA/SI will computerize its existing mailing list by adding a special sub-system to the Energy Reporter computer system. This is intended to provide a flexible and accessible mailing list for disseminating information to interested groups and soliciting input for public hearings and informal liaison meetings on specific issues and policies.



7. Consumer Consultants

Over the past year as the Federal Energy Administration has become sensitized to the techniques for consumer participation and consumer involvement, a trend has begun to contract with public interest groups or individuals to prepare papers or special studies.

Two studies were recently completed by public interest groups through contracts with the Office of Consumer Affairs/Special Impact. One of the studies was a handbook for State Energy Offices for dealing with consumer energy problems and the second evaluated and analyzed the existing data on the adverse impacts of energy issues and actions on special consumer groups. Other studies are now underway through contracts with public interest groups to identify techniques that consumers can use to influence transportation decisions within their community and on various conservation strategies for citizens.

This trend is expected to continue. In fact, several consumer consultant studies are currently under consideration.

VI. RECOMMENDATIONS

A. Recommended Actions

1. The Administrator will issue Guidelines for all FEA Assistant Administrators and Office Directors to follow in obtaining consumer participation in major FEA program and policy development. The Guidelines will include provisions for implementing the following improved procedures for consumer participation.

a. Advisory Committees

FEA will reexamine the composition of the agency's Advisory Committees to ensure adequate consumer representation on each Advisory Committee.



b. Utilizing Consumer Complaints as an Information and Guidance Tool

The Office of Consumer Affairs/Special Impact plans to implement a computerized consumer complaint/correspondence processing system. This system will be designed to provide to all program offices regular data on the energy problems of consumers by location and by type of complaint.

c. Consumer or Citizen Conferences

Each regional CA/SI officer will conduct state Consumer Energy Workshops in coordination with the National office in order to provide a forum for the exchange of ideas and information and to obtain input on FEA policies and programs from all interested consumer groups and citizens.

d. Liaison with Consumer Groups

Each program office will have standing arrangements that provide, to the maximum extent practicable, for appropriate consultation and exchange of views with interested or affected persons and organizations on development or revision of plans, programs, or other significant actions prior to decision making.

e. Public Hearings

FEA will ensure adequate notice of proposed changes in rules, regulations, orders, etc., by providing, the maximum possible notice of public hearings in the Federal Register in straightforward language, and will insure publication of notices in national and local press and periodicals in the form of news articles.



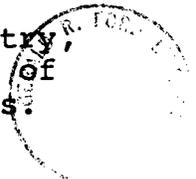
f. Staff Development of Consumer Information and Analytical Materials

- (1) The Assistant Administrator or Office Director shall provide, to the extent practicable, policy or technical information concerning major proposals and other important programs or policy actions at the earliest practicable time, and at places easily accessible to interested or affected persons and organizations, and inform consumers about the availability of such material to enable them to make informed and constructive contributions to the agency's decision-making process. Special efforts shall be made to summarize complex technical materials for public and media use.
- (2) The office initiating a program or policy action will provide a response to interested or affected persons and organizations concerning their recommendations and suggestions (other than comment on rulemaking) within a reasonable period of time after receipt of such recommendations.

g. Consumer Impact Evaluation

For any major proposal as defined by the FEA Directive for Implementation of Executive Order 11821 (which requires that major proposals for legislation and for the promulgation of rules and regulations by an executive branch agency be accompanied by a statement certifying that the inflationary impact of the proposal has been evaluated) the Assistant Administrator or Office Director must indicate that where such a major proposal has been evaluated, the evaluation includes a section on consumer impact which contains:

- (1) An analysis of the principal cost or direct price effects of the action on markets, consumers, businesses, regions of the country, and where feasible, an analysis of secondary cost and price effects.



These analyses should have as much quantitative data and precision as practicable and should cover a time period sufficient to determine economic and inflationary impacts.

- (2) An indication of the benefits to be derived from the proposed action. These benefits should be quantified to the extent practicable.

(h) Increased Availability of Materials Containing Consumer Impact Evaluations

FEA will increase availability of materials containing consumer information at the earliest practicable time and at places easily accessible to interested or affected persons and organizations and inform them of the availability of this information through consumer organizations, press releases and speeches by FEA officials.

(i) External Liaison

Media communication techniques will be utilized more fully to solicit consumer input and publicize agency decisions and their impact. This will be accomplished through providing increased accessibility for consumers to regular mailing lists, speeches by key officials outlining the opportunities for consumer input and influence on agency decisions, and wider dissemination of opportunities for participation through press releases, national periodicals and newsletters.

The public meetings which are to be held in early 1976 on both the Plan and the Guidelines will be publicized in the manner described above in order to obtain maximum consumer input.

2. The Director of the Office of Consumer Affairs will be responsible for coordinating the implementation of these recommendations and will report directly to the Administrator. Each program office will submit plans for implementation of the Plan and the Guidelines.



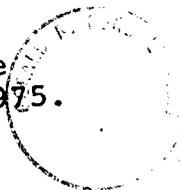
<u>B. Proposed Schedule of Events</u>	<u>Date</u>
1. FEA Consumer Representation Plan submitted to the White House.	November 1975
2. Issuance of Guidelines by the Administrator and interim implementation of Proposed Plan.	December 1975
3. Public Meetings on the Plan and Guidelines (Recommendations and changes will be incorporated into the Proposed Plan and Guidelines)	January-February 1976
4. Implementation of Final Plan and Guidelines	March 1976
5. Implementation of Computerized Complaint Processing System	March 1976 (Contingent upon Congressional approval of 1976 funds)
6. Establishment of computerized OCA/SI consumer mailing list.	January 1976 (Contingent upon Congressional approval of 1976 funds)

C. Allocation of Resources

FEA does not anticipate that any additional personnel or funds other than the monies provided by the FY '76 and FY '77 budget appropriations, will be required to implement the Consumer Representation Plan and Guidelines. Consumer impact evaluations will be performed by Policy and Analysis staff who are responsible for preparing inflationary impact evaluations. The Director of the Office of Consumer Affairs will be responsible for coordinating the implementation of this Plan with other FEA offices and will report directly to the Administrator.

D. Proposed Executive Action

The Administrator will issue guidelines for the FEA Consumer Representation Plan in December 1975.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

NOV 21 1975

OFFICE OF THE ADMINISTRATOR

11/19 - gl

FOR MR. GERALD

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB Frank G. Zarb

THRU: ROGERS C. B. MORTON

SUBJECT: OUTER CONTINENTAL SHELF LEASING POLICY

BACKGROUND

Chairman Murphy of the Subcommittee on Oceanography of the House Committee on Merchant Marine and Fisheries has asked for the Administration's position on several OCS Leasing issues -- especially impact aid.

The House is now considering two bills which have passed the Senate concerning the OCS:

- S. 586 (the "Hollings Bill") deals primarily with Commerce's coastal zone management program. It provides for impact assistance to coastal States and extends the coastal zone consistency requirement to Federal leases (not simply Federal "permits and licenses" as currently provided). The consistency provision requires Federal actions in the coastal zone to be consistent with the relevant State-approved management program. Chairman Murphy's Subcommittee completed markup on this bill September 29. It was passed by a vote of 73-15 in the Senate.

cc: Exec. Sec (4) ✓
 Chron File Zausner
 Reading Stayback (2)
 Pasternack

P:BPASTERNAK:dms:rm. 4109, x6187, 11/18/75



Handwritten initials and date: gl 11/20

CONCURRENCES

SYMBOL	P+A	gl	cc				
SURNAME	Pasternack	Zausner	Stayback				
DATE	11/19/75	11-19					

- S. 521 (the "Jackson Bill") which deals primarily with leasing management provisions, but also contains the same impact aid provisions as those of the Hollings Bill. The House Select Committee on the OCS (also chaired by Congressman Murphy) has a similar bill, H.R. 6218, under consideration which they hope to complete work on by early December. In passing S. 521 (by a vote of 67-19), the Senate adopted much of S. 586 including the impact assistance provisions, as an amendment to S. 521.

The common impact aid provisions of the two bills would authorize the Department of Commerce to dispense:

- \$200 million per year for three years for grants and loans to coastal States based on proven or projected adverse impacts on their coastal zone from energy related developments.
- \$100 million per year in formula grants to coastal States which are adjacent to OCS production or which take OCS production ashore for three years, then \$.08/barrel up to an annual limit of \$43 million per State indefinitely.

The total effect of the impact aid provisions could be about \$1.7 billion over the next ten years.

ANALYSIS

Our analysis shows that the need for impact assistance will vary by State and is needed most in those areas where unique population changes would occur, such as in Alaska.

At this time, our best legislative liaison information indicates that:

- You will probably get for signature in the next few months -- either in one bill or two -- OCS impact aid authorization, modified coastal zone management initiatives and changes in current OCS leasing procedures.
- Some changes to the impact aid provisions can perhaps lessen their budget impact -- but the reduction will not be substantial.



- Relatively few changes can probably be induced with respect to the coastal zone management and OCS leasing management provisions.

There are several significant observations:

- Whether or not there is any action on OCS impact assistance this session will have no effect on the outcome of the California OCS sales this December -- and if the sales go off in the absence of such assistance, the threat to sales in other regions from State opposition on economic impact grounds should be somewhat lessened.
- Both bills contain features that could significantly delay the sales program (see Tab A).
- The Administration's ability to shape the Hollings Bill or the Jackson Bill is limited -- and the bills that are likely to emerge will, on balance, significantly impact the Federal budget and slow down your leasing program.

These conditions suggest the following objectives:

- The best result would be no passage of legislation along the lines of the Hollings and Jackson Bills. However, the Senate has already passed these measures and the House is moving towards completion of its legislation.
- The second best result -- but in view of the time element is highly unlikely -- would be passage of substantially modified bills which would slow your leasing program down some, but not too much, and have some adverse budgetary impact, but not too much.
- The third best result would be passage of either/or both bills, followed by the sustaining of your veto, if analysis shows they would unduly inhibit OCS development.

RECOMMENDATIONS

Jim Lynn, Rog Morton, and I have agreed that the best approach involves the following steps (Option 3(a) in Tab A):



- Indicate the need for substantial revision of the leasing and impact aid provisions in the current Senate bills and point out the Administrative actions taken by the Interior Department that accomplish many of their objectives without significantly delaying the program.
- Propose a completely new Federal Energy Impact Assistance Program and work with Chairman Murphy and Minority Members of the Committee to amend the OCS bills. The new program would appropriate \$500 million for impact assistance and channel the money to States based upon certification of need. The money would be available for direct and guaranteed loans for infrastructure developments, as well as grants for planning purposes. It would be used only when needed and where needed and only if State and local governments cooperate.

Secretary Kleppe agrees with the need for substantial revision in the current bills, but disagrees with the Federal Energy Impact Assistance Program. He suggests instead that separate assistance programs be designed for OCS impacts on coastal States and minerals leasing impacts on inland States, as indicated below:

- Propose impact aid provisions for OCS and inland mineral leasing which are analogous to provisions currently in the House bills, but are more effective in encouraging early energy development, more workable administratively, and less costly. For inland leasing, the State revenue share is increased from 37 1/2 percent to 45 percent, and for OCS leasing an analogous program of similar budget size is introduced. In both cases, the Federal Government would guarantee a portion of the projected flow of revenue payments so that the states and communities could borrow against them. The outlay of the OCS part of this program would build from \$80 million in FY 1977 to about \$300 million after 1980, for an approximate ten year cost of \$2.6 billion. The outlays for the onshore impact aid fund under the mineral leasing act would be 50-60 million dollars greater per year than under present law (about \$600 million more over the next decade), but 100-120 million dollars less per year than the mineral leasing act provision now included in S. 521. (See Tab D for more detailed proposal.)



DECISION

_____ \$500 million loan fund (Morton, Zarb, Lynn)

_____ Increase State share of royalty revenues (Kleppe)





OCS PROGRAM ISSUES

BACKGROUND:

Chairman Murphy of the Subcommittee on Oceanography of the House Committee on Merchant Marine and Fisheries has asked for the Administration's position on several OCS leasing issues -- especially impact aid.

ADMINISTRATION PROPOSALS TO DATE:

- In January of 1974, President Nixon announced that Interior would lease ten million acres of the OCS for oil and gas exploration and drilling in 1975; up to 1975, only six million acres in total had been leased over the past twenty-two years.
- The leasing goal has been revised to provide for leasing in all new OCS areas by the end of 1978 -- six sales a year, instead of a fixed acreage.
- You said in your January State of the Union message that it is the intent of this Administration to move ahead with exploration, leasing and production on those frontier areas of the OCS where the environmental risks are acceptable.
- Interior has revised the ten million acre goal for 1975 and presently contemplates frontier lease sales off Southern California in December and in the Gulf of Alaska and Atlantic next year. The imminence of these frontier sales has brought attention and criticism of the OCS program to the forefront and has resulted in a number of requests for delay.

REACTIONS:

The major concerns that have been raised are listed below:

- The need for impact aid or revenue sharing has not been met.



- Impact assistance should also include those likely to occur in the western coal and oil shale lands
- Government should have more information before leasing and development decisions are made
- Decisions on exploration and on development should be separate and independent, with ample time for review and possibly with the government doing exploration
- State and local participation process inadequate
- Environmental impacts not adequately evaluated
- Liability for damage from spills not covered
- In particular, States have been critical of the OCS lease management plan claiming that they are not provided adequate data for planning; there is insufficient time for review, comment, and negotiation; and there is no current mechanism to stop development regardless of potential consequences.

In addition, a number of legal issues have been raised in an effort to stop the sales.

INTERIOR'S ADMINISTRATIVE RESPONSES TO CRITICISM OF LEASE PROGRAM

- Need for more information before leasing - proposed new regulations requiring all lessees and permittees to give Interior all information produced from OCS.
- State review of development decisions - promulgated regulations giving States 60 days to comment to Interior on development plans filed with Interior after exploration is complete, but no veto authority.
- Inadequacy of development information - proposed regulations requiring lessees to provide information to States about offshore and onshore facilities related to planned development.
- State and local participation process - created new OCS policy advisory board with Federal, State, and public representation.
- Environmental impact evaluation - continuing environmental baseline and monitoring studies for all new area sales.
- Leasing procedures enriching oil companies at Federal expense - promulgated regulations prohibiting joint bidding among two or more major companies.



- Liability for spill damages - Administration bill introduced, but no hearings have been held.
- Major concern not yet addressed - impact aid/revenue sharing - both OCS and western coal and oil shale lands

CONGRESSIONAL ACTION:

- Over the summer, the Senate has passed -- and sent to the House -- two bills (see Tab B for a discussion of major amendments needed to these bills).
 - o S. 586 (the "Hollings Bill") deals primarily with Commerce's coastal zone management program. It provides for impact assistance to coastal States and extends the coastal zone consistency requirement to Federal leases (not simply Federal "permits and licenses" as currently provided). The consistency provision requires Federal actions in the coastal zone to be consistent with the relevant State-approved management program. Chairman Murphy's Subcommittee completed markup on this bill September 29. It was passed by a vote of 73-15 in the Senate.
 - o S. 521 (the "Jackson Bill") which deals primarily with leasing management provisions, but also contains the same impact aid provisions as those of the Hollings Bill. The House Select Committee on the OCS (also chaired by Congressman Murphy) has a similar bill, H.R. 6218, under consideration which they hope to complete work on by early December. In passing S. 521 (by a vote of 67-19), the Senate adopted much of S. 586 including the impact assistance provisions, as an amendment to S. 521.
- By extending the coastal zone consistency requirement to Federal leases, the Hollings Bill would probably have the effect of slowing down OCS development in certain areas to allow time for development of State plans and possible litigation concerning development of such plans and consistency of Federal leases with them; in addition, it would slow down lease sales by requiring consistency at a stage when the activities required to be consistent are not definable.
- By requiring annual reapproval of the leasing program with an Environmental Impact Statement specifying unreasonable detail in the leasing program, requiring regulations to assure consistency with State coastal zone plans, requiring six-month review of development plans, and requiring

extensive Federal mapping and information programs, the Jackson Bill's leasing management provisions would probably have the effect of slowing down the OCS leasing program. However, the Jackson Bill also includes potentially useful increased flexibility in leasing arrangements. Other features which may perhaps be desirable are authorities to lease whole structures rather than just 5,760 acre blocks, to extend the primary term of leases to 10 years, and to permanently disapprove development on a lease for extraordinary environmental reasons. S. 521 would require much more significant modification than S. 586 to make it acceptable to the Administration.

-- The similar impact aid provisions of the two bills would authorize the Department of Commerce to dispense

- o \$200 million per year for three years for grants and loans to coastal States based on proven or projected adverse impacts on their coastal zone from energy related developments.
- o \$100 million per year in formula grants to coastal States which are adjacent to OCS production or which take OCS production ashore for three years, then \$.08/barrel up to an annual limit of \$43 million per State indefinitely.

-- An amendment by Congressman duPont was adopted in the House Oceanographic Subcommittee (with Republican support) which provides for 10 percent of OCS revenues going to States based upon such criteria as proportion of oil coming ashore, wells drilled, OCS-employed persons in the State, etc. Most of the revenues would be distributed to Gulf of Mexico States and California.

-- The outlay effect of the Hollings/Jackson approach to impact assistance, the duPont approach, and what is probably actually needed (in \$ billion) are illustrated below:

	<u>1976</u>	<u>'77</u>	<u>'78</u>	<u>'79</u>	<u>'80</u>	<u>'81</u>	<u>'82</u>	<u>'83</u>	<u>'84</u>	<u>Total</u>
Hollings/ Jackson	.2	.2	.2	.1	.2	.2	.2	.2	.2	1.6
duPont	0	.7	.8	.6	.7	.7	.7	.7	.7	5.6
Maximum needed	0	0	.05	.05	.1	.1	.1	.1	.1	.6



ANALYSIS:

We have analyzed the impact aid issue and our major findings are discussed below:

- Impacts of OCS development may give rise to \$200-\$600 million in increased public facility construction over the next 12 years, nationwide; in the long-run State and local tax bases will rise enough to finance these needs and more, but for a few years they may lag behind, and in some localities they may never catch up.
- A formula based revenue sharing program cannot be designed which will meet the needs of impacted areas without paying large amounts to unimpacted areas.
- An impact aid program would be difficult to design now so that it would assist only those in need, especially under great uncertainties about the location and size of future discoveries and specific plans for producing them. Only an approach in which the determination of net adverse impact is made after it occurs and compensated for by partial loan forgiveness, could reduce these uncertainties.
- The need for Federal assistance will vary with the willingness of oil companies and States to assist local governments; pressure for revenue sharing or impact aid will arise from reasons other than OCS-related dislocations (such as decline of State revenues from onshore oil production in Louisiana).
- Existing Federal programs of assistance to States, which now account for about 20 percent of State and local expenditures, could probably supply the needed aid if a policy were adopted of tilting funding to OCS affected areas.
- If additional Federal aid is needed at all, it will probably be only in Alaska where unique population changes would occur and possibly along the Atlantic coast, especially if rural sites are chosen. Most development in the Gulf and Pacific coasts will be supported by existing infrastructure or will be absorbed in metropolitan areas.



- State and local tax revenues can be derived from usual sources: real and personal property onshore, incomes of businesses and residents of the State jurisdiction, and sales taxes on transactions within the State jurisdiction; in the absence of Federal enabling legislation, the States probably cannot levy a form of through-put tax on oil or gas passing through the state.

Although the claim is made from members of Congress and State representatives that failure to provide impact assistance will jeopardize the leasing schedule, Administration lawyers closest to the scene do not believe that the legal impediments being raised will be removed in any significant degree by an Administration decision to authorize support of such assistance, since there will always be numerous plaintiffs raising all conceivable road blocks in the courts.

- Our best legislative liaison information indicates that
 - o You will probably get for signature within a few months -- either in one bill or two -- OCS impact aid authorization, modified coastal zone management initiatives and changes in current OCS leasing procedures.
 - o Some changes can perhaps be induced on impact aid assistance to lessen the impact on the Budget -- but the reduction will not be substantial.
 - o Relatively few changes can probably be induced with respect to the coastal zone management and OCS leasing management provisions.

From the background facts, significant conclusions emerge.

- Whether or not there is any action on OCS impact assistance this session will have no effect on the outcome of the California OCS sales this December -- and if the sales go off in the absence of such assistance, the threat to sales in other regions from State opposition on economic impact grounds should be somewhat lessened.
- Both bills contain features that could significantly impact the Federal Budget and slow down the OCS sales program.



The conclusions dictate the following objectives:

- The best result would be no passage of legislation along the lines of the Hollings and Jackson Bills. However, the Senate has already passed these measures and the House is moving towards completion of its legislation.
- The second best result -- but in view of the time element highly unlikely -- would be passage of substantially modified bills which would slow your leasing program down some, but not too much, and have some adverse budgetary impact, but not too much.
- The third best result would be passage of either / or both bills, followed by the sustaining of your veto.

In view of these objectives, options could be judged primarily from the viewpoint of tactical maneuvers on the Hill.

OPTIONS:

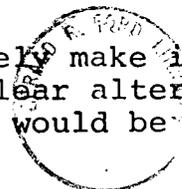
Option 1 -- Oppose passage of both bills in their entirety -- state that it is inappropriate to negotiate while "under threat" of holding up OCS sales; perhaps agree to "tilt" existing programs such as highway, rural development, HUD planning grants, or other funds, to give OCS-related activities highest priority; or perhaps establish an interagency task force to come up with impact aid recommendations, either for all Federally caused impacts or for energy related Federally caused impacts.

Pros

- If successful, would lead to best result legislatively.
- Would provide limited Presidential leadership in the OCS issue.
- Would avoid any "responsibility" or link to the bill and would be easier to sustain a veto if bill is amended in unpopular ways.

Cons

- If a bill is enacted, this approach would likely make it most difficult to sustain a veto because no clear alternative is offered and if a veto is not sustained you would be stuck with a very bad law.



-- Would transfer proposals for legislative action into an election year.

Option 2 -- Agree to negotiate with the House Committees over their versions of the Hollings and Jackson Bills on a line-by-line basis in an attempt to remove provisions which would slow down your leasing program or have too great a budget impact -- but with no commitment as to whether or not you will sign the ultimate outcome.

Pros

- Would be best received by the House Committees.
- Would inevitably have some success in removing undesirable provisions and may result in less objectionable law if a veto is overridden.
- Would posture you as being cooperative with the Congress.
- Would help defeat other legislation that would delay OCS development even more.

Cons

- Will most likely result in an unacceptable bill, particularly as a precedent for onshore impact aid bills.
- Makes it harder to veto a bill to the extent that it is not as objectionable as it would be without negotiated improvements
- Will be almost as difficult to sustain a veto as under Option 1.

Option 3 -- Indicate the need for the House bills to be a rather wholesale revision of the Senate Bills calling for the following:

- some changes in existing laws in coastal zone management provisions (but not very many)
- some changes, in OCS leasing management provisions (but not very many)
- sensitivity to the need for impact aid, but with changes in the basic approach offered by the committee

If Congress appears to accept most of your proposals, then the Administration would work closely with the Congress to write them into law. If, on the other hand, the Congress appears willing to take only a few proposals here and there and desires to go its own way, the Administration could either stay away from the legislative process or work to eliminate the worst provisions, but indicate doubt about signing the final bill.

There are a number of alternative approaches to the impact aid decision. If a decision is made to adopt Option 3, there are two basic suboptions for impact aid.

Sub-option (a) - New OCS impact aid proposal which would involve a one-time appropriation of \$500 million for Federal energy impact assistance. Under this proposal, a State governor would submit a declaration describing the type of impacts that will occur and the Federal government would appropriate money (based upon a set of factors) to the State for the purpose of direct or guaranteed loans for infrastructure development and grants for planning purposes. More details are provided in Tab C.

Assistance would be available only under the following principles:

- Where needed
- When needed and for only as long as needed
- If State and locality cooperates in development
- For appropriate purposes
- In appropriate amounts (avoid overbuilding)
- Cost of assistance should be borne by project revenues to the maximum extent feasible
- Program should be administratively simple with as much decision-making responsibility allocated to States and localities as possible.



The proposed impact assistance program, described in Tab C, would earmark a portion of OCS and possible mineral revenues to States based upon certain criteria to assure that more funds flow to areas in greater need, and unused funds would be repaid to the Treasury after a period of time. Significantly, the Jackson-Hollings bill will not achieve most of these objectives.

Pros

- By posturing you as willing to give some in the coastal zone and OCS leasing management areas and considerably more in the impact assistance area, would provide best basis for sustaining veto or delaying passage of any bill until next year.
- Has relatively low risk of committing you to a bill that would be counterproductive.
- Would provide a program that a significant body of opinion would regard as "sound".
- Might conceivably receive support of the National Governors Conference.

Cons

- May not be enough to sustain a veto.
- Could get Christmas-treed and commit you to signing an undesirable bill.

There are two variants of this option that were considered and rejected. One variant would be a more expansive proposal covering all Federally-related impacts -- whether energy connected or not, e.g., military base closings and openings, western mineral leasing activities, OCS leasing activities, energy facilities siting activities, education aid. Functionally, the reason for the impact should make no difference -- one impact is as important as another. The 1970 Uniform Relocation Act is based on this principle -- a new proposal could be called the Uniform Federal Impact Assistance Act. While this variant would be attractive to some inland States, it would involve considerable expansion of the OCS impact question, and would take some time to develop any legislation.



Another variant of this option would be limited enabling Federal legislation to allow States to levy a limited through-put tax on landed product for the purpose of building a State fund to be used for impact aid grants or loans. Each State would have to think through the trade-off of greater development accompanying a small tax or no tax at all vs. less development accompanying a higher tax (by discouraging industry from landing oil in the State). This variant -- which indeed could provide the whole amount of impact aid, or simply be a small add-on to a Federal impact aid program -- could provide the opportunity for Congress to enrich States. Moreover, it might complicate the current jurisdictional structure of Interior on the Senate side, Merchant Marine and Fisheries and the OCS Select Committee on the House side by possibly adding Ways and Means, Finance and Judiciary. Finally, this variant would create a possible undesirable precedent of allowing states in a limited way to burden interstate commerce.

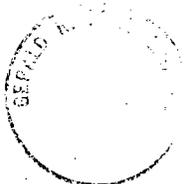
Sub-Option (b) - Accept the provisions of the magnitude of those in S. 586/S. 521, but with some major technical changes.

Pros

- Would be politically popular.

Cons

- Would cost as much as \$1.4 billion in next ten years
- Contains formula grants without regard to need
- Precedent



TAB B



Necessary Amendments to S. 521 and S. 586

1. Development Plan Approval

- Requirement for lessee to assess nearby potential oil and gas developments and onshore infrastructure capacity should be deleted.
- Six-month review and comment period for development plans should be shortened to 60 days or the time necessary to carry out the EIS process if required.
- Requirement that plan be modified if lessee fails to provide for protection of coastal zone from "avoidable adverse impacts" should be changed to "economically avoidable".
- Interior should be allowed to permit any reasonable changes in development plans.
- Public hearings should be required only when in the Secretary's judgement they are needed.
- Development plan should not be required to contain information on facilities located on lands over which the Federal Government does not have jurisdiction; such information should be separately available to the States.
- Language in bill barring plan modifications inconsistent with a coastal zone plan or any valid exercise of State authority should be removed.
- All language on MER should be removed.

2. Lease Terms

- The 50% limitation on use of the bonus bid system should be removed.
- Minimum royalties in some leasing alternatives should be reduced to at least 12-1/2 percent.
- Minimum profit shares of 60% in some leasing alternatives should be reduced to 20%
- The "undivided work interest" leasing alternatives should be authorized for use with either profit shares or royalties, at the Secretary's discretion.



3. Baseline Studies

- The Secretary of the Interior, not the Administrator of NOAA, should be directed to conduct environmental baseline and monitoring studies. Commerce does not agree.

4. Coastal Energy Facility Impact Program - Administration of the impact aid program is an unresolved issue.

5. OCS Advisory Boards and State Governors - All references to regional OCS advisory boards should be deleted. (Interior has already established its own.) If any advisory board is mentioned there should be no presumption that the Secretary would either accept or reject its recommendations or those of the Governors involved.

6. Expansion of Environmental and Coastal Zone Requirements - Eliminate sections 18(c) and 28 which complicate the requirements of NEPA - Eliminate extension of consistency requirement to Interior ordered changes in development plan.

7. Data Submission and Release

- Secretary should not be directed to require submission of data or interpretations, but only authorized to do so.

8. Government Exploratory Drilling - Interior should not be "directed" to carry out exploratory drilling.

9. Geologic Mapping - Section 19(c) on geologic mapping should be eliminated.

10. Required Leasing Program

- Requirement for regulations to assure consistency with State coastal zone plans (rather than present requirement to be consistent to maximum extent practicable) should be deleted.
- Requirement for annual EIS should be deleted.



- Level of detail specified for leasing program plan should be reduced.
- Policy of distributing OCS activities for an equitable sharing of risks and benefits among regions should be deleted.

11. OCS Information Program

- Requirement for a major geophysical-geological exploration program by Government for publication should be deleted.
- Right of State tidewater agency to have any information relating to its responsibilities which USDI has should be eliminated.

12. Safety

- Requirement for use of best available technology on all new facilities and whenever practicable on old should be deleted.
- Requirement for EPA and DOT concurrence on safety regulations should be deleted.
- Requirement that new regulations can never allow a reduction in the degree of safety or protection of the environment should be modified.
- Directed Interior safety R&D program should be deleted.
- Safety regulations, enforcement and inspection should be responsibility of DOI only, not a joint responsibility with DOT.

13. Planning Information Furnished to Coastal States

- The bill implies transmission, before exploration is completed, of detailed information which cannot be known until completion; should be deleted.

14. Citizen Suit Provision

- This provision should be deleted or extensively redrafted as, in its current form, it creates the possibility of costly, delaying, and spurious lawsuits.



15. Export Prohibitions

- The inclusion of export prohibitions in the bill does not allow sufficient flexibility and should be revised. As now drafted it could adversely affect our international commitments.



Necessary Amendments to S. 586

1. Expansion of Coastal Zone Requirements - Remove the coastal zone consistency requirement to leases.
2. Coastal Energy Facility Impact Program - Administration of the Impact aid program is an unresolved issue.
3. Mineral Leasing Act Receipts - Increase in State share of Mineral Leasing Act receipts from 37-1/2% to 60% should be deleted.



TAB C



POSSIBLE ADMINISTRATION IMPACT AID PROPOSAL

1. Aggregate Amount and Source of Funds

Authorize, through the appropriations process, Department borrowing authority from Treasury of \$500 M for a Federal Energy Development Impact Assistance Fund, these funds to remain available until 1990.

2. Program Description

- ° When it is known where development will occur, the State Governor submits to the Secretary* a declaration describing the expected development and indicating a few key data, including:
 - expected increase in direct employment due to the development of Federal energy resources,
 - the current population of the area within a 40 mile radius of the on-shore support base for OCS or within a 40 mile radius of the on-shore plant or mine,
 - the capital costs of infrastructure built in the impacted area in each of the last 20 years,
 - the estimated regional construction costs of public infrastructure,
 - the State and local tax effort.
- ° The Secretary reviews the declaration and applies several rather mechanical tests to the data provided by the Governor to determine an appropriate amount for the impacted area. In general, the guidelines followed by the Secretary will make more money available to the extent that:
 - more, rather than less, exploration/development/production is expected.
 - less, rather than more, population and infrastructure is present.
 - existing infrastructure is already fully utilized.
 - climate is severe--rather than normal--requiring more expensive infrastructure.

*Interior, Commerce, HUD or possibly the FEA Administrator.



- ° State/local tax effort would be equalized and deductions would be made for shares of mineral leasing revenues received in the previous fiscal year.
- ° The Secretary advises the Governor of the dollar amount allocated to finance planning and infrastructure required by the exploration/development/production of Federal energy resources.
- ° The Governor then has authority, up to the limit of the amount allocated, to make or guarantee long term loans for the infrastructure development and grants for planning purposes.
- ° The Federal role will be limited to post-audit monitoring of whether the grants and loans are made for statutory purposes and whether recipients are "cooperating" in the exploration/development/production of Federal energy resources.
- ° There would be a loan forgiveness provision to cover situations of aborted or diminished development where local tax revenues did not materialize as expected to repay all or a portion of the loans.
- ° Funds repaid from the loans would be deposited in the Impact Assistance Fund until 1990, after which time they would be returned to the Treasury.

3. Principles Incorporated In This Proposal*

Assistance through this program accords with the following principles:

- available only where and when needed,
- limited to appropriate purposes and amounts,
- administratively simple, relying on State and local decisionmaking responsibilities to maximum feasible extent, rather than Federal involvement in individual claims,
- encourages pass-through of project costs to end user,
- contingent on State and local cooperation.

Comparison of this proposal with the Jackson/Hollings proposal according to these principles is given in the chart below. In general, the Jackson/Hollings proposal meets some of these principles in part and some not at all.



*CEQ suggests that these criteria are too complicated and subjective and suggests that the formula be based principally on new energy facilities to be constructed; associated direct and indirect employment and projected new infrastructure requirements.

PRINCIPLE

ADMINISTRATION PROPOSAL

HOLLINGS/JACKSON PROPOSAL

1. Available where needed

a) Available only where impacts occur.

b) More assistance available where population increase is large relative to existing population.

c) More assistance available where existing infrastructure is small.

2. Available at time of need and cuts off after need.

3. Limited to appropriate purposes

4. Limited to appropriate amounts

5. Administratively simple

6. Encourages pass-through of costs to end users.

7. Contingent on state & local cooperation

Loan availability based on direct employment causing impacts. Loans forgiven if actual long term fiscal deficits materialize.

Formula assures this.

Formula adjusts for this factor.

Loans available as impacts occur; planning grants before. Both end in 1990.

Tied to development of Federal energy resources, including inland.

Avoids over-building by relying on loans.

Relies on State and local decision making. Uses formula.

States and localities will tax projects to pay off loans.

Incentives for cooperation. Administrative cut-off if no cooperation.

Automatic grants made regardless of need. Loans and grants based on "net adverse impacts."

Not taken into account.

Not taken into account.

Automatic grants continue forever. Loans available as impacts occur.

Available for virtually all energy related facilities but in the coastal zone only

Automatic grants can replace state & local tax effort. Grants can stimulate over-building.

Involved Federal Govt. in individual claims. Complicated administrative guidelines. Automatic grants reduce need to tax projects as do impact grants.

Incentives for cooperation with no penalty for non-cooperation.



TAB D

TAB D

Impact Assistance Programs Recommended by the
Department of the Interior

Sharing Revenues from Mineral Leasing

For the inland western States and communities, present payments to the States from the Mineral Leasing Act would be raised from 37-1/2 percent to 45 percent, and the increase specifically earmarked for assistance to communities impacted by energy development. All funds would be freed from the current limitation to roads and schools. Along with these provisions, the Federal Government would guarantee at least a portion of the projected flow of revenue payments so that the States and local communities could borrow against these revenues. Such a mechanism would specifically address the front-end money problem. This proposal is thus a modified version of the amendments authored by Senator Hansen and Congressman Roncalio, a measure already passed by the Senate, in committee in the House, and endorsed by the western Governors.

This approach is reasonable in light of the support in Congress and among western Governors for Senator Hansen's amendment. Decontrol of oil and gas prices and increased royalties from coal production will in themselves significantly increase the amounts paid the States under the existing 37-1/2 percent. For this reason, the increase to 60 percent is not fully justified.

Sharing Revenues from OCS Leasing

An impact fund would be created by allocation of revenues from OCS leasing in amounts of one percent in FY 1977, two percent in FY 1978, three percent in FY 1979, and four percent in FY 1980 and subsequent years. Automatic payments from the impact fund would be made to the coastal States based on the proportion of OCS oil and gas which is produced adjacent to or landed within their boundaries. The Federal Government would guarantee a portion of such payments five years in advance to permit States to secure loans in the financial markets against these revenues.

This program would provide fair treatment to the coastal States relative to the assistance proposed for inland States. It is based on existing and potential production



of oil and gas which is an indicator of potential impacts that does not require elaborate and costly study to determine. It would solve front-end problems that arise before production by guaranteeing a portion of the payments which would ultimately flow to the States, and it relies on State and local determination of priorities regarding impact projects.

The Department of the Interior has been working for some time on the issue treated in the Hollings and Jackson bills. Although the primary objective has been to develop actions within existing law, Interior has also been analyzing proposed legislation and is prepared to work with the Congress on these bills. Secretary Kleppe believes that negotiating with the Congress in good faith is far more likely to result in good legislation. If reasonable compromises can be reached on impact aid and on the features affecting the progress of the OCS leasing program, then we may find the bills acceptable. If not, then the bills can be judged on their merits and vetoed. Should the veto not be sustained, the resulting Law will be less objectionable to implement to the extent that our negotiations have been successful. Secretary Kleppe does not believe that an Administration position in favor of wholesale changes in the Jackson and Hollings bills including the proposed Federal Energy Impact Assistance Program (Option 3a) will significantly alter the chances of sustaining a veto. Without good faith negotiation with the House, the bills are likely to include impact aid provisions, such as those currently featured in committee prints, which will contain enough money for enough States to make sustaining of a veto difficult. That outcome is costly both in terms of money and in terms of other objectionable program provisions which we will not have made an effort to improve."



FEDERAL ENERGY ADMINISTRATION

NOV 25 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

As you requested, I have reviewed the energy materials included in Senator Humphrey's remarks in January, the Pastore-Wright energy program, the program proposed by the freshmen Democrats, and the quotes of the statements made by the Majority Leadership early in the year that were recorded in Ron Nessen's memo of May 27.

The remarks made by Senator Humphrey contain few explicit legislative promises, but rather focus on rejecting the economic bases of your proposals. Since the substantive observations were critical of the Administration's program, and the affirmative statements largely generalities, there is very little that appears in the Humphrey material by way of unkept promises except, of course, the implication that the nation can meet its energy objectives without any significant price impacts.

Specific proposals in the Pastore-Wright energy program are indicated below in the left-hand column. The column at the right shows whether these items were addressed in the legislation considered by the House-Senate Conference on H.R. 7014/S. 622 and the action taken by the conferees.



Pastore-Wright

H.R. 7014/S. 622

Price

- No decontrol; reject import fee; relax controls only on secondary and tertiary recovery.
- Would roll-back composite price of crude oil from an estimated \$8.75 (with fee) to \$7.66 (approx. \$5.25 for old oil, \$11.25 for new oil) but would be gradually adjusted upward.
- 5¢ per gallon gasoline tax.
- Subject not addressed in legislation.
- Eliminate depletion allowance for all but small, domestic producers who do not retail.
- Subject not addressed in legislation.

Conservation

- Use artificial shortages with allocation if conservation targets not met.
- Eliminated by Conferees from H.R. 7014.
- Mandatory energy efficiency standards for all appliances and automobiles.
- Bill contains mandatory fuel economy standards for motor vehicles, with environmental bail-out. Imposes mandatory efficiency standards for appliances only where a finding is made that voluntary energy efficiency targets are not being met.
- Exclusive federal authority to purchase imported crude and product.
- Similar provision is included in the bill, but authority is discretionary and expires 90 days after enactment of the legislation if not exercised.



- | | |
|---|---|
| - Establish National Energy Production Board to administer authority for federal purchase of oil imports. | - Establishment of NEPB not addressed in legislation. |
| - Excise tax on fuel-inefficient motor vehicles. | - Does not contain excise tax but does impose civil penalties for manufacturers who do not meet fuel-economy standards. |
| - Thermal efficiency standards for new building construction. | - Addressed in separate legislation discussed below. |
| - Tax incentives for installation of insulation and solar heating. | - Subject not addressed in legislation. |

Most of the Pastore-Wright proposals would not aid in achieving our energy goals, and many are directly contrary to your initiatives. They shared, however, one common element with the Administration's proposals, which has been acted upon -- authority to promulgate mandatory energy conservation standards which would apply to all new residential and commercial building construction. When legislation on this subject was finally acted upon by the House, it contained no mandatory standards provisions. So in one area where the Democrats had occasion to carry out one of their proposals and had Administration support, the Congress failed to redeem the undertaking made by its Leadership in January.

The promises of the Leadership recorded in Ron Nessen's memo are the most explicit evidence of the gap between the assurances of action and the actual record. On the merits, though, from an energy standpoint it is fortunate that the Congress has not acted on the Pastore-Wright proposals, which would largely go in the wrong direction for achievement of our necessary energy objectives.

Attachment



NOV 26 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *Frank G. Zarb*

THRU: ROGERS C.B. MORTON

SUBJECT: BIWEEKLY STATUS REPORT

Petroleum imports rose during the 4 week period ending November 14 to an average of 6.12 million barrels per day. This was slightly below seasonal expectations, following abnormally high imports in the July-September period prior to the OPEC price increase, and considerably below the import levels of 1974 and 1973.

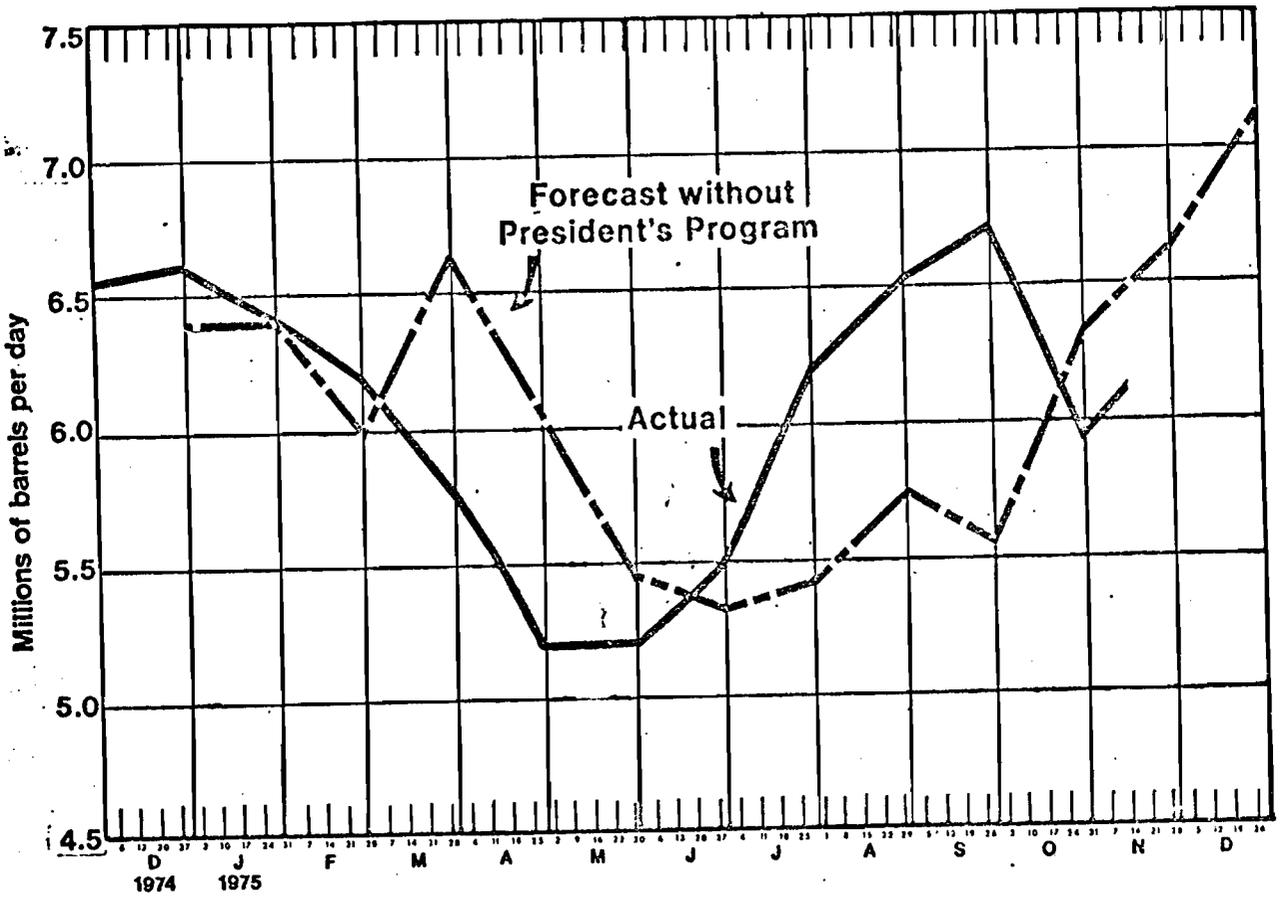
Total demand continued to be below last year and the previous year, by 10.8 percent and 12.0 percent respectively. Motor gasoline demand was slightly higher than in previous years but all other products were substantially lower.

In the States East of the Rockies, the winter heating season so far has been quite a bit warmer than last year and warmer than normal. The Nation as a whole has had 32.7 percent fewer degree days than during the same period in 1974 and 24.2 percent fewer than normal.

Industrial production during October was 6.7 percent below October 1974, according to a Federal Reserve Board estimate just released. At the same time, as noted in earlier reports, residual fuel oil consumption during the month was 22.0 percent below the previous year. This suggests that industry has been able to achieve significant economies in its consumption of petroleum, both directly and in the form of electric power.

Attachment

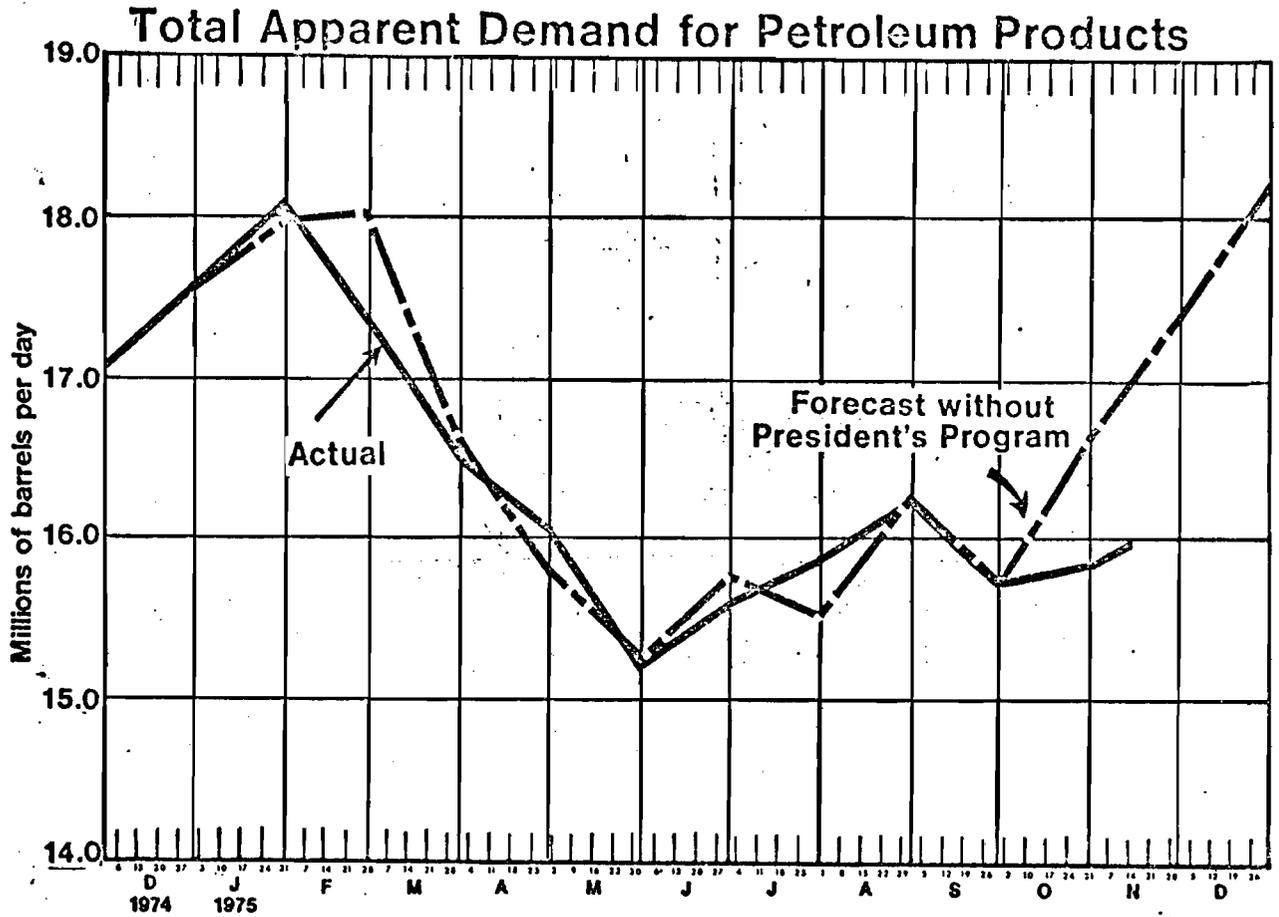
Figure 1
**Total U.S. Petroleum Imports
 (Crude and Product)**



- o For the 4 weeks ending November 14, total imports averaged 6.12 million barrels per day, up 0.21 million barrels from the period ending October 31. This was 802,000 barrels per day below the 1974 level, and 765,000 below 1973.



Figure 2

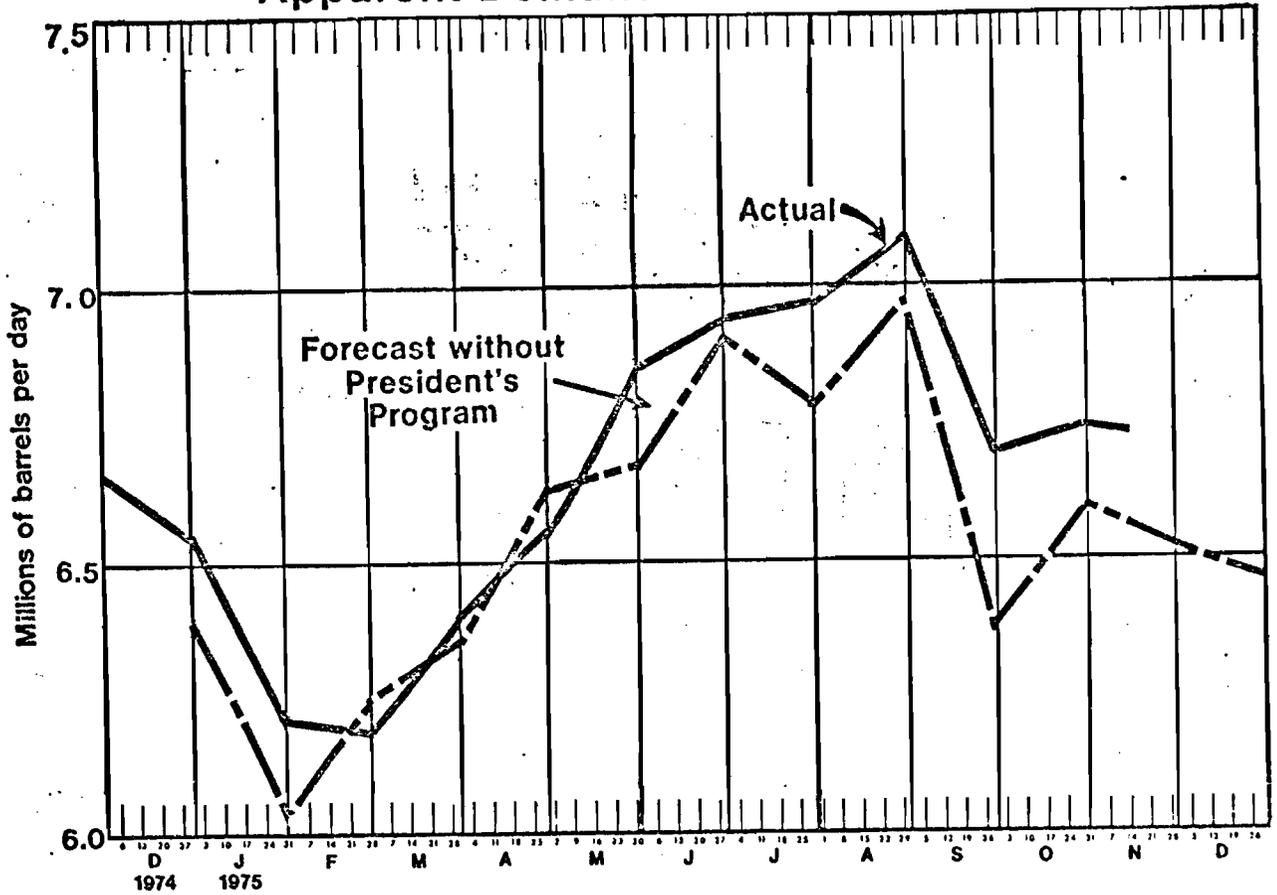


- o Total apparent demand during the 4 weeks ending November 14 was 15.99 million barrels per day, 1.93 million, or 10.8 percent, barrels per day below last year and 2.18 million, or 12.0 percent, below 1973.



Figure 3

Apparent Demand for Motor Gasoline

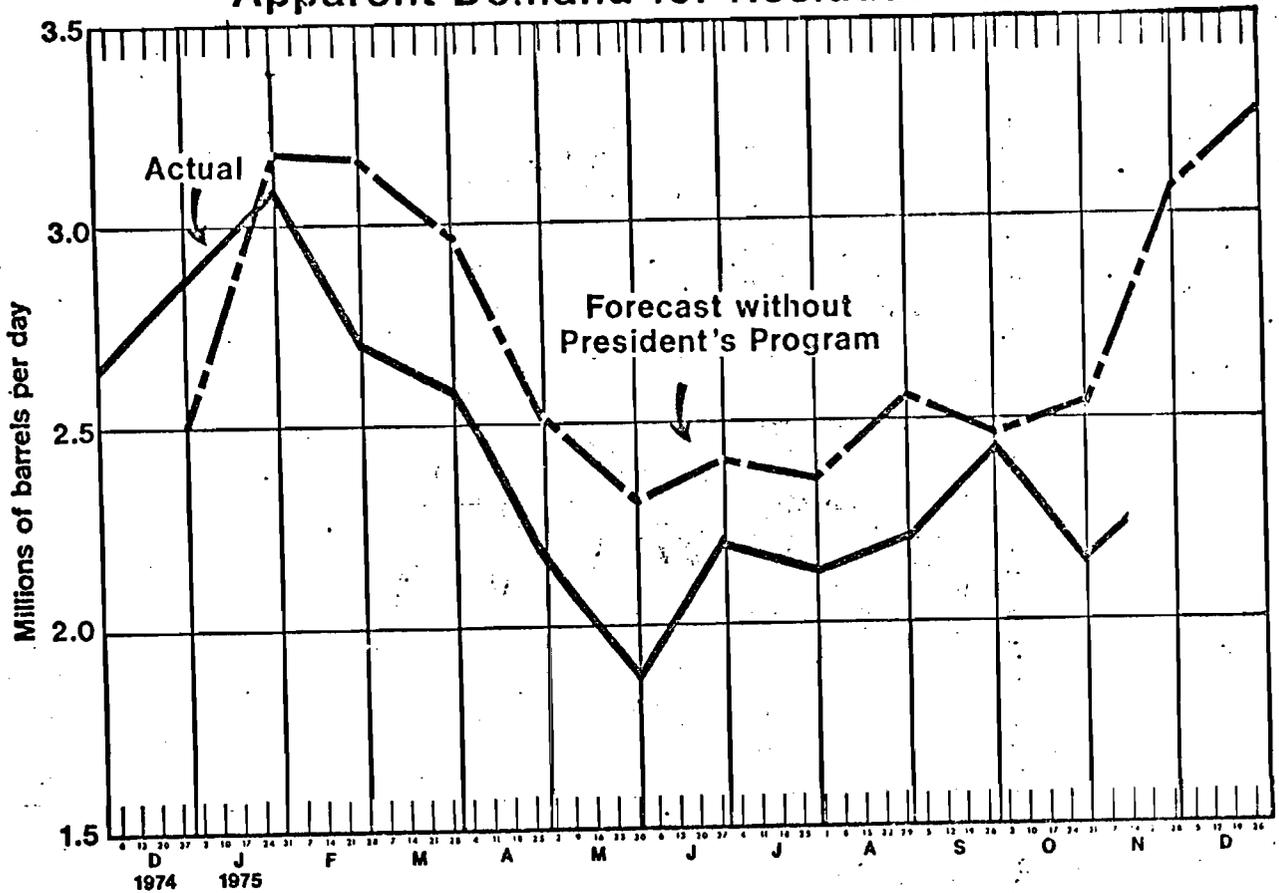


- o Apparent demand for motor gasoline in the 4 weeks ending November 14 averaged 6.73 million barrels per day, 92,000 (1.4 percent) above last year, and 138,000 barrels per day (2.1 percent) above 1973.



Figure 4

Apparent Demand for Residual Fuel Oil



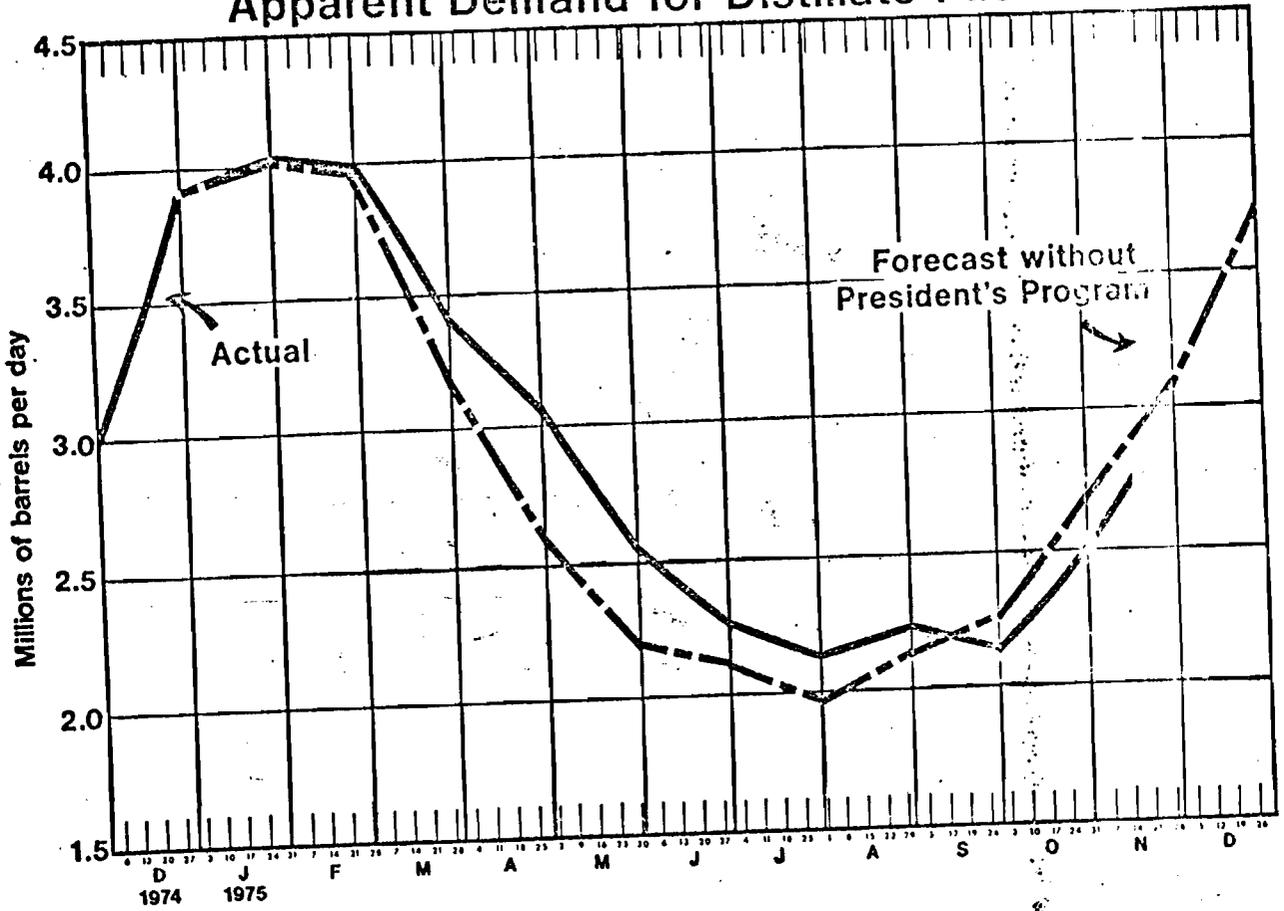
- o For the 4 weeks ending November 14, apparent demand for residual fuel oil was 2.27 million barrels per day. This was 706,000 barrels per day below last year, and 691,000 below 1973.

Industrial production during October was 6.7 percent below October 1974, according to a recently-released Federal Reserve Board estimate. At the same time, as noted here earlier, residual fuel oil consumption during the month was 22.0 percent below the previous year. This trend, which was evident in the summer months as well, suggests that industry has been able to achieve significant economies in its use of petroleum, both directly and in the form of electric power.



Figure 5

Apparent Demand for Distillate Fuel Oil

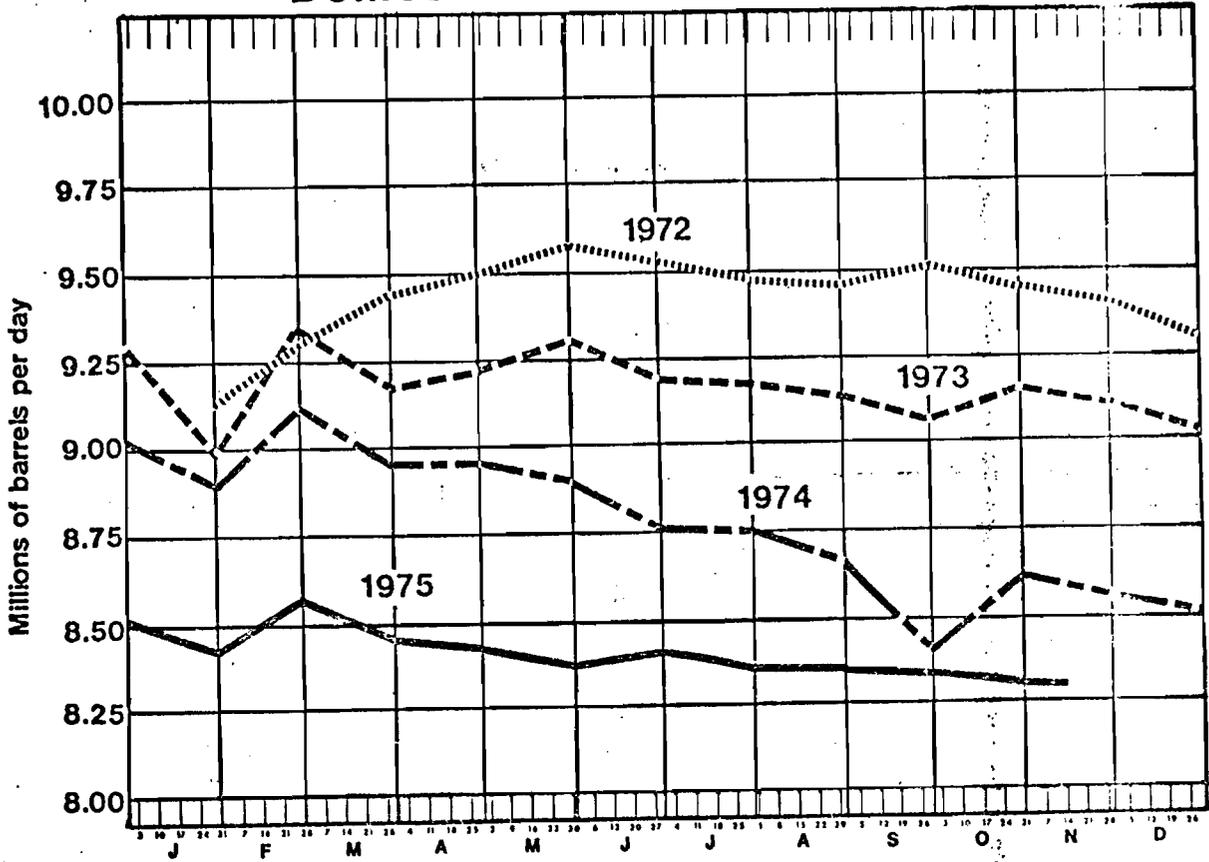


- o Apparent demand for distillate fuel oil for the 4 week period ending November 14 was 2.75 million barrels per day, 407,000 barrels per day less than last year and 526,000 below 1973.



Figure 6

Domestic Crude Oil Production

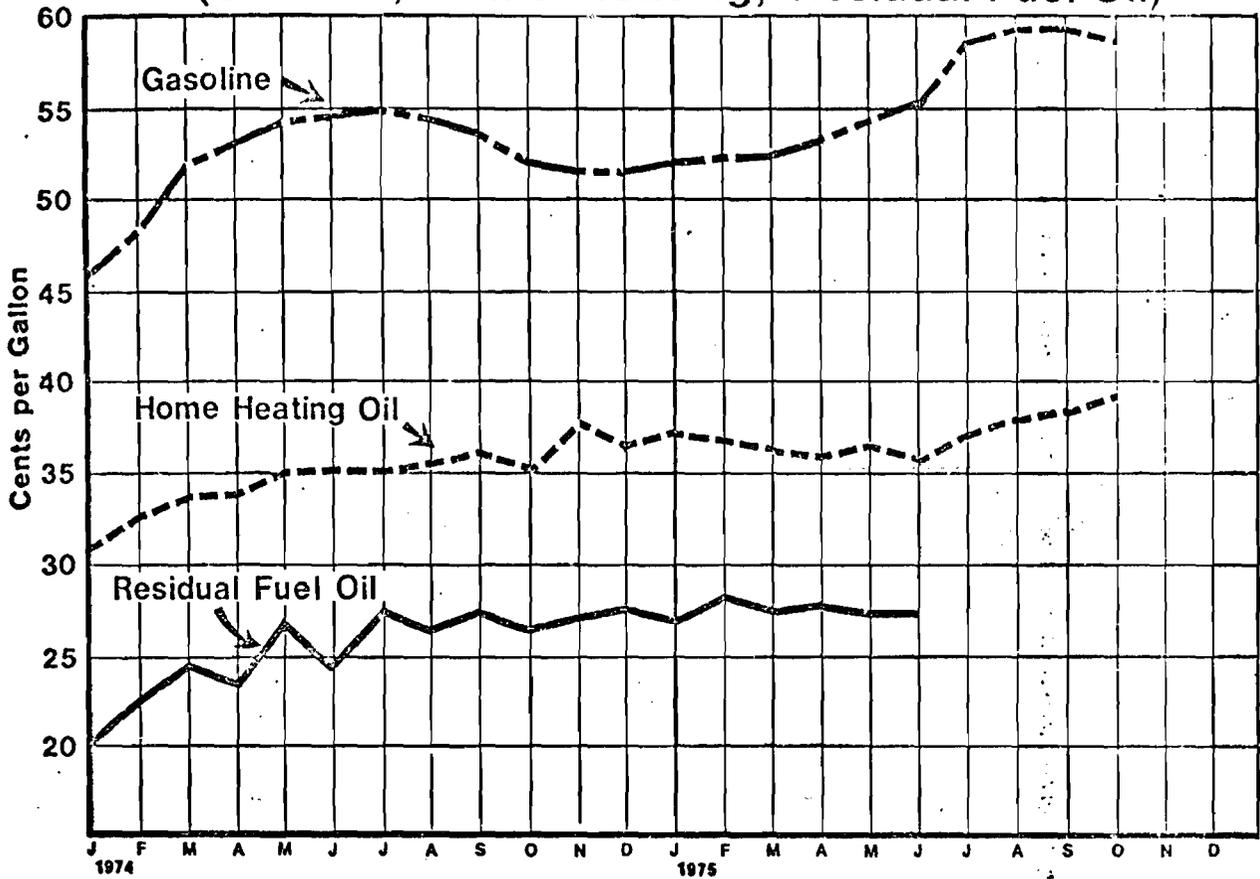


- o Production of crude oil for the 4 weeks ending November 14 was 8.24 million barrels per day, according to API estimates, 4.17 percent and 10.4 percent below the corresponding 1974 and 1973 BOM figures.



Figure 7

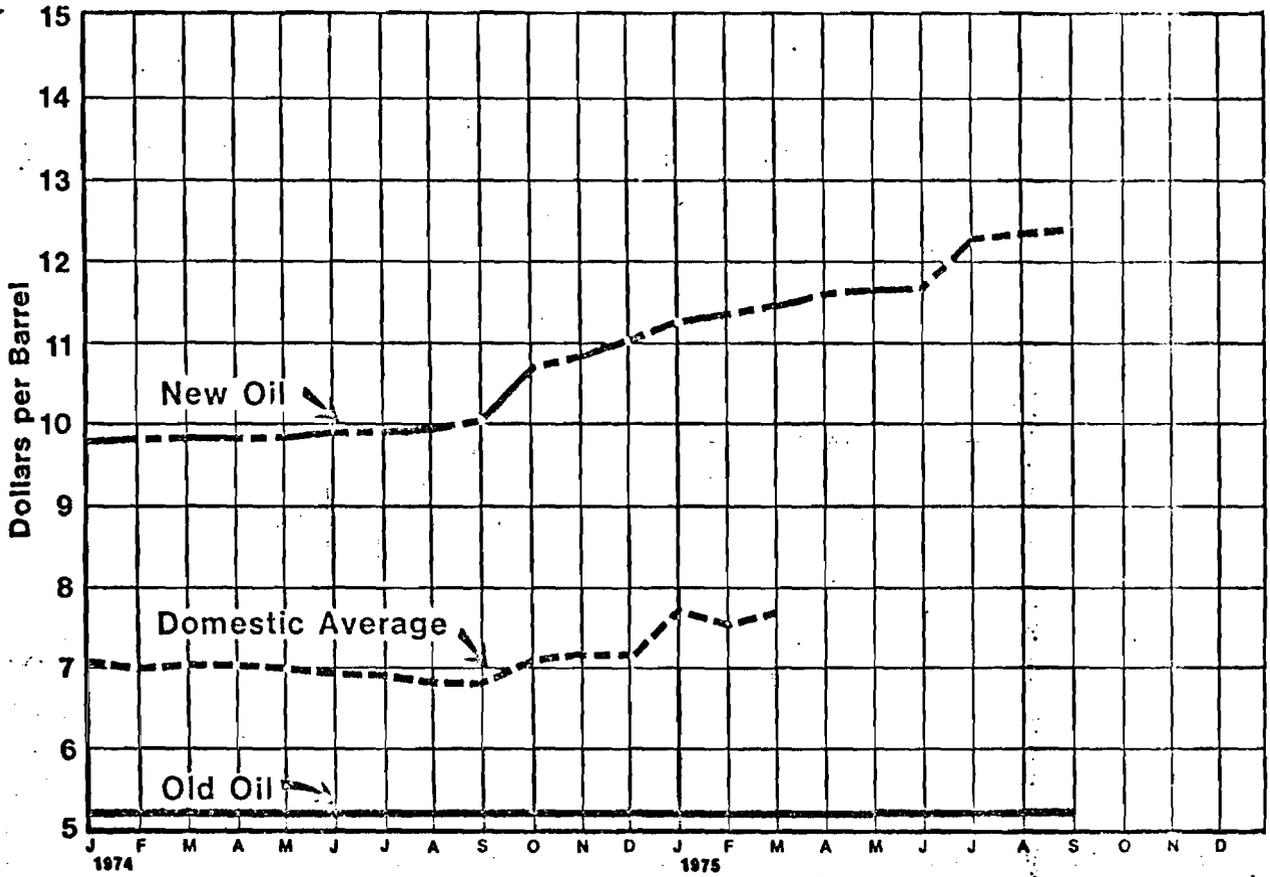
Retail Prices (Gasoline, Home Heating, Residual Fuel Oil)



- o During October the average retail selling price for regular gasoline decreased 0.4 cent per gallon to 58.9 cent per gallon. This was the first decrease since November 1974.
- o Residual Fuel (no new data since last report).
- o The national average selling price for heating soil to residential customers during October was 39.3 cents per gallon, an increase of 0.9 cent over the September figure, and 1.3 cents over August.



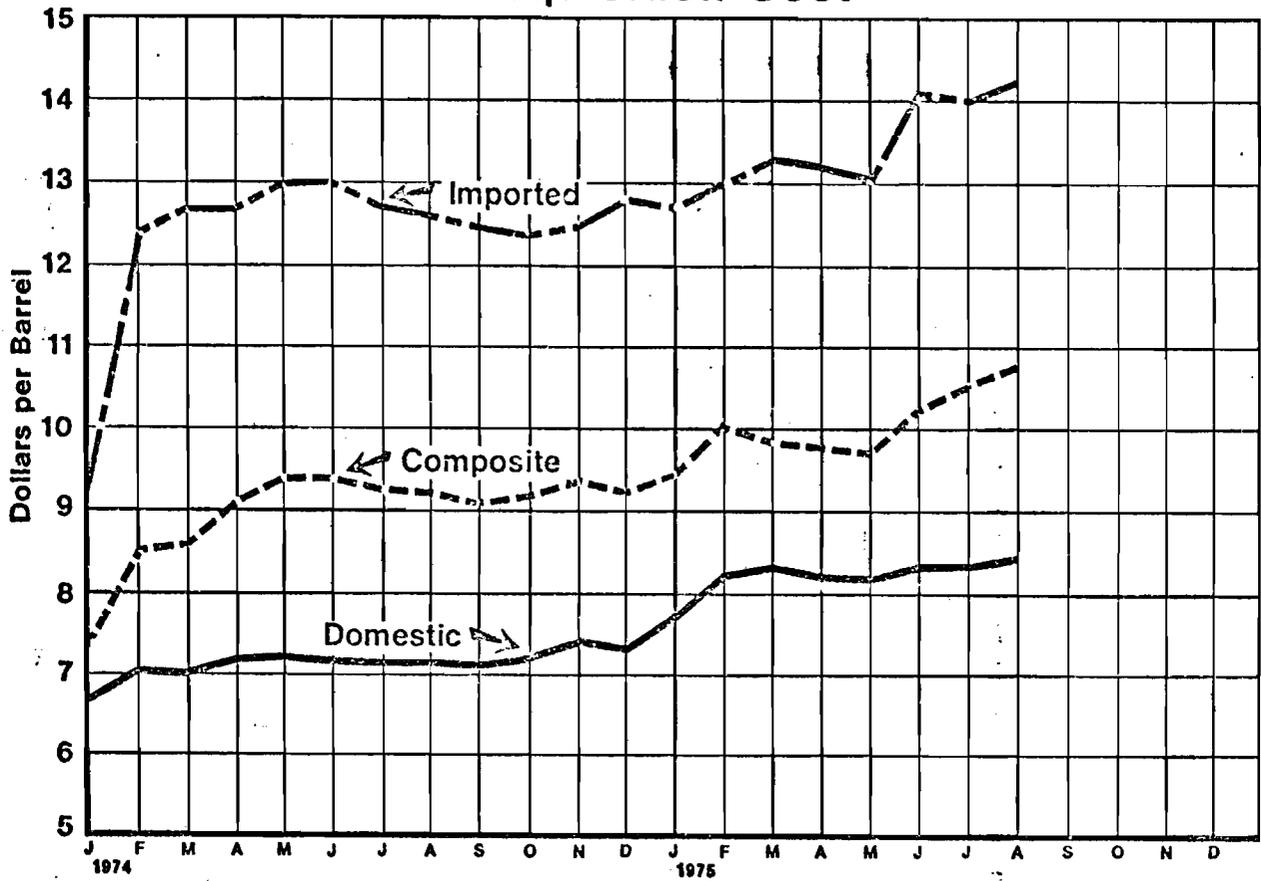
Figure 8
**Crude Oil
 Wellhead Price**



o During September the average "new" oil price was \$12.46 per barrel, 12 cents above the August price of \$12.38 per barrel.



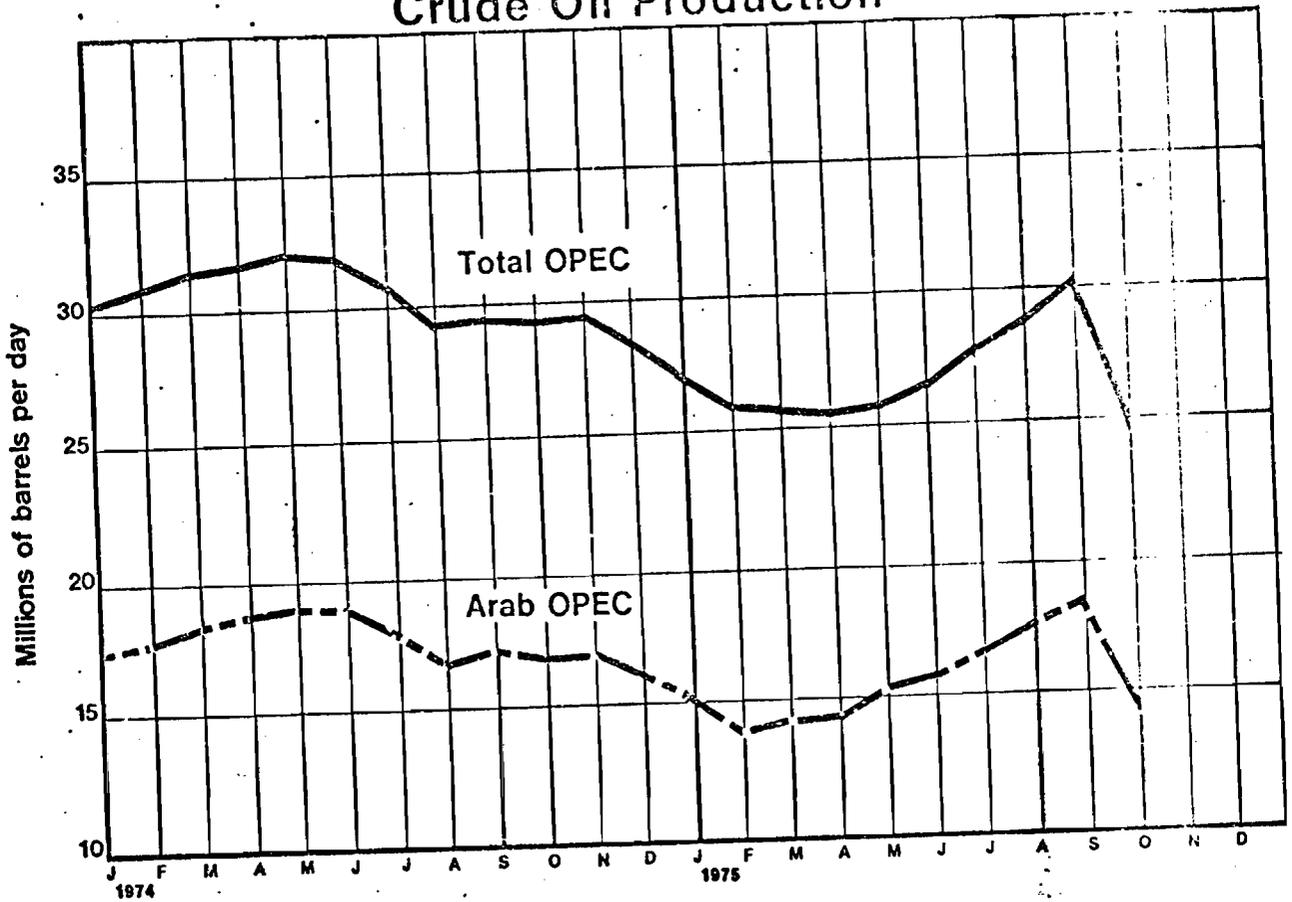
Figure 9
Crude Oil Refiner
Acquisition Cost



(no new data since last report)



Figure 10
**OPEC Countries
 Crude Oil Production**



- o Total OPEC crude oil production declined 18 percent to 25.2 million barrels per day, the lowest OPEC production level since December 1970 and 3.7 million barrels per day lower than the total in November 1973 during the Arab embargo. Production by Arab members of OPEC declined 21 percent. These declines reflect production dislocations created by the announced intention of OPEC nations to increase prices effective October 1, 1975.



DEFINITIONS

- Apparent Demand -- Domestic demand for products, in terms of real consumption, is not available; inputs to refineries plus estimated refinery gains, plus net imports of products plus or minus net changes in primary stocks of products are used as a proxy for domestic demand. Secondary stocks, not measured by FEA, are substantial for some products.
- Actuals -- Monthly data through September from FEA's Weekly Petroleum Reporting System and Monthly Petroleum Reporting System, and 4-week moving average from the API Weekly Statistical Bulletin for 4 weeks ending November 14 (figure 1). Demand after September estimated for figures 2, 3, 4, and 5 by FEA primarily from the Bulletin. Figure 6, BOM through July, API Monthly August, September and October, API 4-week moving average for period ending November 14. Figures 7, 8, 9, and 10 from FEA.
- Forecast -- A petroleum product demand forecast is made, based on a projection of the state of the economy, without implementation of the President's conservation program, and on the expectation of normal weather. The forecast is periodically revised to take account of actual weather and revised macroeconomic forecasts.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

November 28, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: Summary of Omnibus Energy Bill

FEA staff are continuing to work with Congressional staff to develop final statutory and managers report language for the omnibus energy bill passed by the Conference Committee on H.R. 7014/S. 622. The Conference Report is likely to be completed for final printing by Monday, December 2, and reported out of the Conference Committee on Tuesday, December 3. The timing of final Congressional action on the bill is not certain, but could be delayed until your return from China.

Our efforts with the committee staff to get the best possible language in all of the provisions have been relatively successful. Committee staff have accepted our language on most of the critical issues and have worked with us to define ourselves out of problem areas where the intent of conferees cannot be altered.

I have attached for your review a summary of the provisions of the conference bill that reflects policy determinations as of Friday, November 28. Major changes from this point in time are not likely. No judgements are made regarding the acceptability of the provisions and no decisions are required.

I have begun preparation of a detailed memorandum that evaluates each of the provisions and relates them to your energy and economic goals. This analysis, along with the views and recommendations of your advisors will be ready when you return from China.

Attachment

