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ENERGY RESOURCES FINANCE CORP.
MEETING
10:30 a.m.
TUESDAY, August 26, 1975

Roosevelt Room

MR. CANNON:

Here is the material on the 10:30 meeting
on the Energy Resources Finance Corp.
to be held in the Roosevelt Room.

We had to have a messenger hand-carry a
second copy of the papers to us as the
first was either not sent out or lost in
the mail.

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A BILL

To establish the Energy Resources Finance Corporation, a corporation with authority to make loans, guarantee loans, and otherwise provide financing and economic assistance for those sectors of the national economy which are of critical importance to the development of domestic sources of energy and the attainment of energy independence for the United States; to assist in the expediting of regulatory procedures affecting energy development; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Energy Resources Finance Corporation Act of 1975."

Title I. Findings and Purposes

Section 101. Findings. The Congress finds and declares that:

(1) The expeditious achievement of energy independence for the United States is a goal which is essential to the health of the national economy, the well being of our citizens and the maintenance of national security.

(2) Energy independence for the United States is not likely to be achieved without financial support and encouragement beyond that which is likely to be forthcoming from traditional private capital sources in the traditional manner.



(3) Achieving the goal of national energy independence in an expeditious manner can be facilitated through the establishment of an independent entity of limited duration to provide additional capital to assist the development of domestic energy resources, and by authorizing such entity to encourage the prompt resolution of questions coming before governmental regulatory or licensing entities.

Section 102. Purposes. It is the purpose of the Congress, in this Act:

(1) to encourage and assure the flow of capital funds to those sectors of the national economy which are of critical importance to the development of domestic sources of energy, or which are otherwise important to the attainment of energy independence by the United States, and to facilitate regulatory and licensing decision-making;

(2) to provide financial assistance, where possible by the making of loans and the guaranteeing of loans, for those activities which show the greatest potential of contributing to the development of domestic energy resources;

(3) to hasten the commercial operation of new energy technologies subsequent to the research and development phase;

(4) to supplement and encourage, and not compete with, private capital investment and activities in the development of domestic sources of energy; and

(5) to carry out the foregoing purposes through the creation of the Energy Resources Finance Corporation, an entity of limited duration which will assert its best efforts to, on an aggregate basis, either realize profits or minimize losses; and to provide for the timely and orderly liquidation of such corporation's investments and undertakings.

Title II. Corporate Status and General Powers

Section 201. Establishment.

(1) There is hereby created a body corporate, to be known as the Energy Resources Finance Corporation (hereinafter referred to as the "Corporation").

(2) The principal office of the Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices in such other places as may be determined by the Board of Directors of the Corporation.

Section 202. General Powers.

In carrying out the purposes of this Act, the Corporation shall have the power:

(1) To adopt, alter, and rescind bylaws and to adopt and alter a corporate seal, which shall be judicially noted;

(2) To make contracts with private or governmental entities;

(3) To lease or purchase such real estate as may be necessary for the transaction of its business;

(4) To accept and dispose of real and intangible property (including money);

(5) to sue and be sued and to complain and defend in any court of competent jurisdiction, State or Federal;

(6) To select, employ, and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary for the transaction of the business of the Corporation (without regard to the provisions of other laws applicable to the employment and compensation of officers or employees of the United States) and to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys and agents.

(7) To make provision for and designate such committees, and the functions thereof, as the Board of Directors may deem necessary or desirable;

(8) To determine and prescribe the manner in which obligations of the Corporation shall be incurred and its expenses allowed and paid;

(9) To exercise all other lawful powers necessarily or reasonably related to the establishment and conduct of a corporate entity and the exercise of its powers, purposes, functions, duties and authorized activities;

(10) To use the United States mails on the same terms and conditions as the executive departments of the United States Government, and

(11) With the consent of any board, commission, independent establishment, or executive department of the executive branch to make use of services, facilities, officers, and employees thereof, with or without reimbursement, in carrying out the provisions of this Act.

Section 203. Tax Status.

The Corporation and any Subsidiary (as hereinafter defined), its franchise, capital, reserves, surplus, and income shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that (1) any real property owned in fee by the Corporation or any Subsidiary shall be subject to State, territorial, county, municipal, or other local taxation to the same extent, according to its value, as other similarly situated and used real property, and (2) any entity acquired or established, or activity undertaken, by the Corporation or any Subsidiary (except financial assistance as that term is defined in Section 301 of this Act) which engages directly in the production, transportation, or sale of energy, fuels or energy-related commodities, facilities or products, shall be subject to taxes imposed by the United States and any State or subdivision thereof in the same manner as if such entity or activity were not acquired, established or undertaken by the Corporation or a Subsidiary thereof.

Title III. Functions of the Corporation

Section 301. Financial Assistance.

(1) The Corporation is authorized and empowered, upon such terms and conditions as it may determine, to provide financial assistance to any business concern which is engaged, or proposes to engage, in any activity which increases or would increase the development, production, conservation or distribution of domestic supplies of energy, including but without limitation to financial assistance which:

(a) enables such business concern to finance the ownership, construction, conversion, or expansion of productive facilities, or the acquisition of equipment, plant, machinery, supplies, or materials or the acquisition or development of land, mineral rights and process services; or

(b) provides such business concern with working capital; or

(c) aids such business concern in the payment of current debts or obligations.

As used in this Act: (i) the term "business concern" shall mean any individual, corporation, company, association, firm, partnership, society, State or municipal governmental entity (including a public authority), interstate or regional body (the membership whereof is comprised of governmental entities), or other entity which is engaged in the development,

manufacture, supply, importation, exportation, procurement or production of goods or services in the United States and which is deemed by the Board of Directors to be essential, by itself or as part of a larger industrial grouping, to the achievement of energy independence by the United States, or the long-term security of energy sources and supplies for the United States, and (ii) the term "financial assistance" shall mean any form of advance, extension of credit, investment, participation or guarantee, including but without limitation, loans, guarantees of obligations, guarantees of price, purchase and leaseback of facilities, and the purchase of convertible or equity securities.

(2) No financial assistance may be provided under subsection (1) unless an application therefor has been submitted to the Corporation in such manner and containing such information as the Corporation may require.

(3) Prior to providing financial assistance under subsection (1), the Board of Directors shall determine that:

(a) the project to which the financial assistance would be devoted is in furtherance of the purposes of this Act and will be likely to contribute significantly to the achievement of such purposes;

(b) financing for the project, or a modification thereof that would maintain the essential character of the project, is not available from any other source,

private or governmental, upon commercially reasonable terms with which the business concern could reasonably be expected to comply; and

(c) if such financial assistance is not provided by the Corporation, it is unlikely that the project, or a modification thereof that would maintain the essential character of the project, would be undertaken within a reasonable period of time.

(4) Financial assistance provided by the Corporation under subsection (1) may be made upon such terms, and subject to such restrictions, as shall seem to the Board of Directors to be commensurate with the needs of the recipient, and may be renewed, modified, or extended by the Board of Directors as it may determine.

(5) Each loan made under subsection (1) shall bear interest at such rate as the Board of Directors of the Corporation may determine, giving consideration to the needs and capacities of the recipient as well as to the Corporation's need to sustain continuing operations out of returns on investment.

(6) To the maximum extent practicable, financial assistance provided under subsection (1) shall be in the form of loans and loan guarantees, rather than equity investment, and except as provided in subsection (8) hereof, all loans provided by the Corporation shall, in the opinion of the Board of Directors, be made upon such terms or shall be so secured, as to reasonably assure retirement or repayment,

as may be made or effected either directly or in cooperation with banks or other lending institutions. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose. The Corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. In no case shall the aggregate amount of advances made under this section to any one business concern or affiliated business concerns exceed at any one time 10 per centum of (1) the authorized capital stock of the Corporation plus (2) the aggregate principal sum of the obligations of the Corporation authorized to be outstanding.

(7) The total amount of financial assistance by the Corporation, outstanding at any time, computed to include the sum of (i) the face amount of all guarantees, (ii) reserves for all other contingent liabilities, and (iii) all loans and other forms of financial assistance authorized under subsection (1) hereof, shall not exceed the sum of (i) the authorized capital of the Corporation, (ii) the amount the Corporation is authorized to borrow under Section 402 of Title IV, (iii) all unrealized gains on the Corporation's investment, and (iv) the earned surplus of the Corporation, all as determined under generally accepted accounting principles.

(8) The Corporation may make high-risk loans or direct investments, or provide product price guarantees or other direct financial assistance, which in the opinion of the Board of Directors will further the purposes of this Act. The Board of Directors shall create such reserves as may be necessary to meet contingent liabilities which may be created under this subsection (8); Provided, however, that notwithstanding any other provision of this Act, the Corporation may not provide any financial assistance or make any further commitments for financial assistance if, after audit, the Corporation is required under generally accepted accounting principles to establish a reserve or reserves for bad debts, price support commitments, contingent liabilities, or other unrealized losses, which reserves in the aggregate exceed the sum of the Corporation's paid-in-equity capital plus its earned surplus, both of which shall be determined in accordance with generally accepted accounting principles.

(9) The Corporation may charge reasonable fees for issuing guarantees, and reasonable fees for making commitments for other forms of financial assistance pursuant to subsection (1).

(10) The Corporation shall be subrogated to the rights of any third party receiving payments of interest or principal out of funds provided by the Corporation under a loan guarantee arrangement authorized hereunder. Guarantees issued by the Corporation shall contain such terms and conditions as the

Corporation may deem appropriate to carry out the purposes of this Act.

(11) The Corporation is authorized, on such terms and conditions as it may prescribe, to guarantee any lender against loss of principal and interest on securities, obligations, or loans (including refinancings thereof) issued to provide funds to any business concern, as such term is defined in this Act. All guarantees entered into by the Corporation under this section shall constitute general obligations of the United States of America backed by the full faith and credit of the Government of the United States of America. Any guarantee made by the Corporation under this section shall not be terminated, canceled or otherwise revoked, except in accordance with the terms thereof; shall be conclusive evidence that such guarantee complies fully with the provisions of this Act and of the approval and legality of the principal amount, interest rate, and all other terms of the securities, obligations, or loans and of the guarantee; and shall be valid and incontestable in the hands of a holder of a guaranteed security, obligation, or loan, except for fraud or material misrepresentation on the part of such holder. Prior to issuing any such guarantee, the Corporation shall advise the Secretary of the Treasury of the terms and conditions thereof, in such detail as the Secretary may reasonably require. There are authorized

to be appropriated to the Corporation such amounts, to remain available until expended, as are necessary to discharge all its responsibilities under this subsection.

(12) The Corporation may, in compliance with applicable laws governing transactions in securities, sell in public or private transactions all or any part of the common or preferred stock, capital notes, bonds or any other evidences of indebtedness or ownership acquired by the Corporation pursuant to this section.

Section 302. Transactions with Certain Governmental Entities.

In order to further the purposes of this Act, the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Board of Directors may determine, to make loans to or contracts with State or municipal governmental entities (including public authorities), and interstate or regional bodies (the membership whereof is comprised of governmental entities), to aid in financing projects authorized under Federal, State or municipal law. Any such arrangements shall be deemed to be financial assistance for the purposes of Section 301 of this Title.

Section 303. Access to Information.

Every applicant for financial assistance under this Act shall, as a condition precedent thereto, consent to such

examinations as the Corporation may require for the purposes of this Act, and shall further consent that any reports of examinations of the applicant by constituted authorities may be furnished by such authorities to the Corporation upon request therefor. The Corporation shall require such reports as it deems necessary from any business concern receiving financial assistance under this Act regarding activities carried out pursuant to this Act. The Corporation is authorized to prescribe the keeping of records with respect to funds provided by loan, grant or contract and shall have access to such records at all reasonable times for the purpose of insuring compliance with the terms and conditions upon which financial assistance was provided.

Section 304. Subsidiaries.

(1) The Corporation, by itself or acting in conjunction with other private or public entities, may create or cause to be created wholly-owned subsidiary corporations with such powers, authorities, privileges and immunities, consistent with the purposes of this Act, which may be required:

(a) to produce, acquire, carry, sell or otherwise deal in energy-related commodities and materials;

(b) to purchase and lease land, purchase, lease, build, operate and expand plants, and purchase and produce equipment, facilities, machinery, materials, and supplies;

(c) To lease, sell, or otherwise dispose of land, plants, facilities, and machinery in order to induce business concerns to engage in the foregoing activities.

(2) The powers of every subsidiary corporation created or organized under this section shall be set out in a charter which shall be valid only when certified copies thereof are filed with the Secretary of the Senate and the Clerk of the House of Representatives and published in the Federal Register, and all amendments to such charters shall be valid only when similarly filed and published. No subsidiary created hereunder shall have a term of existence beyond the authorized life of the Corporation. A corporation organized pursuant to this Section shall be referred to herein as a "Subsidiary". Nothing herein shall be deemed to prevent the Corporation from investing funds of the Corporation in corporations other than Subsidiaries.

Title IV. Capitalization and Finance

Section 401. Capital Stock and Dividends.

The Corporation shall have capital stock of \$10,000,000,000, subscribed by the United States of America acting by and through The Secretary of the Treasury, payment for which shall be subject to call in whole or in part by the Board of Directors of the Corporation. On the date that is 180 days after the close of each fiscal year of the Corporation, the Corporation shall declare and thereafter pay a dividend on its outstanding capital stock, in an amount determined in the discretion of the Board of Directors, taking into account the current annual yield on marketable obligations of the United States at the time the dividend is declared; provided, however, that the Corporation may waive or defer payment of any such dividend if (a) the Corporation has no earned surplus on the date on which the dividend would otherwise be declared, or (b) the Board of Directors determines that the funds otherwise available for payment of the dividend should, in furtherance of the purposes of this Act, be used to provide financial assistance pursuant to subsection (1) of Section 301 of Title III.

Section 402. Obligations of the Corporation.

The Corporation is authorized to issue and to have outstanding at any one time notes, debentures, bonds, or

other obligations in the aggregate principal amount of \$100,000,000,000. [provided, however, that the Corporation shall not, without the prior consent of the Secretary of the Treasury, issue in any 12-month period obligations having an aggregate principal amount exceeding \$20,000,000,000.] All obligations of the Corporation issued under this Section shall be fully and unconditionally guaranteed as to principal and interest by the United States, with the same force and effect as a guarantee issued by the Corporation under subsection (11) of Section 301 of Title III, and such guarantee shall be expressed on the face of all such obligations. The Secretary of the Treasury may direct that any such issuance by the Corporation be sold to the Department of the Treasury for its own account or to the Federal Financing Bank. ELIMINATE?

Section 403. Consultation with Secretary of the Treasury.

The Board of Directors of the Corporation shall determine, in consultation with the Secretary of the Treasury, the method principal amount, interest rate, maturity, timing of issuance and other terms and conditions of the Corporation's obligations issued under Section 402.

with the approval of



Section 404. Source of Funds for Purchases by Secretary of the Treasury.

(1) For purposes of purchasing the capital stock and obligations of the Corporation pursuant to Sections 401 and 402, respectively, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under the Second Liberty Bond Act are extended to include such purchases. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity. The Secretary of the Treasury may sell, upon such terms and conditions and at such price or prices as he shall determine, any of the obligations acquired by him under this subsection. All redemptions, purchases and sales by the Secretary of the Treasury of such obligations under this Section shall be treated as public debt transactions of the United States.

(2) Obligations of the Corporation issued pursuant to this Act shall be lawful investments, and may be accepted as security for all fiduciary trust, and public funds the

investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof.

Section 405. Forms of Notes, Bonds and Other Obligations.

In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this Act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held in the Treasury subject to delivery, upon order of the Corporation. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other obligations.

Section 406. Moneys of the Corporation.

All moneys of the Corporation not otherwise employed may be:

- (a) deposited with the Treasury of the United States subject to check by authority of the Corporation, drawn on the Treasury of the United States by a Treasury disbursing officer, or

(b) with the approval of the Secretary of the Treasury, deposited in any Federal Reserve bank, or

(c) with approval of the Secretary of the Treasury, and by authorization of the Board of Directors of the Corporation, used in the purchase for redemption and retirement of any notes, debentures, bonds, or other obligations issued by the Corporation.

Title V. Management

Section 501. Board of Directors.

The authority of the Corporation shall be vested in the Board of Directors, except as to those functions, powers and duties specifically assigned to the Chairman of the Board by other provisions of this Act and such matters as may be delegated to officers of the Corporation pursuant to Section 504 of this Title. The Board of Directors shall consist of five voting members appointed by the President by and with the advice and consent of the Senate, who shall hold office at the pleasure of the President. The President shall designate one of such members as Chairman of the Board, and another member to serve as President of the Corporation, and shall have the power at any time and from time to time to designate a new Chairman or new President of the Corporation from among the members of the Board. Of the five members of the Board, not more than three shall be members of any one political party. Each member shall devote his full working time to the affairs of the Corporation and shall hold no other salaried position. Before entering upon the duties of his office, each member shall take an oath faithfully to discharge the duties of his office. Whenever a vacancy shall occur on the Board of Directors, the President shall, with the advice and consent of the Senate, appoint a person to fill such vacancy. All directors shall be citizens of the United States. A majority of the

directors shall constitute a quorum, and any action by the Corporation shall be effected by majority vote of a quorum of the duly appointed and serving directors. The Board of Directors shall adopt, and from time to time amend, such bylaws as are necessary for the proper management and functioning of the Corporation.

Section 502. Officers, Employees, Attorneys and Agents.

The Chairman of the Board shall be the chief executive officer of the Corporation, and as such shall be responsible for the management and direction of the Corporation (including the making of expenditures associated with administration of the corporation). The President of the Corporation shall be the chief administrative officer of the Corporation, and shall perform such duties as the Chairman may assign him and shall serve as Chairman in the absence of the Chairman. The Board of Directors shall fix the compensation of the Chairman of the Board, the President of the Corporation, and the directors of the Corporation, taking into account the compensation paid to persons holding positions of comparable responsibility in the private sector. The Chairman of the Board shall appoint such other officers, employees, attorneys, and agents as are necessary for the transaction of the Corporation's business, fix their compensation, define their duties, and provide a system of organization to fix responsibility and promote efficiency. Any such person appointed by

the Chairman may be removed in the discretion of the Chairman. No officer of the Corporation may receive any salary or other compensation for services from any source other than the Corporation during his period of employment, except as specifically authorized by the Chairman.

Section 503. Conflicts of Interest.

(1) The provisions of Chapter 11 of Title 18, United States Code, shall apply to the directors and all officers and employees of the Corporation; except that the provisions of section 208 of such title shall not apply to the procedure whereby compensation of such directors, officers and employees is fixed under this Act.

(2) No officer or director of the Corporation shall, during the period of his service as such with the Corporation, maintain any interest in a project for which financial assistance is committed or provided under this Act.

Section 504. Delegation.

The Board of Directors may, by resolution, delegate to the Chairman of the Board or other officers of the Corporation such functions, powers and duties as it deems appropriate, except that the Board may not delegate any function, power or duty specifically assigned to the Board by Titles III or IV of this Act. The Chairman of the Board may, by written instrument, delegate such functions, powers and duties as are assigned to the Chairman by the provisions of this Act to such officers or employees of the Corporation as he deems appropriate.

Section 505. Audits.

The Corporation and its Subsidiaries shall retain a firm or firms of nationally recognized public accountants who shall prepare and report an annual audit of the accounts of the Corporation and its Subsidiaries, on a consolidated basis, including those statements required by 31 U.S.C. §851. No other provision of the Government Corporation Control Act shall apply to the Corporation and its Subsidiaries. The General Accounting Office is authorized to conduct such audits of the accounts, and to report upon the same to Congress, as such Office shall deem necessary or as Congress may request. All books, accounts, financial records, reports, files, papers and property belonging to or in use by the Corporation or its Subsidiaries and necessary to facilitate an audit shall be made available to the person or persons conducting the audit and facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians shall be afforded to such person or persons.

Section 506. Reports.

(1) The Corporation shall make and deliver a quarterly report to the Congress and the President. The report will state the aggregate sums then outstanding or committed as loans, loan guarantees or other financial assistance and a

listing of the business concerns so involved with the Corporation. The quarterly report in which any expenditure or commitment to a business concern or project is first noted shall contain a brief description of the factors considered by the Board of Directors in making such expenditure or commitment. The report shall also show, on an unaudited basis, the assets and liabilities of the Corporation as of the end of the Corporation's fiscal quarter preceding the date of the report and the number, functions and compensation of persons employed by the Corporation at salary rates exceeding \$2,500 per month.

(2) The Corporation shall make and deliver to the Congress and the President an annual report containing the audited financial statements and report prepared by the independent public accountants pursuant to Section 505. The annual report shall also contain, in addition to the information required in the quarterly report, a general description of the Corporation's operations during the year, a specific description of each project or activity in which the Corporation is involved, a status report on each such project or activity, and an evaluation of the contribution which the project or activity has made and is expected to make in fulfilling the purposes of this Act (including where possible, a precise statement of the amount of domestic energy produced or to be produced thereby).

(3) On or before June 30, 1983, the Corporation shall make and deliver to the Congress and the President a report evaluating the overall impact made by the Corporation and describing the status of each then current activity or program of financial assistance. This report shall contain a Liquidation Plan. The Liquidation Plan shall describe in the greatest detail practicable how each activity, project or obligation involving financial assistance, and every substantial asset or liability of the Corporation will be liquidated, terminated, satisfied, sold, transferred or otherwise disposed of. Each annual report thereafter made by the Corporation will describe what progress is being made in effecting such Liquidation Plan.

(4) On or before January 31, 1986, the Corporation shall make and deliver to the President a report setting forth the Corporation's recommendation as to whether or not the existence of the Corporation should be extended (for the limited period and purpose described in Section 803).

(5) Every audit and report required by this section shall relate to and report on Subsidiaries, if any, as well as the Corporation.

Section 507. Advisory Committee.

There shall be an Advisory Committee of the Corporation consisting of nine United States citizens who are especially

qualified to advise the Corporation with respect to its functions under this Act. The members of the Advisory Committee shall be appointed by the President of the United States. The Advisory Committee shall meet one or more times per year with the Board of Directors, pursuant to the call of the Chairman of the Board, to advise the Board of Directors on the program of the Corporation. Members of the Advisory Committee shall be paid no more than \$200 for each day spent away from their residences or regular places of business for the purpose of attending Advisory Committee meetings, and shall be compensated for reasonable travel and lodging expenses related to attendance at such meetings, as documented in statements filed with the Corporation. The provisions of the Federal Advisory Committee Act (Public Law 92-463, 86 Stat. 770) shall not apply to the Advisory Committee established by this section.

Title VI. Federal Agency Proceedings

Section 601. Definitions. As used in this title--

(1) The term "Federal agency" means an "Executive agency" as defined in 5 U.S.C. 105, including an independent regulatory commission.

(2) The term "proceedings" means any action taken by a Federal agency initiating or in carrying out the process leading to approval or disapproval of any project.

(3) The term "project" means any activity for which financial assistance has been provided or committed to a business concern under this Act.

Section 602. Certification by the Corporation.

(1) The Corporation may, in connection with its extension of financial assistance under this Act, certify that the project to which such financial assistance is committed or provided is of critical importance to the achievement of the purposes of this Act.

(2) Such certification shall be issued by the Corporation only upon application therefor and then only after a satisfactory showing by the applicant that such certification is reasonably necessary to assure the expeditious completion of the project to which it relates.

(3) A business concern may submit a certification made pursuant to subsection (1) above to any Federal agency which

is required by law to approve, disapprove, license, or review all or any portion of the project including the initiation, development or completion of the project.

(4) Any Federal agency which receives a certification authorized under subsection (1) above shall forthwith commence all necessary proceedings which may be required for the approval or disapproval of all or any portion of the project and shall give such proceedings preference over all other questions pending before it, except other proceedings involving similar certifications, and shall complete all such proceedings and render a decision within 12 months (or such shorter period as the Corporation may for good cause specify) from the date of submission of the certification to such Federal agency.

(5) With the approval of the Corporation, any Federal agency which receives a certification provided under subsection (2) may for good cause shown extend for up to six additional months the time for completion of any proceeding specified pursuant to subsection (4).

Section 603. Judicial Review.

(1) Judicial review of a Federal agency's final action concerning a project which has been certified under Section 602 of this Act shall be given priority over other matters pending on the court's docket.

(2) Should any relevant Federal agency fail to expedite its proceedings in regard to a project covered by this Act

within the period specified pursuant to Section 602 of this Title, the Corporation may obtain from the appropriate United States district court an order directing compliance by the Federal agency with the provisions of Section 602.

Section 604. Expediting Functions of the Corporation.

(1) In order to coordinate, simplify and expedite the processing of applications to construct, license or review energy projects, the Corporation, in cooperation with all interested Federal agencies, shall oversee the entirety of the Federal approval process concerning projects assisted under this Act. The authority to approve or disapprove applications for energy projects shall remain in those Federal agencies required by law to consider such projects.

(2) The Corporation shall have the following duties and authorities in the project approval process:

(a) The Corporation shall develop, in cooperation with all other Federal agencies with authority over any aspect of energy projects, a single composite application which shall be the sole application required for Federal approval prior to the commencement of a project. Such composite application shall be composed of removable and insertable sections in order to accommodate the information necessary for all Federal approvals for each proposed project in one document of manageable size.

(b) Immediately upon receipt of a composite application the Corporation shall forward the application to the Federal agencies required by law to consider it.

(c) In order to carry out the purposes of this title, the Corporation is authorized to coordinate and expedite the review of applications for project approval undertaken by Federal agencies and, in consultation with such agencies, may establish appropriate priorities and timetables for the completion of those agencies' review processes; provided, however, that all such timetables and priorities shall be consistent with the statutory obligations of such agencies.

(d) The Corporation shall keep apprised of the processing of energy project applications at the State and Regional level and, where appropriate and consistent with applicable Federal and State law, suggest procedures for consolidating State and Federal proceedings with a view to reducing duplication of effort and expediting the overall review and approval process.

(e) The Corporation may, within 20 days after receipt of any Federal agency decision approving or disapproving an application, petition that agency to reconsider its decision. Petitions for reconsideration filed by the Corporation shall be granted or denied within 30 days of their receipt by the agency involved.

Title VII. Unlawful Acts and Penalties

Section 701. False Statements.

Whoever makes any statement, knowing it to be false, or willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Corporation, or for the purpose of obtaining money, property, contract rights or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

Section 702. Forgery.

Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, coupon or thing of value issued by the Corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, coupon or thing of value purporting to have been issued by the Corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been

issued by the Corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation coupon or thing of value issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Section 703. Misappropriation of Funds and Unauthorized Activities.

Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged or otherwise entrusted to the Corporation, or (2) with intent to defraud the Corporation or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of or to the Corporation, or, without being duly authorized, draws any order or issues, puts forth or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, or (3) with intent to defraud, participates, shares, or receives directly or indirectly any money, profit, property or benefit through any transaction, loan, commission, contract, or any other act of the Corporation, or (4) gives

any unauthorized information concerning any future action or plan of the Corporation which might affect the value of securities, or, having such knowledge, invests or speculates, directly or indirectly, in the securities or property of any company, bank, or corporation receiving loans or other assistance from the Corporation, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

Section 704. Infringement on Name.

No individual, association, partnership, corporation or business entity shall use the words "Energy Resources Finance Corporation" or a combination of these words which a court of competent jurisdiction shall find reasonably likely to mislead or deceive, as the name or a part thereof under which he or it shall do business.

Section 705. Unlawful Contracts.

The provisions of Sections 431 through 433, inclusive, of Title 18, United States Code, shall apply to contracts or agreements with the Corporation pursuant to this Act. Such contracts or agreements include, but are not limited to loans, loan guarantees, purchase agreements, advances, discounts and rediscounts, acceptances, releases, and substitutions of security, together with extensions or renewals thereof.

Section 706. Additional Penalties.

In addition to any other penalties provided in this Title, on conviction the defendant shall be liable to the Corporation for any profit or gain acquired as a result of the conduct constituting the offense for which he was convicted.

Title VIII. General Provisions

Section 801. Coordination with other Entities.

The Corporation shall be entitled to receive, and shall seek wherever appropriate, the advice and recommendations of the Energy Resources Council, the Federal Energy Administration, the Energy Research and Development Administration and the Department of the Interior in determining whether the provision of financial assistance to a particular business concern or to promote a particular activity will further the purposes of this Act.

Section 802. Severability.

If any provision of this Act, or the application of any such provision to any person or circumstance, shall for any reason be adjudged by any court of competent jurisdiction to be invalid, the remainder of this Act, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 803. Termination and Liquidation of the Corporation.

Notwithstanding any other provision of this Act:

(1) The Corporation shall make no commitments for financial assistance after June 30, 1983, and shall furnish no financial assistance after June 30, 1986.

(2) From and after June 30, 1983, the Board of Directors of the Corporation shall diligently commence all practical and reasonable steps to achieve an orderly liquidation of the Corporation's affairs on or prior to June 30, 1986. Such steps may include the sale or transfer to any agency of the United States, or the sale directly to the public, including any business concern, of all or any portion of the Corporation's assets.

(3) The Corporation shall terminate on June 30, 1986, or at such earlier date as the President of the United States shall determine, and upon such termination, all assets or liabilities of the Corporation, to the extent not otherwise disposed of, shall become assets and liabilities of the United States, provided, however, that if the President shall determine that the orderly liquidation of the Corporation's affairs requires the continuation of the Corporation beyond June 30, 1986, the President may, by Executive Order, extend the authorized life of the Corporation for not more than three years after such date.

Section 804. Relationship to Other Laws.

Except as may be provided elsewhere in this Act, neither the Corporation nor any Subsidiary shall for any purpose be considered an "Executive agency" as defined in 5 U.S.C. 105 or an "agency" as defined in 5 U.S.C. 551. The provisions

of the United States Code relating to public contracts and public buildings and works, including Federal Property and Administrative Services Act of 1949, and the Davis-Bacon Act (40 U.S.C. 276a.), shall not apply to the functions of the Corporation and its Subsidiaries.

Section 805. Reservation of right to amend or repeal.

The right to alter, amend, or repeal this Act is expressly declared and reserved, but no such amendment or repeal shall operate to impair the obligation of any contract made by the Corporation under any power conferred by this Act.



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

AUG 19 1975

DEPUTY ADMINISTRATOR

EYES ONLY

MEMORANDUM FOR THE VICE PRESIDENT

ARTHUR BURNS
ALAN GREENSPAN
JAMES T. LYNN
ROGERS C.B. MORTON
WILLIAM SEIDMAN
WILLIAM E. SIMON
FRANK G. ZARB

FROM:

ERIC R. ZAUSNER

SUBJECT:

ENERGY RESOURCES FINANCE CORPORATION (ERFCO)

Attached at Tab A is a description of the Energy Resources Finance Corporation. This description and the detailed legislation at Tab B assume implementation of the \$110 billion, autonomous organization. The description and legislation are designed to conform as closely as possible with these concepts. To the extent a completely autonomous organization is rejected or the scope and magnitude of ERFCO is reduced, there are many other issues which must be considered but have been ignored in the current description and legislation. However, the detailed staff review surfaced several issues which should be considered apart from the overall desirability of the proposal and are summarized below:

- Focus of ERFCO and needed equity

- o The original ERFCO proposal and this legislation have a \$10 billion equity, because they assumed a mix of investments which would allow "self-liquidation" and breaking even or possibly making a profit.
- o Including synthetic fuels and other high risk technologies to the degree implied by the President's one million barrels per day synthetic fuels goal makes the risks and potential losses substantially greater and could wipe out the \$10 billion equity.



- If the synthetic fuels goal is to be implemented by this corporation, it would appear that \$25 billion may be more in keeping with the expected level of investment in high risk projects.
- Requirement for ERFCO to be subject to the budget and management requirements of the Government Corporation Control Act and the guidelines on credit program structure set forth in OMB Circular A-70
 - These requirements were designed to prescribe minimum management standards and restrict the types of subsidies provided by Government credit institutions.
 - Circumventing them runs counter to general Administration philosophy, but is consistent with maximum flexibility and autonomy for ERFCO.
 - In the current draft, none of these constraints (except GAO audit authority) is included.
- Requirement for the Secretary of the Treasury to approve the terms and conditions of loan guarantees and other obligations on individual energy projects which are fully backed by the U.S. Government
 - In the draft legislation, ERFCO has complete flexibility in the timing, structure and size of individual Government-backed obligations.
 - However, obligations marketed by the private sector which are fully backed by the U.S. Government may have the same impact on capital markets as ERFCO's own debt.
 - Treasury control over these instruments would assure orderly markets, but would run counter to ERFCO's autonomy by requiring a case-by-case review of energy projects.
- Degree of off-budget financing
 - In the current draft, the process of financing individual projects is considered to be off-budget, as is the Treasury provision of \$100 billion in debt.



- The equity portion of the corporation could be considered its exposure to loss, and authorization and appropriation of this item through the normal budget process may be desirable. This would be consistent with the recent Congressional budget reforms.
- Because of the "self-liquidating" concept of ERFCO, the current legislation provides for the Treasury purchase of this equity as an off-budget item also. This could be viewed as a thinly veiled attempt to avoid the budget implications of the proposal.

- Control over structure and timing of issuance of ERFCO debt

- In the current draft, ERFCO has complete control over the timing and amount of debt issued, up to \$20 billion annually. Above that level, concurrence of the Secretary of the Treasury is required. The Secretary also determines whether ERFCO can issue debt directly, or if it will be purchased by the Federal Financing Bank.
- While this provides almost complete autonomy for ERFCO, it provides only limited ability for Treasury to assure orderly capital markets.

- Requirement for payment of dividends to the Government on its equity investment

- As now drafted, ERFCO must pay dividends at the average cost of capital for the Treasury, but may waive or defer these payments based on the Board's decision on availability of funds or desirability of further energy investments. Ultimately, upon liquidation all remaining funds would revert to the Treasury.
- This provides maximum ERFCO flexibility but is inconsistent with traditional practices by similar Government corporations.

- Availability of ERFCO guarantees on tax-exempt municipal bonds

- No prohibition on ERFCO guarantees is now provided for, because eligible projects might be municipally financed.



- ° Such guarantees would further stimulate the use of a debt instrument which is opposed by the Treasury Department on several grounds.

- Tax status of ERFCO-owned commercial operations

- ° While ERFCO profits are not taxable in the current draft, any majority-owned commercial operations or ERFCO operational (as opposed to financing) subsidiaries would be treated as private corporations for tax purposes.
- ° Such treatment assures no undue advantage or incentive for Government competition with private operations, but does not provide all possible economic benefits to ERFCO-sponsored projects.



A BRIEF DESCRIPTION OF THE
ENERGY RESOURCES FINANCE CORPORATION (ERFCO)

Overview

The proposed Energy Resources Finance Corporation (ERFCO), described in this paper, represents a major new Presidential initiative to deal with the critical energy development problems faced by this Nation. ERFCO would be established as an independent Federal Corporation to finance energy and energy-related projects for the purpose of insuring that financing problems do not hinder this Nation's achievement of energy independence. The Corporation would have financial resources of up to \$110 billion to provide the following energy development incentives:

- ° For the "relatively riskless" sector of its loan portfolio, ERFCO would provide capital at an interest cost lower than even the best private credit, thereby improving the economics of projects that might have been submarginal at commercial rates.
- ° ERFCO would be able to offer special terms such as deferral of interest, balloon maturities, and loan conversion features which a traditional private sector lender could not provide.
- ° The magnitude of ERFCO's resources, \$110 billion, would provide a "one stop" financing institution for large-scale projects - eliminating the need for time-consuming and difficult-to-accomplish commercial syndication.
- ° ERFCO would be able, to a greater degree than the private sector, to accept timing risks, proceeding with commitments before regulatory approvals are complete.
- ° ERFCO would be able to commercialize high risk new technologies because it would be a self-liquidating venture, not obligated to obtain commercial rates of return on its investments.

The Long-Term Energy Problem

Last year's Arab oil embargo concentrated national attention on our growing dependence on imported oil. This reliance has resulted from declining domestic crude oil production, and from growing consumption of energy. Crude production peaked in 1970 and has declined by one million barrels per day over the last five years (a 13 percent reduction). Energy



use continued to grow at 4-5 percent per year until 1974. When the embargo was imposed, our dependence on foreign oil had risen to 35 percent of domestic oil consumption; imports will soon reach 40 percent of consumption.

Despite the increased awareness of our energy problems, the outlook for rapid implementation of a national energy policy is not favorable. No major new actions to increase domestic supply in the next several years have been taken; there are indications that the Congress may legislate price rollbacks which would have the doubly adverse effect of stimulating consumption and discouraging production. Natural gas shortages continue to worsen, and gas curtailments could cause factory shutdowns in many areas. Electric utility financial problems and regulatory delays have resulted in the cancellation or postponement of large numbers of nuclear and coal plants. And major demonstrations of emerging technologies, such as coal gasification, synthetic crude, and oil shale, have not been forthcoming because of high cost, technological uncertainties, downside risks if world prices break, and environmental and consumer group opposition. Meanwhile, demand growth has been slowed temporarily, but will increase in the near future as the economic recovery gains momentum.

In his January State of the Union Message, the President established the goal of energy independence by 1985, and proposed many actions to help meet this goal including:

- ° Decontrol of oil prices, and deregulation of new natural gas prices;
- ° Production from the Naval Petroleum Reserves;
- ° Amendments to the Clean Air Act and the Energy Supply and Environmental Coordination Act to allow greater use of coal;
- ° An expanded Outer Continental Shelf leasing policy;
- ° Acceleration of nuclear power through expedited licensing and siting, and other measures;
- ° Regulatory rate-making reforms to encourage the expansion of electric power;
- ° A National Synthetic Fuels Commercialization Program with a goal of one million barrels per day oil equivalent of synthetic fuels capacity by 1985;



- ° A number of energy conservation measures including thermal efficiency standards, insulation tax credits, automobile efficiency goals, and appliance efficiency goals.

None of the President's domestic supply or energy conservation proposals has been enacted by the Congress. While some are likely to be enacted in the coming months, many proposals remain unpopular and will not be approved. Each month or year of delay not only increases our vulnerability, but increases the cost of developing new supply.

Capital Needs and Problems

In its Project Independence Report last year, the Federal Energy Administration estimated that investment for domestic energy supplies could total about \$600 billion (in 1975 dollars) over the next ten years to reach energy independence. Some sectors of the energy industry, such as oil, should be able to finance conventional projects; others, such as the electric utility industry, will find financing more difficult; new and emerging technologies and some conservation projects may also be hard to finance because their economics are marginal, and uncertainties and risks are large. Furthermore, many new projects such as uranium enrichment plants or new pipelines for Alaskan oil and gas may be too large to be financed by the private sector alone.

Regulatory and environmental problems make financing even more difficult. By adding uncertainty about a project's ultimate fate and timing and by delaying construction, inflationary pressures increase.

In response to these financing problems which prolong or increase vulnerability to foreign supply and price disruptions, and as a major commitment to our energy independence goals, the President is now proposing an Energy Resources Finance Corporation.

A Federal role in initiating, financing, supporting, or owning projects vital to the national interest is not unprecedented, or unique. In relatively recent times, the Federal Government has taken an activist role in such areas as electric power generation through TVA and nuclear power demonstration programs, the space program, and crash commercialization of new technologies such as synthetic rubber plants in World War II, and uranium enrichment. The ERFCO proposal could deliver major benefits to the domestic economy that would be in every way comparable to the benefits to the public from the above programs.



ERFCO Organization

ERFCO would be established as an independent Federal Corporation with authority to provide financial support of up to \$110 billion for energy or energy-related projects. The Board of Directors, consisting of five members, would be appointed by the President and be confirmed by the Senate, would serve at the President's pleasure and would include no more than three members of one political party. The Chairman and the President of ERFCO would be two of the Board members.

The Chairman of ERFCO would be a member of the President's Energy Resources Council (ERC) and the Economic Policy Board (EPB), and would consult with the ERC and the EPB on broad direction and specific projects. The Chairman of ERFCO would be the Corporation's Chief Executive Officer; he would report directly to the President of the United States.

The President of ERFCO would be the Chief Operating Officer, with support from the following officers (as indicated in Chart 1):

- Senior Vice President for Planning - has broad analytical functions to determine overall investment strategy and to ensure compatibility with national energy objectives.
- Senior Vice President for Investment - the senior investment officer of ERFCO; generates and completes all investment packages; assisted by Vice Presidents in four major program areas: electric power; oil, gas and coal; new technologies; conservation and environment.
- Senior Vice President for Finance, Control, and Audit - responsible for management of ERFCO's debt and investment portfolio.
- Senior Vice President and General Counsel - has responsibility for all legal affairs and directs ERFCO's regulatory functions.
- Vice President for Administration - manages all budget, administration, and personnel matters.
- Vice President for Communications - liaison with media, the Congress, industry and the public.

The staff of ERFCO would probably be about 600 employees, with most of them in the finance and investment areas. It is expected that the ERFCO Chairman and other staff would not be compensated at executive agency rates, but would be paid at rates comparable to other Government corporations. ERFCO's total annual operating budget could be about \$75 million, including personnel, overhead, and contract and data processing support.



The projected size of the ERFCO staff is consistent with that of the Ex-Im Bank which employs about 400 people and authorized about \$9 billion in loans, guarantees, and insurance in FY-74. ERFCO would need a larger planning and analysis staff in order to develop policies consistent with national energy objectives. Further, where Ex-Im Bank has developed its strategy and operational plans over a long period of time, ERFCO would have to begin fresh. Nevertheless, the ERFCO staff would not be much larger than Ex-Im Bank's staff, since on the average its projects would be much larger. For example, ERFCO could approve as many as 150 projects each year at about \$100 million per project, or as few as 50 projects at \$300 million per project.

ERFCO would be self-liquidating and have a specified, limited life of ten years, with new commitments only in the first seven years of its existence. After the seventh year, ERFCO would develop a liquidation plan for all of its investments. Any remaining obligations after the ten-year life would be transferred to the Department of the Treasury for liquidation; these activities would consist principally of servicing loan and investment portfolios, and price-support commitments. The life of ERFCO could be extended for three more years at the discretion of the President. Because of its relatively short life, the need to attract extremely high caliber personnel, and to allow for quick action, ERFCO would be staffed outside of the Civil Service System and would not be subject to other government regulations.

A Statutory Advisory Committee would be appointed by the President to assist the Board and could consist of outstanding representatives from consumer, environmental, banking, labor, and business organizations who are especially qualified to advise ERFCO with respect to its statutory functions.

ERFCO Financial Structure

ERFCO's sources of financial capital would be off-budget; it would have authorized equity capital of \$10 billion, and the ability to borrow up to \$100 billion. The total amount of financial assistance by the Corporation outstanding at any time would be computed as the sum of the face amount of all guarantees, reserves for all other contingent liabilities, and all loans or other forms of capital assistance. The total financial assistance could not exceed the sum of the Corporation's paid-in equity capital, its authorized borrowing, unrealized gains from its investments, and its earned surplus.



ERFCO would not be allowed to provide additional financial assistance, or make any further commitments for financial assistance if it were determined by audit that the total of its reserves for bad debts, price support commitments, contingent liabilities and other unrealized losses exceeded the Corporation's paid-in equity capital and earned surplus.

ERFCO would have complete control over the timing and amount of debt issued up to an annual total of \$20 billion. Above this level, concurrence of the Secretary of the Treasury would be required. The Secretary could also determine whether ERFCO could issue debt obligations directly, or market them via the Federal Financing Bank. ERFCO would pay interest and dividends at the average cost of capital for the Treasury, but ERFCO's Board could waive or defer dividend payments if it decided that the general availability of funds, or the desirability of further investments, warranted such action.

Scope of ERFCO Investments.

ERFCO would concentrate on the financing of large-scale energy projects deemed critical to our national energy objectives. It would have broad discretionary authority to support the projects approved by the Board without case-by-case outside review.

Generally, ERFCO would evaluate proposals against the following criteria:

- ° Credit Elsewhere Test - Is the proposed project unable to be financed elsewhere under terms and conditions which would allow other entities, private or public, to undertake it economically?
- ° Energy Impact Test - Is the proposed project consistent with, and does it advance, national energy goals and policies; and does its energy impact justify financial assistance from ERFCO?

The projects that could be supported by ERFCO range across the full spectrum of energy development and conservation programs. Among the broad categories covered by ERFCO are:

1. Synthetic Fuel Technology Commercialization

The emphasis here would be upon the application of technology, which has been proven at the R&D phase, to plentiful energy resources such as coal and oil shale, and to the conversion



of solid waste materials into liquid fuels. The projects to be supported would be high risk ventures, which could not be undertaken without Government support, and are vital to the achievement of the President's synthetic fuels goal. In all likelihood, however, at the \$10 billion equity level the one million barrel per day synthetic fuel goal could not be financed. Major processes would include:

- ° Synthetic gas from coal
- ° Synthetic crude oil from coal
- ° Crude oil from Western shale
- ° Synthetic gas and liquids from solid waste

2. Other Emerging Technologies

Suitable projects in this area would include other high technology processes, also proven at the R&D phase, which are ready for full-scale commercial development. Major projects would consist of:

- ° Geothermal energy
- ° Production of energy from Devonian shale and tight gas formations
- ° Solar energy applications
- ° Conservation equipment such as heat recovery processes and energy storage units

3. Conventional Energy Technologies

Within this category the focus would be on the application of new technology to improve the efficiency of conventional energy development, and use of financing as a lever to accelerate significantly the development of conventional energy supply and conservation technologies. Specific projects could consist of:

- ° Conservation technology to improve efficiency of energy processes
- ° Floating nuclear power plants
- ° Uranium enrichment and spent-fuel reprocessing



- Mass production of conservation equipment such as insulation or time-of-day electric meters.
- Energy parks

4. Related Projects to Reduce Energy Development Constraints

This would include support of major categories of infrastructure and equipment that might otherwise severely constrain energy development. For example, the production potential of Alaskan oil and gas is of no benefit unless costly pipelines and logistical systems are put in place rapidly. Exploration and development of resources in the Outer Continental Shelf may be delayed by a shortage of mobile drilling rigs. Consequently, ERFCO could support projects aimed at relieving major bottlenecks such as these.

ERFCO Authorities

ERFCO would be authorized to use all conceivable financial incentives, including loan guarantees, direct loans, price-support commitments, sale-leaseback arrangements, royalty participation, and direct equity investments, to support projects from private or public sponsors, including corporations, private consortia, State and local government units, and others.

In addition to its financial authorities, ERFCO would have a significant role in Federal regulatory proceedings that affect its projects. Although ERFCO would have no power to override regulatory decisions at the Federal level, or other levels of Government, its commitment of financial support to a project would strengthen the venture during the regulatory review phase, and would provide evidence of economic viability, which is frequently a key aspect of regulatory decision-making.

ERFCO would be empowered to certify projects as essential to national energy goals; this certification would have the effect of requiring final regulatory determinations by Federal agencies within 12 months of submission of applications or within an appropriate shorter time, with an extension of up to six months for good cause granted by ERFCO at the regulatory agency's request. ERFCO could enforce these time limits for expedited processing by seeking a court order.

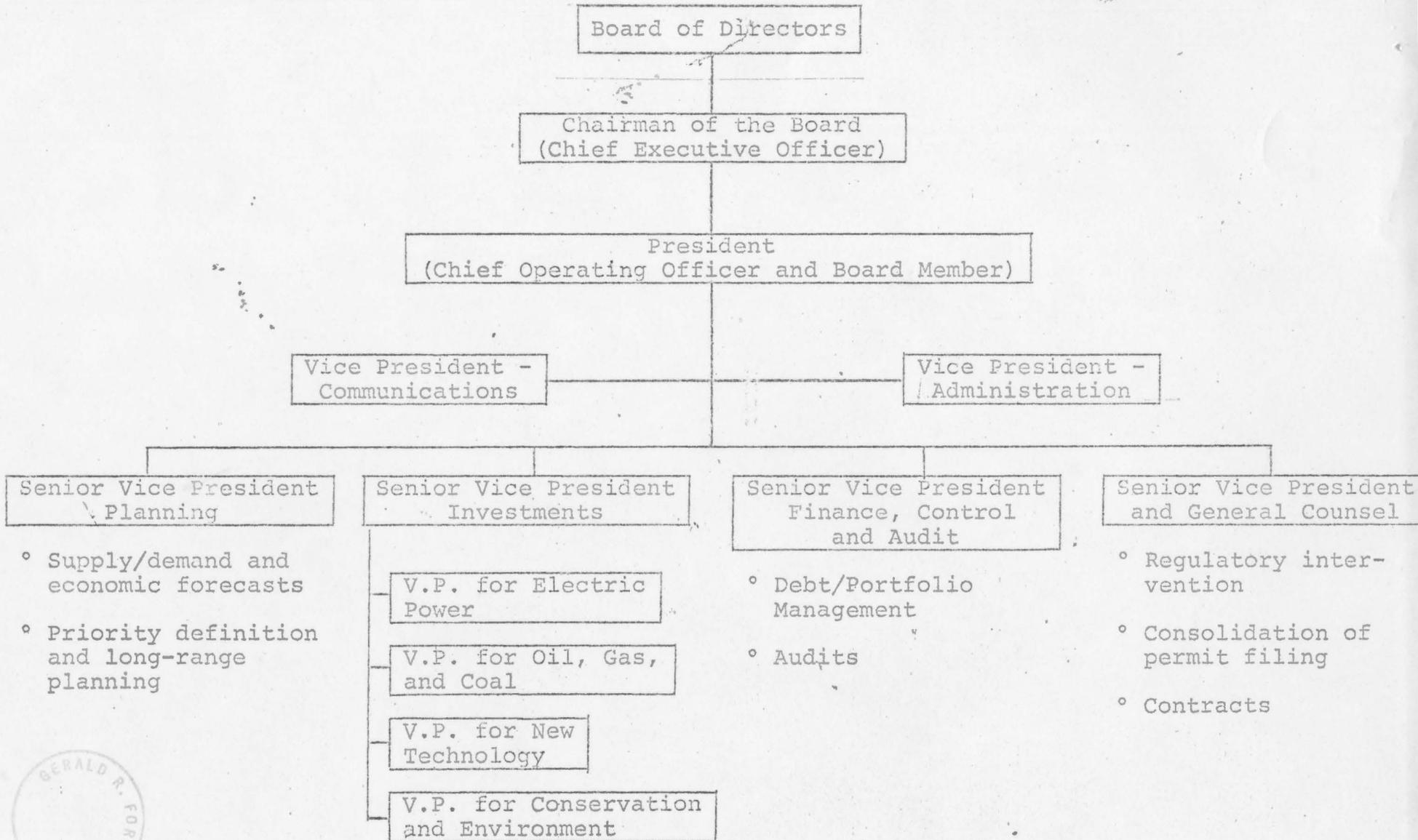
ERFCO would also act as a clearing house for Federal permit applications for the purpose of obtaining expedited final regulatory determinations.



Impact on Energy Independence

It is expected that by 1985, ERFCO-supported projects would be capable of delivering a direct energy contribution in the range of five to ten million barrels per day of oil equivalent, potentially enough to displace current and future levels of oil imports. In addition, ERFCO-supported projects would provide the infrastructure and physical resources to assist in the delivery of ten million barrels per day of oil equivalent. The combined effect of direct and indirect energy contribution from ERFCO-supported projects would yield energy independence.

CHART 1 - ERFCO ORGANIZATION



TUESDAY
August 26, 1975

Meeting (Called by Zarb) for 10:30 a.m. on Energy Resources
Finance Corporation in Roosevelt Room.

Vice President will chair meeting. Also attending:
Arthur Burns, Greenspan, Mitchell (for Lynn) of OMB, Morton,
Seidman, Cannon, Simon, Zausner, Parsky.

Judy (Frank Zarb's Office)

6450