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8-23-74

Al Hay

I should talk with
you on this.
GRF

THE WHITE HOUSE

WASHINGTON

August 23, 1974

MEMORANDUM FOR ALEXANDER M. HAIG, JR.
FROM: KEN COLE
SUBJECT: ENERGY ORGANIZATION

Three events will occur this Fall in the time frame of September through November, which are likely to heat up energy as an issue. They are:

1. Critical negotiations between the Israelis and Arab nations over disengagement and the possibility of additional pressure to effect these negotiations by the oil-producing nations.
2. The possibility of a national coal strike, beginning November 12.
3. The completion of the "Blueprint" for Project Independence and resulting controversy over its analysis and proposals.

I believe it is important that responsibilities within the Administration in the energy field be clearly established by the President as soon as possible. This will permit time to test the effectiveness of that organization and get the "bugs" out of any new relationships or other changes before we enter the critical period this Fall.

BACKGROUND

As you know, ever since the oil embargo last Fall, we have had problems organizing Executive Branch efforts to cope with the energy issue.

The following departments and agencies have the major energy responsibilities: Federal Energy Administration, Interior Department and Atomic Energy Commission. The Congress will

probably pass legislation very soon creating the Energy Research and Development Administration and the Nuclear Licensing and Safety Commission, both of which will replace AEC and take their place among the lead agencies in the energy field. Other agencies which have significant energy responsibilities are: Treasury, Defense, Transportation, EPA, CEA and FPC.

In order to provide overall policy guidance to the efforts of all these agencies, we have the Committee on Energy. It is chaired by Bill Simon and provides a forum for Cabinet-level formation of energy policy and advice to the President. As an offshoot of this, there is a task force on the coal strike, which is coordinated by OMB and Domestic Council and made up of the Under Secretaries of the principal departments involved, along with several other key officials.

During the embargo we experienced the difficulty of managing the crisis through a line department or agency. For example, Interior with its strong ties to the coal industry was not effective in the petroleum or nuclear areas, and the Federal Energy Administration (and its predecessors) has not demonstrated its ability to provide overall leadership to other departments (e.g., Interior and Transportation) or curb its quest for additional power (e.g., to allocate and control prices).

The management of the potential coal strike further illustrates the problem. The Labor Department has been totally rejected by some of the key labor leaders and hence its efforts in this area are often counterproductive. On the other side, Interior itself is an issue between labor and management (over the running of the Bureau of Mines and mine safety) hence its effectiveness has been limited for this and other reasons.

I believe that some Cabinet-level coordinating mechanism is necessary in the energy area. Although it doesn't make much sense in terms of organizational logic to have the Treasury Secretary chair the energy committee, I nevertheless think it is the best near-term decision. For the reasons stated above, we should view this Fall as a potential "crisis" period in the energy area.

RECOMMENDATIONS

I recommend the retention of the Committee on Energy, with Simon as Chairman, at least until the end of the year. He has the least institutional constraints, most energy experience and best "crises" leadership capability. If the ERDA bill creates an Executive Branch Energy Council, the Simon committee can be folded into it.

Further, I recommend that the coal strike task force, chaired by Frank Zarb and Mike Duval, continue to manage the day-to-day coordination problems presented in this area. Bill Usery should continue to have the lead for issues concerning the negotiations between the parties to the dispute. Other department heads will have normal control over matters within their areas of responsibility, e.g., Labor over unemployment in other industries caused by the strike and Interior for mine safety. The task force should simply provide a coordinating mechanism.

If the Transition task force has not covered the issue of a permanent energy organization, I recommend that OMB undertake a study and provide recommendations to the Cabinet by December 1. This will give enough time to allow for a review of new organizations (e.g., ERDA) and our success in getting out of price controls and allocation. The recommendations should be ready for implementation by January.

THE WHITE HOUSE

WASHINGTON

September 10, 1974

MEMORANDUM FOR:

GEORGE JOULWAN

FROM:

JERRY H. JONES

Mike Duval reminded me that the decision on the energy organization is crucial and that the President should make this as soon as possible. This is just a reminder to push it when you have the opportunity.