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THE PRESIDENT HAS SEEN *2.9*

THE WHITE HOUSE

WASHINGTON

September 4, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR GENERAL HAIG
FROM: KEN *COLE*
SUBJECT: ENERGY ORGANIZATION

GRF

In his August 28 meeting with Morton, Simon and Sawhill, the President promised to make a decision shortly on the future role of the Committee on Energy. I stand by my recommendations made to you by memorandum of August 23 (attached) in which I point out that we should view the near-term, essentially until January, as a period of unrest and building pressures in the energy area. This will be caused by the disengagement negotiations in the Middle East, possibility of a national coal strike, the "Blueprint" for Project Independence and resulting controversy, possible unemployment caused by natural gas shortages and the uncertainty due to the general economic condition of the country.

It will be critical during this period to have an established energy organization and coordinating mechanism which has been "shaken down". The key players must be familiar with the issues and the process of decision-making. He must be capable of making quick, decisive decisions and be an effective public spokesman. Looking at the picture in the broad perspective, it seems to me that the critical point will be the link between our domestic and international concerns in the energy area. The pressures from the international side, both in terms of the Middle East conflict and in terms of energy prices, generally, will create tremendous pressure for an effective domestic program designed to increase domestic production and reduce consumption. The really tough trade-offs in this area are going to involve the extent to which we create a strong domestic program (and incur the cost that this would entail) because of the international pressures. The key Presidential adviser here must have solid understanding and credentials in both the international and domestic camps, at least during the critical months ahead.

For the above reasons, I think we should retain the Committee on Energy until January, with Bill Simon as its Chairman. If the President makes this decision, it will be necessary that John Sawhill be informed directly that this is a final decision, as rather strong action is going to be required to get him to cooperate with Simon.

I think the Coal Task Force should remain in effect as a low-key method of coordinating our efforts to avert a strike.

I would strengthen my recommendation to you of August 23 concerning the long-range solution. I think we should commit to a Department of Energy and Natural Resources-type solution and, as a first step, seek the reorganizational authority to fold FEA into Interior at the appropriate point. I think we should defer any final decision on ERDA until we see what that bill looks like.