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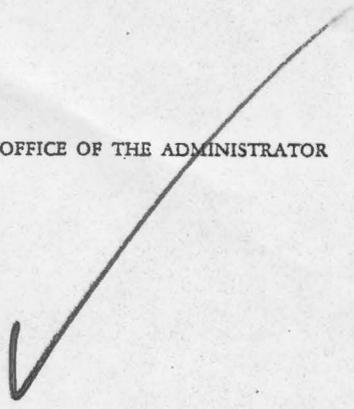
JAN 22 1976



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

January 21, 1976

OFFICE OF THE ADMINISTRATOR



MEMORANDUM TO DICK CHENEY
MAX FRIEDERSDORF
RON NESSEN
BOB HARTMAN
JACK MARSH ✓
PHIL BUCHEN
JIM CONNOR

FROM : FRANK ZARB *Z*
SUBJECT: ADMINISTRATION ENERGY STATUS

Attached is a status report on the President's energy program prepared for a recent ERC meeting. I thought it might be of interest to you.

Attachment



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

January 19, 1976

STATUS OF ENERGY PROGRAM

With the enactment of the Energy Policy and Conservation Act of 1975 (EPCA) and with several other energy legislative initiatives nearing passage, we have made considerable progress in moving towards the President's energy goals. The attached Tabs summarize our current estimates of achievement of the goals, legislative status and current Administration positions on major energy legislation, and agency responsibilities under the EPCA.

Tab 1 indicates that both the short-term and long-term goals can be achieved. The major measures remaining for Congressional action that are vital to 1985 energy independence are natural gas deregulation, Naval Petroleum Reserves authorities, insulation tax credit and thermal efficiency standards, and synthetic fuels commercialization.

Tab 2 indicates that four of the thirteen original titles in the Energy Independence Act proposed last January have been enacted and that four more have passed at least one House.

Tab 3 describes Agency responsibilities for implementing this bill. These responsibilities have been discussed with the agencies and a monitoring system is being established to assure deadlines are being met.

THE PRESIDENT'S ENERGY PROGRAM

THE GOAL: ENERGY INDEPENDENCE

The President, in his January 1975 State of the Union Message, established the first concrete energy goals for the United States.

- In the next few years stem our growing dependence on foreign oil, until longer term programs begin to be felt.
- To achieve energy independence by reducing our oil imports to under 5 million barrels per day by 1985 and assuring our invulnerability to the economic impacts and national security consequences of future oil embargoes.

THE PRESIDENT'S SHORT-TERM ENERGY PROGRAM

Imports are now over 6 MMB/D and would have reached 8 MMB/D by 1978 if no new programs were enacted. To stem this growing dependence, the President proposed a number of actions to cut demand, increase supply and improve our standby capabilities to deal with another embargo.

The proposals and their impacts on our import dependence after three years are shown below.

IMPACT OF PRESIDENT'S
SHORT-TERM ENERGY PROGRAM

	<u>1978 Reductions in Vulnerability (000 bbls/Day)</u>
<u>Import Reduction</u>	
- Gradual phase out of oil price controls	220
- Legislation to produce the Naval Petroleum Reserves*	300
- Insulation tax credit/weatherization*	135
- Improved auto fuel efficiency	100



	<u>1978 Reductions in Vulnerability (000/Bbls/Day)</u>
- Federal Energy Management Program	225
- Industrial Conservation Program	200
- State/Federal Conservation Program, including van-pooling	300
- Utility load management efforts	50
- Appliance labeling/efficiency goals	10
- Conversion of power plants from oil and gas to coal	160
 <u>Reduced Vulnerability</u>	
- Standby authorities to deal with an embargo	500
- Strategic Storage**	<u>830</u>
TOTAL VULNERABILITY REDUCTION	3030

*Passed one House or in Conference.

**Strategic storage figures are based on achievement of 150 billion barrels of petroleum reserves by the end of 1978 and a six-month drawdown of the reserves in the event of an embargo.

With the signing of the Energy Policy and Conservation Act (EPCA), all but two of these proposals have been enacted in a form similar to originally proposed and are now being implemented. With the implementation of these provisions, we can achieve about 2.5 million B/D of the 3 million B/D potential reduction in import vulnerability after three years. These figures are illustrated in graph 1.

THE PRESIDENT'S LONG-TERM ENERGY PROGRAM

If current trends continue and no new legislation were enacted, oil imports could reach 11 MMB/D in 1985, or even higher if oil and gas reserves in frontier areas are not as promising,

as expected, import prices decline, or coal or nuclear power projections fall behind schedule. The President's long-term program to make this nation energy independent consisted of a balanced program of administrative actions or legislative proposals to increase domestic supply, cut energy demand and establish new emergency capabilities. Major elements of this program are summarized below.

IMPACT OF PRESIDENT'S PROGRAM BY 1985

	<u>Import Vulnerability Reductions (000 B/D)</u>
<u>Energy Supply</u>	
- OCS Leasing	900
- NPR Production <u>1/</u>	935
- Decontrol of Oil <u>2/</u>	1,600
- Deregulation of Natural Gas <u>1/</u>	2,760
- Syn Fuels Commercialization	350
<u>Energy Conservation</u>	
- Federal Energy Management Program <u>2/</u>	260
- Appliance Labeling <u>2/</u>	220
- Insulation Tax Credit, Weatherization, and Building Standards <u>1/</u>	450
- Industrial Conservation Program <u>2/</u>	290
- Auto Fuel Efficiency <u>2/</u>	1,000
- State Conservation Plans, including Van-Pooling <u>2/</u>	750
- Decontrol of Oil <u>2/</u>	480
- Utility Load Management <u>2/</u>	300
- Coal Conversion <u>2/</u>	700
<u>Emergency Measures to Reduce Vulnerability</u>	
- Standby Authorities <u>2/</u>	1,000
- Strategic Storage System <u>2/</u>	2,700
TOTAL VULNERABILITY REDUCTION	14,695
<u>1/</u> Passed at least one House	
<u>2/</u> Enacted	

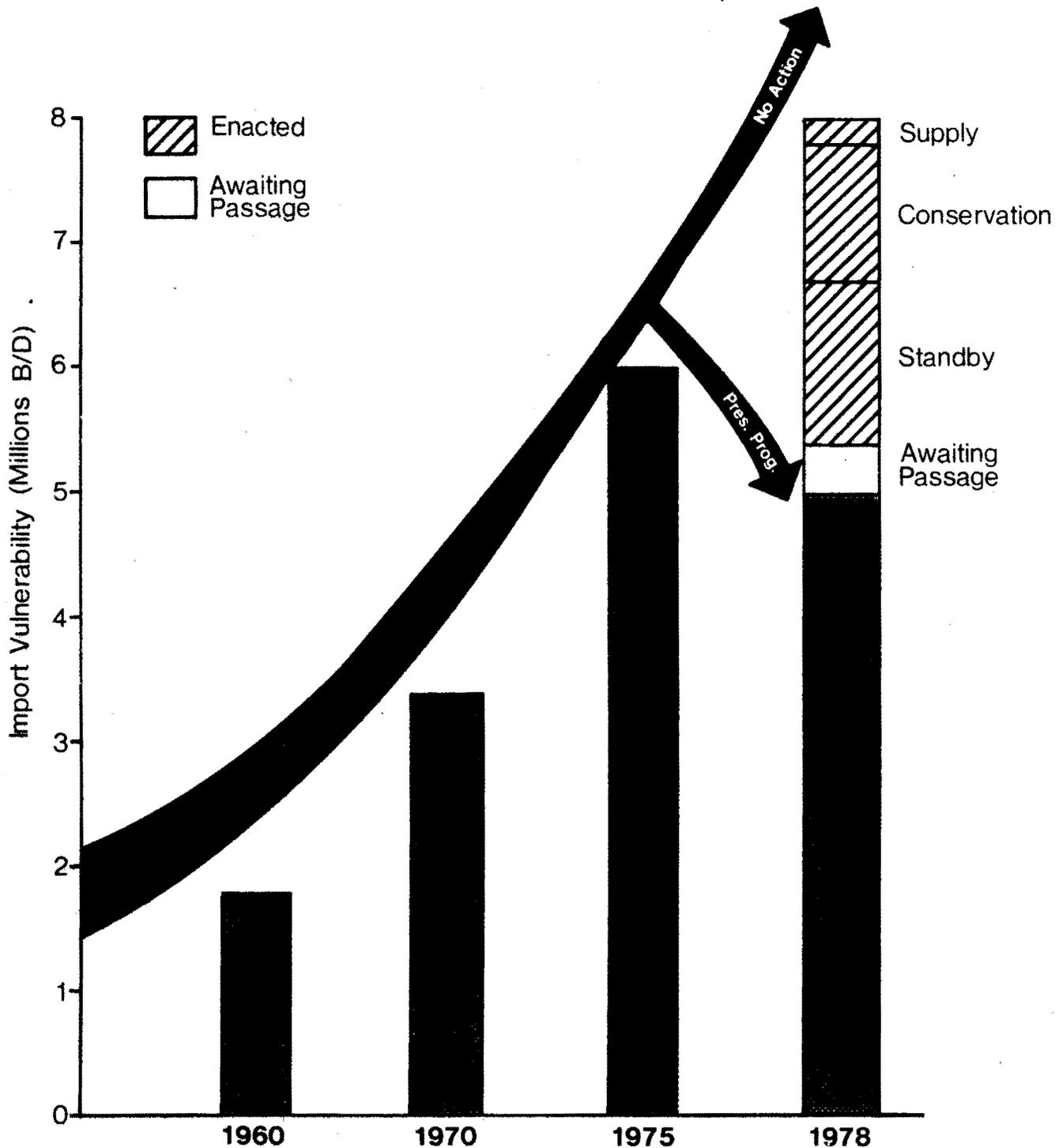


The total program, if enacted, would reduce vulnerability about 14-15 million barrels of oil per day by 1985. Thus far, legislative authority exists in all but three of these areas (Naval Petroleum Reserves, natural gas deregulation, and insulation tax credit), and can achieve 10.5 million B/D of the 14-15 MMB/D potential by 1985. These savings are shown in graph 2.

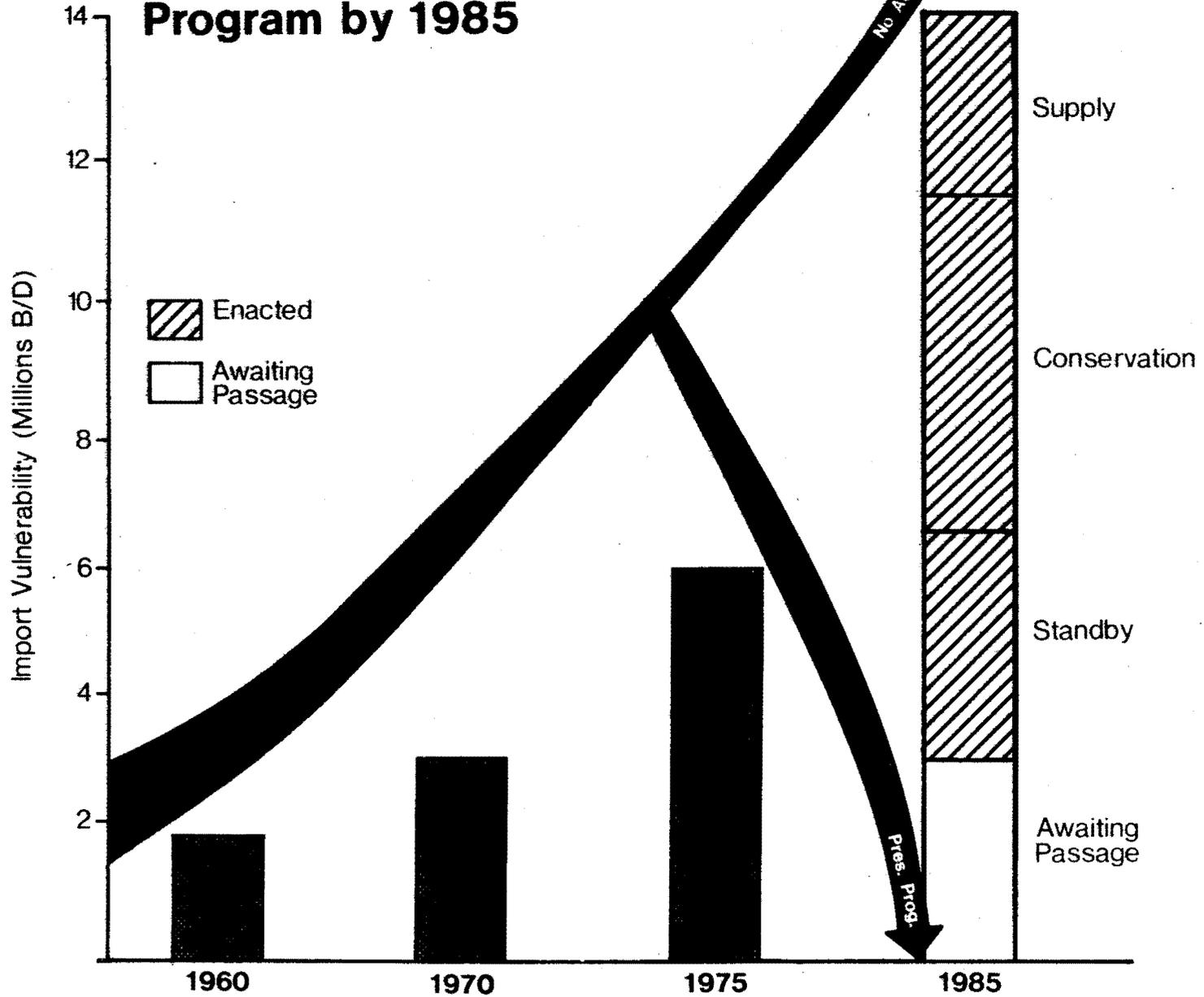
Additional legislation is still needed in other areas to assure that our energy independence goals are met. The other elements in the President's program include measures to increase natural gas supplies, greatly expand coal use, improve the financial health of the utility industry, provide adequate and safe nuclear power, and provide financing for new high risk energy technologies which will be critical to sustaining our long-term energy independence.



Effect of President's Program



Effect of President's Program by 1985





January 10, 1976 TAB 2

PENDING ADMINISTRATION ENERGY INITIATIVES

	<u>STATUS</u>	<u>PROPOSED ADMINISTRATION POSITION</u>
Energy Independence Act of 1975		
TITLE I - Naval Petroleum Reserves Would authorize the production of petroleum from the NPR's to be sold or used to fill a National Strategic Petroleum Reserve.	In conference; vote expected in January 1976	Support what appears to be the compromise reached in conference (full production of NPR's 1, 2, and 3 under Navy; NPR-4 to be transferred to Interior, but production not authorized).
TITLE III - New Natural Gas Deregulation Wellhead price controls over new natural gas sold in interstate commerce would be removed.	Senate passed deregulation of on-shore production and phased off-shore deregulation; House action expected early next session.	Support Senate bill, but seek modifications on House side on incentive pricing and new contracts provisions.
TITLES V and VI - 1975 Legislative Proposals to Amend the Clean Air Act of 1970 "Significant deterioration" requirement would be deleted; other Amendments would allow greater use of domestic coal, thus reducing the need for natural gas and imported oil.	House and Senate Committees considering legislation which does not meet Administration's requirements; final action in two to four months.	Continue to support Administration position, but work with Congress to delete unduly restrictive provisions; Issue Paper in preparation for ERC.
TITLE VII - Utilities Act of 1975 Would eliminate undue regulatory lags involved in approving proposed rate changes; assure that rates adequately reflect the full cost of generating and transmitting electricity, and remove prohibitions that now prevent lower prices from being charged to consumers during off-peak hours.	No Congressional action.	Support enactment -- considerable resistance.
TITLE VIII - Energy Facilities Plans would be developed and implemented to insure that needed energy facilities are sited, approved, and constructed on a timely basis.	No Congressional action.	Support enactment -- considerable resistance.
Nuclear Fuel Assurance Act (NFAA) Would allow ERDA to support the construction of private uranium enrichment facilities.	Hearings held by Joint Atomic Energy Committee.	Support legislation.
Nuclear Licensing Bill Would provide a more efficient nuclear licensing process.	Hearings held by Joint Atomic Energy Committee.	Support legislation.



TITLE IX - Energy Development Security Act of 1975
Would provide the needed authority to prevent foreign oil producing countries from undercutting U.S. efforts to develop domestic petroleum energy resources or achieve energy independence.

TITLE X - Building Conservation Standards
Would establish mandatory thermal efficiency standards for all new homes and commercial buildings.

TITLE XI - Winterization Assistance
Would establish a grant program for states to assist low income persons, particularly the elderly, in winterizing their homes.

Labor Management Advisory Committee

Natural Gas Emergency Legislation
Would deal with existing and imminent shortages and dislocations of natural gas in the national distribution system.

Energy Independence Authority (EIA)
Would establish a government corporation with authority to provide financing and economic assistance for those sectors of the national economy which are important to the development of domestic energy resources and the conservation of energy.

Synthetic Fuels Loan Guarantees
To facilitate the construction of a synthetic fuels capacity equal to the equivalent of 350,000 bbls/day.

Outer Continental Shelf
Provides for the Secretary of the Interior to submit leasing plans and conduct a regulatory study; provides for grants to Coastal States through sharing of oil revenues.

STATUS

No Congressional action.

House passed; Senate will consider in January.

House passed; Senate will consider in January.

No Congressional action.

Passed Senate as part of Natural Gas Deregulation; cleared House Committee; action expected in January-February.

No Congressional action.

\$6 billion program eliminated from recent ERDA authorization legislation.

Passed Senate; House action expected in January-February.

PROPOSED ADMINISTRATION POSITION

Formal international agreement anticipated by late January; executive agreement to follow which would not bind Congress. Possible future legislation to activate MSP mechanism required if standby mechanism is activated, but not needed now.

Support Senate's building standards enforcement provisions.

Support House bill, which is virtually identical to Administration bill.

Support enactment ~~at~~ considerable resistance.

Support current legislation.

Support legislation.

Support as part of EIA, but also seek separate legislation first.

Under discussion within Administration.

Energy Taxes on Natural Gas and Oil

STATUS

No Congressional action.

PROPOSED ADMINISTRATION POSITION

Drop support.



REQUIRED ACTIONS BY AGENCIES OTHER THAN FEA UNDER
EPCA (PL 94-163).

1. Individual Agency Requirements

A. Department of Interior

1. Prohibition of Certain Leasing Arrangements.

- a. Secretary shall within 30 days, by rule, prohibit specified joint bidding on OCS. (Sec. 105.(a))
- b. Secretary shall report to Congress within 6 months on the feasibility and desirability of extending the joint bidding prohibition to other energy projects on Federal lands. (Sec. 105.(c))

2. Production of Oil or Gas at the Maximum Efficient Rate.

- a. Secretary shall, to the greatest extent practicable, determine the MER and TEPR of each field on Federal land which produces significant quantities of crude oil and/or natural gas. (Sec. 106.(a)(1))
- *b. President has authority to require production at MER or, during a severe energy supply interruption, at the TEPR. (Sec. 106.(a)(2))

3. Conflicts of Interest.

- a. Certain Interior employees must file annual financial disclosure statements with the Secretary (beginning February 2, 1977). (Sec. 522.(a))
- b. The term "known financial interest" will be defined and the methods by which requirements of this section will be monitored and enforced must be specified within 90 days. (Sec. 522.(b))
- c. Annual reports to Congress required (Sec. 522.(b))

B. Department of Commerce

1. Domestic Use of Energy Supplies and Related Materials and Equipment



- a. The President may, by rule, restrict the exportation of energy supplies and equipment. Upon request of the President, the Secretary shall implement these regulations. (Sec. 103)
- *b. The President shall submit quarterly reports to Congress on any restrictions on energy supplies or related materials. (Sec. 103.(f))

C. Department of Transportation

1. Automobile Fuel Economy.

- a. Secretary shall fulfill various requirements related to improving automobile efficiency including the establishment and enforcement of fuel efficiency standards. (Sec. 502)
- b. Within 180 days, Secretary shall issue a comprehensive report to Congress and the President concerning:
 - (1) The installation of fuel flow instruments in new and used automobiles;
 - (2) The inclusion of electric vehicles in the Act's fuel economy standards. (Sec. 512)

D. Environmental Protection Agency

1. Coal Conversion.

- a. EPA authority under ESECA extended. (Sec. 101)

2. Coal Loan Guarantees.

- a. Administrator must certify that any coal to be produced from a mine for which a loan guarantee is issued will be used in compliance with the Clean Air Act. (Sec. 102.(b)(1)(D))

3. Automobile Fuel Economy.

- a. Administrator shall calculate average fuel economy for the purpose of setting standards. (Sec. 503)



b. Administrator shall:

- (1) Develop rules to implement the automobile fuel economy labeling programs;
- (2) Consult with FTC, DOT and FEA in administering this section. (Sec. 506)

E. Department of the Treasury

1. Appliance Efficiency.

- a. Within 180 days, Secretary of the Treasury shall prescribe rules for importation of covered products to meet established efficiency labeling requirements and efficiency standards. (Sec. 331)

F. Federal Trade Commission

1. Automobile Fuel Economy.

- a. FTC has certification authority over modification of penalties due to substantial lessening of competition in the automobile industry. (Sec. 508.(b)(4))

2. Appliance Efficiency.

- a. After certain actions by FEA/NBS, FTC shall prescribe and enforce labeling rules for all covered products. (Sec. 324, 326, and 334)

G. Securities and Exchange Commission

1. Energy Data Base.

- a. Within 24 months, SEC will ensure the development of standard accounting practices for use by all persons engaged in producing crude oil or natural gas in the U.S. (Sec. 503.(a))
- b. SEC shall consult with FEA, GAO and FPC in developing standard accounting practices for all U.S. producers of crude oil and natural gas. (Sec. 503.(b))

H. Civil Aeronautics Board, Interstate Commerce Commission, Federal Maritime Commission, Federal Power Commission, and Federal Aviation Administration.

1. Energy Conservation in Policies and Practices of Certain Federal Agencies.
 - a. Each of these agencies must report to Congress within 60 days energy conservation policies it had instituted since October 1973. (Sec. 382.(a))
 - b. Each must report to Congress within 120 days on proposed programs for additional energy consumption savings by persons being regulated. (Sec. 382.(a))
 - c. Each shall conduct a study, and report to Congress within one year, on any requirement or major regulatory action which mandates or encourages inefficient energy usage. (Sec. 382.(a))
 - d. Each must prepare Energy Impact Statements in certain cases. (Sec. 382(b))
 - e. FEA will provide guidance and assistance in carrying out these requirements.

II. Joint Agency Requirements (lead agency, if any, listed first)

A. Federal Energy Administration/Department of the Treasury

1. Coal Loan Guarantees.
 - a. Secretary of the Treasury must be consulted by the FEA Administrator on regulations promulgated under this section. (Sec. 102.(d)(1))
 - b. Secretary of the Treasury must concur with FEA Administrator with respect to date of issuance of guarantees. (Sec. 102.(d)(2))
 - c. Secretary of the Treasury as well as the FEA Administrator can require records to be kept: (Sec. 102.(d)(3))

B. Federal Energy Administration/Department of Interior/Department of the Navy

1. Strategic Reserves.
 - a. FEA Administrator, in cooperation with Secretaries of Interior and Navy, shall submit to Congress within 180 days a report recommending procedures for development of NPR-4. (Sec. 164)

C. Federal Energy Administration/Department of Justice/
Department of State/Federal Trade Commission

1. IEP Authorities.

- a. FEA Administrator, with concurrence of Attorney General and after consultation with FTC and Secretary of State, shall promulgate standards and procedures to carry out voluntary agreements and plans of action to implement allocation/information provisions of IEA programs. (Sec. 252.(b))
- b. The Attorney General and the FTC shall participate from the beginning in the development and, when practicable, in the carrying out of IEA voluntary agreements and plans of actions. (Sec. 252.(d))
- c. The Attorney General and the FTC shall monitor the development and implementation of IEA agreements/plans. (Includes rulemaking and information gathering authorities). (Sec. 252.(e))
- d. The Attorney General and the FTC shall submit to the Congress, every 6 months, a report of the impact on competition and on small business of the actions authorized by section 252. (Sec. 252(i))

D. Federal Energy Administration/Department of State

1. IEP Authorities.

- a. FEA Administrator may transmit to Secretary of State, who may in turn transmit to IEA, the information related to the U.S. energy industry required by the IEP. (Sec. 254.(a))
- *b. Within 90 days after enactment and periodically thereafter, President shall determine if other nations are in substantial compliance with IEA data requirements. (Sec. 254.(3))

E. Department of Transportation/Environmental Protection Agency

1. Automobile Fuel Economy.

- a. Manufacturers will maintain such records and provide such information as the Secretary and the Administrator need to execute their responsibilities. (Sec. 505.(c))

F. Federal Energy Administration/Environmental Protection Agency

1. Automobile Fuel Economy.

- a. EPA to compile automobile fuel economy booklet which FEA will publish and distribute. (Sec. 506(b))

G. General Services Administration/Federal Energy Administration

1. Automobile Fuel Efficiency.

- *a. President, within 120 days, must promulgate efficiency standards for automobiles acquired by all Executive Branch agencies. (Sec. 510)

H. Federal Trade Commission/Environmental Protection Agency

1. Retrofit Devices.

- a. FTC will establish program for systematically examining fuel economy representations made with respect to retrofit devices. If it suspects representations are inaccurate, FTC can request EPA to evaluate. (Sec. 511.(a))
- b. Within 180 days, EPA will promulgate test procedures and criteria for evaluating retrofit devices. (Sec. 511.(d))

I. Federal Energy Administration/Department of Commerce

1. Appliance Efficiency.

- a. FEA Administrator shall direct the National Bureau of Standards (Secretary of Commerce) to develop test procedures for 13 legislated product categories. (Sec. 323.(a))
- b. FEA Administrator will also direct NBS to develop test procedures for other categories of products he subsequently determines should be covered. (Sec. 323.(a))

J. Federal Energy Administration/Department of Commerce/
Energy Research and Development Administration

1. Industrial Energy Conservation.

- a. FEA Administrator to consult Secretary of Commerce and ERDA Administrator on implementation of entire program. (Sec. 372)

K. Department of Commerce/Federal Trade Commission/
Environmental Protection Agency

1. Recycled Oil

- a. As soon as practicable, NBS (Secretary of Commerce) will develop test procedures for determining substantial equivalency of recycled oil with new oil for a particular end use. He will then report such procedures to FTC. (Sec. 383.(c))
- b. Within 90 days (after receiving NBS test procedures), FTC shall prescribe test procedures and labeling standards to indicate any end use for which a substantial equivalency determination has been made. (Sec. 383.(d))
- c. EPA Administrator shall, within same 90 day period, prescribe labeling standards relating to the proper disposal of all oils (new, used or recycled after use. (Sec. 382.(f)) *

* Indicates Presidential action which may be delegated.



FEA Functions Under the
Energy Policy and Conservation Act
(Other than EPAA Provisions)
(P.L. 94-163)

Coal Conversion (ESECA)

- Authority to issue prohibition and construction orders extended until June 30, 1977 (Section 101). Orders may be enforced and modified until 1985 (Section 101).

Coal Loan Guarantees

- Administrator is authorized to issue loan guarantees to qualified persons for opening new coal mines. Authority expires June 30, 1985 (Section 102).

Strategic Petroleum Reserve

- Office of Strategic Reserves is established in FEA (Section 153).
- Within 90 days of enactment*, Early Storage Plan must be submitted to Congress (Section 155(c)).
- Within 180 days of enactment, an NPR report must be transmitted to Congress (Section 164).
- By December 15, 1976, a Strategic Reserve Plan (SRP) must be submitted to Congress (Section 154).
- Within 6 months of SRP submission a report must be transmitted to Congress setting forth recommendations for utility storage reserves, remote oil and gas reserves, and coal storage reserves (Section 158).
- Annual reports required on anniversary of transmission of SRP (Section 165).

International Voluntary Agreements

- Within 90 days of enactment FEA must have completed promulgation of regulations implementing this section and also have completed formulation of a new Voluntary Agreement pursuant to these regulations (Section 252a).
- Authorities under Section 252 expire June 30, 1979 (Section 252(j)).

*The date of enactment of P.L. 94-163 is December 22, 1975.

Automobile Fuel Economy

- FEA shall publish and distribute auto fuel economy booklets which are to be prepared by EPA. No deadlines or expiration dates apply to this program (Section 506(b) of Motor Vehicle Information and Cost Savings Act, as amended by Section 301).

Appliance Efficiency

- In compliance with 30-day comment period of Section 323 (a)(1), FEA is presently receiving written data, views and arguments with respect to test procedures to be developed (Section 323(a)(1)).
- FEA to direct NBS to develop test procedures in time to meet test procedure publication dates (see below) (Section 323(a)(2)).
- Proposed test procedures for certain specified products must be published by June 30, 1976 and prescribed by September 30, 1976 (Section 323(a)(3)).
- Other listed products have September 30, 1976 and December 31, 1976 test procedure time frames and still other listed products have June 30, 1977 and September 30, 1977 time frames (Section 323(a)(3)).
- Within 180 days of enactment, Administrator shall prescribe efficiency targets for certain specified products (other targets for listed products are required within one year and still others may be set later at the Administrator's discretion) (Section 325).
- Administrator, in coordination with FTC, shall carry out a consumer education program on energy conservation in the use of consumer products (Section 337).
- Annual report to Congress and the President (Section 338).

State Energy Conservation Plans

- Within 60 days after enactment, FEA shall prescribe guidelines for the preparation of State energy conservation feasibility reports. (Section 362(a)).



- FEA shall invite Governors to submit feasibility reports within three months after effective date of such guidelines (Section 362(a)).
- Within six months after enactment, FEA shall prescribe guidelines covering measures required to be in State energy conservation plans and funding of such plans (Section 362(b)).
- FEA shall invite each Governor to submit, within five months after the effective date of such guidelines except for good cause shown, a report on the State's proposed energy conservation plan (Sections 362(b) and 363(b)(2)(B)).
- At earliest practicable date, FEA shall set an energy conservation goal for each State for 1980 (Section 364).

Industrial Energy Conservation

- Within 90 days of enactment, FEA shall identify each major energy-consuming industry and shall establish a priority ranking of such industries on the basis of their respective total annual energy consumption (Section 373).
- Within one year after enactment, FEA shall set an industrial energy efficiency improvement target for each of the ten most energy-consumptive industries (Section 374).
- Annually FEA shall report to the Congress and the President on the industrial energy efficiency program (Section 375(c)).

ESECA Information Gathering

- Following SEC establishment of accounting practices (must occur within 24 months), Administrator must require information to be kept by industry in accordance with Section 505.
 - o Once such requirements are in effect, quarterly reports must be transmitted to the President and to Congress (Section 505).
- ESECA information gathering authority extended to December 31, 1979 (Section 506).

Conflicts of Interest

- Within 90 days Administrator must define, by rule, the term "known financial interest" and must establish, by rule, enforcement and review methods (Section 522).
- Annual reports required on June 1 (Section 522).

Presidential Functions

Materials Allocation

- Upon certain findings, President may issue rules mandating allocation of or priority performance under contracts for energy supplies and equipment (Section 104). Authority under this section does not expire when DPA expires.
- Report is due within 60 days on how authority will be exercised (Section 104).

Standby Energy Authorities

- Within 180 days of enactment, President is required to submit to Congress one or more energy conservation plans and a rationing contingency plan (Section 201).

International Oil Allocation

- President may, by rule, require allocation of petroleum products to meet requirements of IEP (Section 251).

Other Federal Energy Conservation Program

- President shall establish or coordinate Federal agency actions to develop mandatory standards with respect to energy conservation in the procurement policies of the Federal Government (Section 381(a)).
- President shall develop a ten-year plan for conservation with respect to Federal buildings (Section 381(a)).
- Annual report required (Section 381(c)).

