The original documents are located in Box 10, folder "Energy - Oil Import Fees" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

FOR IMMEDIATE RELEASE JANUARY 22, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON SIGNING A PROCLAMATION
ON OIL IMPORT TARIFFS

THE OVAL OFFICE

4:06 P.M. EST

In my State of the Union address, I set forth the Nation's energy goals to assure that our future is as secure and productive as our past. This proclamation that I am about to sign is the first step down the long and difficult road toward regaining our energy freedom.

The proclamation will gradually impose higher fees on imported oil, and this will result in substantial energy conservation by the United States. As we begin to achieve our near-term conservation goals, the Nation will once again be going in the right direction, which is away from energy dependence.

Each day that passes without strong and tough action, which this proclamation is, results in a further drain on our national wealth and on the job it creates for the American people. Each day without action means that our economy becomes more and more vulnerable to serious disruption.

Each day without action increases the threat to our national security and welfare. This proclamation which is just as fair and equitable as the law permits us, must now be followed by positive Congressional action.

The Nation needs a fully comprehensive and long-range energy program, one that increases domestic energy supplies and encourages lasting conservation. To reach our national goals, we need the help of each American, and especially their representatives in the Congress.

I look forward to vigorous debate and serious Congressional hearings on our comprehensive energy plan. The crucial point is that this proclamation moves us in the right direction while we work to enact the energy legislation.

MORE

The tactics of delay and proposals which would allow our dependency and vulnerability to increase will not be tolerated by the American people, nor should they be. The new energy-saving fees put us on the right path.

There are problems ahead. There will be hardships. Let us get on with the job of solving this serious energy problem.

Thank you very much.

END (AT 4:09 P.M. EST)

FOR RELEASE UPON SIGNATURE January 23, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

MODIFYING PROCLAMATION NO. 3279, RELATING TO IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS, AND PROVIDING FOR THE LONG-TERM CONTROL OF IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS THROUGH A SYSTEM OF LICENSE FEES

- - - - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS the Director of the Office of Civil and Defense Mobilization found pursuant to Section 2 of the Act of July 1, 1954, as amended (19 U.S.C. 1352a), "that crude oil and the principal crude oil derivatives and products are being imported in such quantities and under such circumstances as to threaten to impair the national security;" and

WHEREAS, Proclamation No. 3279 as well as modifications thereof, including Proclamation No. 4210 which suspended tariffs on imports of petroleum and petroleum products and established a system of license fees for such imports, was issued pursuant to this finding; and

WHEREAS, although conditions in world oil markets have changed significantly in recent years, the above finding continues to be valid at the present time; and

WHEREAS, the Administrator of the Federal Energy Administration who maintains constant surveillance of imports of petroleum and its primary derivatives in respect to the national security, and who has reviewed the current status of imports under Proclamation No. 3279, as amended, has recommended that the method of adjusting imports of crude oil and the principal crude oil derivatives and products be modified; and

WHEREAS, I agree with this recommendation; and

WHEREAS, pursuant to Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862), the Secretary of the Treasury having made an appropriate investigation to determine the effects on the national security of imports of crude oil and the principal crude oil derivatives and products and having considered the matters required by him to be considered by the Trade Expansion Act of 1962, as amended, has reported the findings of his investigation and has advised me that crude oil, the principal crude oil derivatives and products, and related products derived from natural gas and coal tar, are being imported in such quantities and under such circumstances as to threaten to impair the national security and has recommended that I take action to reduce such imports; and

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WHEREAS, having considered the matters required by me to be considered by the Trade Expansion Act of 1962, as amended, I agree with the said advice; and

WHEREAS, I find and declare that adjustments must be made in imports of crude oil, the principal crude oil derivatives and products, and related products, so that such imports will not so threaten to impair the national security; and

WHEREAS, I judge it necessary and consistent with the national security to further discourage importation into the United States of petroleum, petroleum products, and related products, in such quantities or under such circumstances as to threaten to impair the national security; to create conditions favorable to domestic crude oil production needed for projected national security requirements; and to increase the capacity of domestic refineries and petrochemical plants to meet such requirements; and to encourage the development of other sources of energy; and

WHEREAS, in order to achieve the above objectives, I determine that a supplemental fee should be imposed on all imports of petroleum and petroleum products, and that certain other changes in the existing license fee system be made; and

WHEREAS, I have instructed the Administrator of the Federal Energy Administration to evaluate the structure and scope of coverage of those aspects of the existing Mandatory Oil Import Program which are not changed by this Proclamation, and to report to me within three months with his recommendations;

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, acting under and by virtue of the authority vested in me by the Constitution and the laws of the United States, including Section 232 of the Trade Expansion Act of 1962, as amended, do hereby proclaim that, effective as of February 1, 1975, a new system of oil import fees is instituted, and accordingly, Proclamation No. 3279, as amended, is hereby further amended as follows:

Section 1. Subparagraph (1) of paragraph (a) of section 3 is amended to read as follows:

"Sec. 3(a)(1). Effective February 1, 1975, the Administrator shall issue allocations and licenses subject to fees, on imports of crude oil, unfinished oils, and finished products. Such licenses shall require, among other appropriate provisions, that:

(i) with respect to imports of crude oil and natural gas products, over and above the levels of imports established in Section 2 of this Proclamation, such fees shall be $0.21 per barrel;

(ii) with respect to imports of motor gasoline, unfinished oils, and all other finished products (except ethane, propane, butanes, and asphalt), over and above the levels of imports established in Section 2 of this Proclamation, such fees shall be $0.63 per barrel;

more

(iii) with respect to imports of crude oil, natural gas products, unfinished oils, and all other finished products (except ethane, propane, butanes, and asphalt) entered into the customs territory of the United States on or after February 1, 1975, there shall be a supplemental fee per barrel, of $1.00, rising to $2.00 on imports entered on or after March 1, 1975, and to $3.00 on imports entered on or after April 1, 1975;

(iv) with respect to the fees imposed pursuant to paragraphs 3(a)(1)(i)-(iii), the amount of such fees shall be reduced, on a monthly basis, by an amount equal to any applicable duties paid less any drawbacks received during the same period, except that where duty drawbacks exceed the duty paid during that period, the net differences shall be applied to subsequent periods;

(v) with respect to all licenses issued prior to the effective date of this Proclamation, such licenses shall be subject to paragraph 3(a)(1)(iii), regardless of whether such licenses were issued as a result of payment of fees or an allocation not subject to fee;

(vi) with respect to licenses issued prior to the effective date of this Proclamation, not subject to the license fee prescribed in paragraph 3(a)(1)(i)-(ii) or licenses issued by prepayment of such fees, payment of the fees prescribed in paragraph 3(a)(1)(iii) shall be made no later than the last day of the month following the month in which such imports were released from customs custody or entered or withdrawn from warehouse for consumption, whichever occurs first. With respect to licenses subject to the fees prescribed in paragraph 3(a)(1)(i)-(ii) but issued against a surety bond, payment of the fees prescribed in paragraph 3(a)(1)(iii) shall be made simultaneously with payment of the fees prescribed in paragraph 3(a)(1)(i)-(ii). Notwithstanding the provisions of paragraph (b) of Section 3, surety bonds need not be increased to cover the additional fee liability on licenses issued prior to the effective date of this Proclamation;

(vii) with respect to licenses issued on or after February 1, 1975, for imports entered into the customs territory of the United States prior to April 1, 1975, an amount of fees under paragraph 3(a)(1)(iii) equal to those due on April 1, 1975, shall be payable, subject to refund of the difference between the amount of the fee applicable at the time the imports are entered and the amount already paid;

(viii) with respect to licenses issued pursuant to paragraph 3(a)(1)(iii) for imports other than (A) crude oil as defined for purposes of the Old Oil Allocation Program which is imported for refining or (B) products refined in a refinery outside of the customs territory as to which crude oil runs to stills would qualify a refiner to receive entitlements under the Old Oil Allocation Program, the Administrator may by regulation reduce the fee payable by the following amounts, or by such other amounts as he may determine to be necessary to achieve the objectives of this Proclamation and the Emergency Petroleum Allocation Act of 1973:

- for imports entered into the United States customs territory during the month of February, 1975, $1.00 per barrel;

- for imports entered during the month of March, 1975, $1.40 per barrel;

- for imports entered during the month of April, 1975, and thereafter, $1.80 per barrel.

(ix) with respect to licenses issued pursuant to paragraph 3(a)(1)(i)-(iii), the Administrator:

(A) with respect to imports of crude oil, to the extent that such imports are refined into products or incorporated into petrochemicals exported from the United States and its territories and possessions, shall refund any fee collected; provided, that the Administrator may limit the quantity of exports to which refunds under this provision may be applicable;

(B) with respect to unfinished oils, may, by regulation, provide for refunds to the extent that such unfinished oils are refined into products or incorporated into petrochemicals which are exported from the United States and its territories and possessions; and

(C) with respect to petrochemicals, shall specify, by regulation, those petrochemicals which qualify an importer for a refund under this subparagraph.

Sec. 2. In addition to the foregoing amendments, which in themselves are intended to achieve the objectives of this Proclamation, the following additional and conforming amendments are made to Proclamation No. 3279, as amended:

(a) Paragraph (c) of Section 1 is amended to read as follows:

"(c) In Districts I-IV, District V, and in Puerto Rico, no department, establishment, or agency of the United States shall without prior payment of the fees provided for in Section 3(a)(1)(i)-(ii) of this Proclamation, import finished products in excess of the respective allocations made to them by the Administrator. Such allocations shall, except as otherwise provided in this Proclamation, be within the maximum levels of imports established in Section 2 of this Proclamation. No such department, establishment, or agency shall be exempt from the fees provided in Section 3(a)(1)(iii)."

(b) Section 2 is amended in the following respects:

(1) The first sentence of paragraph (a) of section 2 preceding subparagraph (1) is amended to read as follows:

"Sec. 2(a). Except as otherwise provided in this Proclamation, the maximum level of imports, from sources other than Canada and Mexico which may be made without prior payment of the fees provided in Section 3(a)(1)(i)-(ii) of this Proclamation, of crude oil, unfinished oils, and finished products (other than residual fuel oil to be used as fuel) shall be:"

(2) Subparagraphs (1), (2), (5) and (6) of paragraph (a) of section 2 are amended by deleting the word "calendar" where-ever it appears.

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(3) Paragraph (c) of section 2 is deleted, and paragraph (d) is redesignated as paragraph (c).

(4) Subparagraph (1) of paragraph (d) of section 2 preceding the portion of subparagraph (1) designated (i) is amended to read as follows:

"(c)(1) Except as otherwise provided in this Proclamation, the maximum levels of imports from Canada of crude oil and unfinished oils to which license fees under section 3(a)(1)(i)-(ii) are not applicable shall be:"

(5) Subparagraph (1) of paragraph (d) of section 2 is amended in the portions designated (i) and (ii) by deleting the word "calendar" wherever it appears.

(6) Paragraph (e) of section 2 is redesignated as paragraph (d), and is amended by deleting the word "calendar."

(7) Paragraph (f) of section 2 is redesignated as paragraph (e).

(c) Section 3 is amended in the following additional respects:

(1) Subparagraph (2) of paragraph (a) of section 3 is amended in its proviso to read as follows:

"Provided, that such rate shall apply also in cases where the holder of the license establishes to the satisfaction of the Administrator that he made a good faith attempt to arrange shipment by vessel under United States registry and that no such vessel was available at reasonable rates for the purpose at the time this shipment was made."

(2) Subparagraph (3) of paragraph (a) of section 3 is amended to read as follows.

"(3) The Administrator is authorized to refund or reduce fees, whether in whole or in part, (i) for payment to the importer of record, on a monthly basis, of sums equal to the sums collected by way of duties, by the United States Customs Service, less any applicable drawback pursuant to paragraph 3(a)(1)(iv); (ii) for payment to the importer of record of the sums required to be refunded by paragraphs 3(a)(1)(vii) and (viii); (iii) where the licensee failed to use, wholly or in part, the license issued to him (iv) where refunds of license fees, whether in whole or in part, are ordered by the Oil Import Appeals Board (v) where refund of a license fee, whether in whole or in part, is called for by reason of a person having exported finished products or petrochemicals; (vi) where crude oil imported by virtue of a license for which a fee was paid has been manufactured into asphalt; (vii) where refund of a license fee is called for by reason of the same having been improperly charged."

(3) Paragraph (b) of section 3 is amended to read as follows:

"(b) Applications for allocations and licenses for imports subject to fee under this section shall be accompanied by the applicant's certified check, or a cashier's check, payable to the order of the Treasurer of the United States in the amount chargeable pursuant to this section, or by a bond

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with a surety on the list of acceptable sureties on Federal bonds maintained by the Bureau of Government Financial Operations, Department of the Treasury, in a sum not less than the amount chargeable pursuant to this section, conditioned upon payment of such amount to the order of the Treasurer of the United States, by the last day of the month following the month in which such imports were released from customs custody or entered or withdrawn from warehouse, whichever occurs first, or within such other period as the Administrator shall specify. In the event that such bond is terminated or the face value of the bond is reduced below the outstanding liability of licenses issued pursuant to the bond, the Administrator shall immediately revoke all licenses issued pursuant to the bond. Except as to a department, establishment or agency of the United States, applications not accompanied by a certified check, cashier's check, or bond in the amount required shall not be considered. Payment of fees by or for the account of a department, establishment, or agency of the United States shall be accomplished by transfers, as appropriate, from appropriation accounts available to such department, establishment, or agency, to the suspense account provided by subparagraph (1) of paragraph (c) of this section."

(4) Subparagraph (1) of paragraph (c) of section 3 is amended to read as follows:

"(c)(1) All monies received by the Administrator under the terms of paragraph (b) of this section shall be held by the Administrator in a suspense account and may be drawn upon by the Administrator for the payment of refundable license fees. Balances remaining in such suspense account and not required to be reserved for payments hereinabove provided shall be deposited at the end of each fiscal year in the Treasury of the United States and credited to miscellaneous receipts."

(5) Subparagraph (2) of paragraph (c) of section 3 is redesignated as subparagraph (3) and a new subparagraph (2) is added to paragraph (c) to read as follows:

"(2) Any importer, paying fees pursuant to this section, shall, with respect to each such payment, receive the refunds authorized by subparagraph (1) (iv) of paragraph (a) of this section by submitting to the Administrator, simultaneously with or subsequent to the payment of license fees, such evidence of tariff payment as the Administrator shall specify. Said importer shall also certify the amount of drawback received during the same period for which a refund is requested."

(d) Section 4 is amended in the following respects:

(1) Subparagraphs (1), (2), and (4) of paragraph (b) of section 4 are amended by inserting the phrase "under section 3(a)(1)(i)-(ii)" after the words "license fees" wherever such words shall appear.

(2) Subparagraph (5) of paragraph (b) of section 4 is amended in the first sentence by inserting the phrase "under section 3(a)(1)(i)-(ii)" after the words "license fees", and in the third and fourth sentences by inserting the words "to which fees under section 3(a)(1)(i)-(ii) shall not be applicable" after the word" allocations", wherever such word shall appear.

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(4) Paragraph (c) of section 4 is amended by adding, at the end of said paragraph, the following sentence:

"In exercising this authority the Administrator will consult with the Secretaries of State, Treasury, and Defense, as appropriate."

(5) Paragraph (d) of section 4 is deleted.

(e) Section 5 is amended in the following respects:

(1) Paragraph (a) of section 5 is amended by deleting the last sentence.

(2) Paragraph (b) of section 5 is amended in clause (1) of the first sentence by deleting the words "on applications for allocations of imports under such regulations," and by inserting the words "under implementing regulations," in the last sentence by deleting the word "fee" and inserting the words "from the fees established in section 3(a)(i)-(ii)", and by adding a new sentence after the last sentence to read as follows: "Any allocations granted by the Board, however, shall be subject to payment of the fees established in section 3(a)(1)(iii)."

(f) Section 10 is redesignated as section 7 and is amended to read as follows:

"Sec. 7. The Administrator shall provide policy direction, coordination, and surveillance of the mandatory oil import program, and shall, from time to time, in consultation with the Secretaries of State and the Treasury and other federal agencies as appropriate, review the status of imports of petroleum and its primary derivatives in respect to the national security. In this connection, he shall inform the President of any circumstances which might indicate the need for further Presidential action under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862), as amended."

(g) Section 11 is redesignated as section 8 and is amended by adding after the words "fee" or "fees", wherever they shall appear, the phrase "under section 3(a)(1)(i)-(ii)", and by deleting the proviso.

(h) Section 12 is redesignated as section 9, and is amended by substituting a comma for the period, and by adding the words "except that all such allocations shall be subject to the payment of fees prescribed by section 3(a)(1)(iii) of this Proclamation."

(i) Section 13 is redesignated as section 10.

(j) Section 14 is deleted.

(k) Section 15 is redesignated as section 11 and is amended by adding, after the last paragraph, the following paragraphs:

"(m) The term 'Administrator' means the Administrator of the Federal Energy Administration, or his delegate.

more

"(n) The term 'Old Oil Allocation Program' means the program adopted pursuant to the Emergency Petroleum Allocation Act of 1973 for Allocation of Old Oil, 39 F.R. 42246 (December 4, 1974), 10 C.F.R. 211.67."

(l) Section 16 is redesignated as section 12, and is amended to read as follows:

"Section 12. Effective with respect to articles entered, or withdrawn from warehouse for consumption on or after February 1, 1975, tariffs upon imports of petroleum products listed in schedule 4, part 10 -- "Petroleum, natural gas, and products derived therefrom" -- of the Tariff Schedules of the United States shall be and are reinstated."

IN WITNESS WHEREOF, I have hereunto set my hand this twenty third day of January, in the year of our Lord nineteen hundred seventy-five, and of the Independence of the United States of America the one hundred and ninety-ninth.

GERALD R. FORD

# # # # #

Because of the new import fees the cost of crude oil will rise.

FEA does have the statutory authority to allocate this increased cost disproportionately to different products..

The President has decided to put a disproportionate share on to gasoline which will have the effect of lowering the effect of the import fees on heating fuel, residual fuels, etc, and thereby raising the cost of gasoline.

For example:

The $3.00 import fee, if applied across the board, would raise the price of gasoline about 4¢. Under the President's proposal, the price may go up about 6¢, and heating fuel only 2¢.

The final details are now being worked out and the final regualation will be issued prior to March 1st.

11-18
2/75

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ECONOMY (TOPS 102-03)

66-28

BY JIM LUTHER

WASHINGTON (AP) -- THE SENATE VOTED TODAY TO BLOCK FOR 90 DAYS PRESIDENT FORD'S $3-PER-BARREL SPECIAL TAX ON IMPORTED OIL.

THE SENATE ACTION SENT THE HOUSE-PASSED BILL TO FORD, WHO HAS PROMISED TO VETO IT.

THAT WOULD SET THE STAGE FOR A BATTLE BY CONGRESSIONAL DEMOCRATS, PROBABLY NEXT WEEK, TO OVERRIDE THE VETO AS A FIRST STEP IN IMPOSING A SUBSTITUTE FOR THE FORD PROGRAM. BUT THERE IS DOUBT THE DEMOCRATS CAN MUSTER THE REQUIRED TWO-THIRDS MAJORITY TO OVERRIDE FORD.

EVEN AS THE SENATE REJECTED THE OIL TARIFF, THE FIRST STEP IN FORD'S ENERGY PLAN, THERE WERE GROWING SIGNS THAT CONGRESS AND THE WHITE HOUSE WILL COMPROMISE THEIR DIFFERENCES.

A WHITE HOUSE SPOKESMAN SAID FORD TOLD A GROUP OF DEMOCRATIC SENATORS THAT IF HIS ENERGY PROGRAM IS APPROVED, HE WILL SEE THAT MOST OF THE RESULTING FUEL PRICE INCREASES WILL BE PLACED ON GASOLINE, RATHER THAN ON HOME-HEATING OIL.

DESPITE FORD'S REPORTED WILLINGNESS TO NEGOTIATE WITH CONGRESS ON ENERGY MATTERS, SENATE DEMOCRATIC LEADER MIKE MANSFIELD SAID HE HAS NO INDICATION THAT THE PRESIDENT IS PREPARED TO BACK AWAY FROM THE OIL TARIFF.

02-19-75 17:18EST

E Z / May 24

John -
lets discuss
@ 9:00 Am
Monday
EZ

THE WHITE HOUSE

ENERGY FACT SHEET

THE PRESIDENT'S ADMINISTRATIVE ENERGY ACTIONS

I. SUMMARY OF PRESIDENTIAL MESSAGE

- The President today announced the imposition of additional fees on imported crude oil and refined products.
  - an additional $1 per barrel on crude oil
  - $.60 per barrel on refined products
  - a $1 per barrel fee ~~has~~ had already been imposed only on crude oil ~~on~~ Feb 1
- The President indicated he took this action because of the lack of constructive Congressional action in the 4-1/2 months since he submitted his comprehensive program.
  - only two counter productive bills have reached his desk, both of which were vetoed
  - H.R. 1767, which would restrict his tariff authority
  - H.R. 25 which would have regulated surface mining and result in ~~cause~~ significant loss of coal production and increased oil imports
- The President called on the American people to urge their Congressmen to assign top priority to legislating a tough energy program when they return from their vacation.

II. IMPACT OF PRESIDENT'S ACTIONS

. Impact on oil imports (in thousands of barrels)

Action	end of 1975	~~1976~~	1977
Presidential action to increase fee by $1			
All import fees			
$2 fee + 2 yr decontrol			

. Impact on Prices

Action	end of 1975		~~1976~~		1977	
	$1/gal	% incr	$1/gal	% inc	$1/gal	% incr
Presidential action to increase by $1						
all import fees						
$2 fee + 2 yr decontrol						

III. STATUS OF ACTIONS BY THE PRESIDENT

- Energy Independence Act, encompassing 13 separate tiltles on supply, demand and emergency measures submitted in January (action to date shown in Congressional section)
- Administratively imposed import tariffs
  - Proclamation #4341 signed January 23, which imposed $1 fee on crude oil as of February 1, 1975
  - Additional $1 per barrel fee on crude oil and $.60 on refined products to be imposed on June 1, 1975
- Decontrol of old oil prices
  - On April 30, President directed FEA to take administrative actions to decontrol old oil in two years

. FEA ~~holds~~ held hearings on May 13 and 14 and is now evaluating comments received, prior to submission of final plan

- Energy Conservation actions

  . In the first three months of 1975 the major executive branch agencies cut energy use 21% below 1973 levels

  . 1975 model year autos now comply with FEA/EPA voluntary fuel efficiency labelling program

  . All major air conditioners now have labels developed by the Commerce Department indicating their efficiency

- Conversion of electric utility from oil to coal

  . FEA issued preliminary coal conversion orders to ___ power plants

  . If all converted ___ ~~barrles~~ barrels of oil per day ~~would~~ would would be saved

IV. ACTIONS TAKEN BY THE CONGRESS

- Congress enacts HR 1767

  . restricts President's authority to impose new fees on imported oil

  . would role back $1 crude oil fee imposed by President on February 1

  . vetoed by President on March 4

- Congress enacts H.R. 25 on May 7

  . would regulate ~~environmental impacts of~~ surface mining in a way that would cause major loss of coal productions, increased unemployment and greater dependence on imported oil.

  . vetoed by President on May 20

V. STATUS OF PRESIDENT'S PROGRAM IN CONGRESS

- Title I - Development of Naval Petroleum Reserves - military strategic reserve
  - House: H.R. 49 (Interior Committee) and H.R. 5919 (Armed Services) ~~both given a Rule;~~ withdrawn from Floor consideration. Neither bill authorizes production of NPR-4; 5919 retains all proceeds of NPR-1 production for military use.
  - Senate: Joint hearings held by Armed Services and Interior Committees. No legislation drafted.
- Title II - Civilian Strategic Reserve
  - House: Title II in bill reported by Energy and Power Subcommittee and is awaiting full/Commerce committee action.
  - Senate: ~~Commerce Committee~~ Interior Committee staff markup now underway.
- Title III - Natural Gas Deregulation
  - House: The House has no hearings scheduled.
  - Senate: The Senate Commerce Committee reported out S. 692 on May 6. Floor action is expected in the last two weeks of June. S. 692 would extend regulation to intrastate sales of new gas and would establish a new system of regulation for new gas. Offshore gas and gas produced by majors would be subject to a 40-75¢ ceiling and onshore gas produced for independents could be sold at up to the equivalent price for uncontrolled domestic oil.

- Title IV - Coal Conversion Amendments
  - House: Reproted by the Dingell subcommittee as part of their omnibus bill. However, only includes extentions and not needed environmental amendments.
  - Senate: Under consideration by the Environmental Pollution Subcommittee of the Senate Public Works Committee
- Titles V and VI - 1975 Legislative Proposals to Amend the Clean Air Act of 1970
  - House: The Subcommittee on Health and the Environmental completed markup on May 14, 1975.
  - Senate: The Subcommittee on Environmental Pollution completed Oversight hearings on May 21, 1975
- Title VII - The Utilities Act of 1975
  - House: The Dingell subcommittee has no hearing scheduled.
  - Senate: A Government Operations Subcommittee held hearings on April 14, 1975
- Title VIII - Energy Facilities Planning and Development Act of 1975
  - House: No hearings scheduled yet.
  - Senate: Hearing held in April before Interior Committee on land use and facility siting (S. 984 and S. 619)
- Title IX - Energy Development Security Act of 1975
  - House: The bill has been referred to the House Committee on Ways and Means. No hearings have been scheduled.
  - Senate: Title IX was referred to both the Senate Finance Committee and the Senate Committee on Banking, Housing, and Urban Affairs. No hearings have been scheduled.

- Title X - Building Energy Conservation Standards Act of 1975
  - House: The Housing Subcommittee of the House Banking and Currency Committee has never reached markup on the bill.
  - Senate: Title X was approved as Title III of the Emergency Housing Act however it was later stricken before enactment. No further action anticipated.
- Title XI - Winterization Assistance Act of 1975
  - House: The Housing Subcommittee of the House Banking and Currency Committee has had hearings and reached markup at one point, but did not report a bill to full committee.
  - Senate: Title XI was referred to the Senate Interior, Labor, and Banking Committees, none of which has reported a bill.
- Title XII - National Appliance and Motor Vehicle Energy Labeling Act of 1975
  - House: Reported by the Energy and Power Subcommittee to the full House Interstate and Foreign Commerce Committee as Title V-B of H.R. 7014.
  - Senate: Referred to the Senate Commerce Committee, no hearings held and no other action planned.
- Title XIII - Standby Energy Emergency Authorities
  - House: Reported by the Energy and Power Subcommittee for full Commerce Committee consideration
  - Senate: Modified bill, S. 622 passed with objectionable provisions on mandatory conservation programs.

VI. ENERGY OUTLOOK

- Oil Imports

	1970	197 4	1975	1976	1977	1980	1985
No Action							
Pres. leg. program							
Pres. admin program ($2 fee + ~~[illegible]~~ decontrol							

- Balance of Payments

	1970	1974	1975	1976	1977	1980	1985
No Action							
Pres. Leg. program							
Pres. Admin program							

- Domestic Oil production trends (million barrels per day)

	1955	1960	1970	1971	1972	1973	1974
crude production	6.8	7.0	9.6	9.5	9.4	9.3	8.8

- Natural Gas Trends

	1955	1960	1965	1970	1971	1972	1973	1974
reserves (trillion cubic ft)[1]	223	262	287	265	253	240	221	211
production	9.4	12.8	16.0	21.9	22.5	22.5	22.6	21.9

1) excludes 26 trillion cubic ft for Alaskan North Slope

- Coal Trends

	1940	1950	1960	1970	1974
production (million tons)	512	560	434	613	607

Eugene S. Cowen, Vice President

American Broadcasting Company
1150 Seventeenth Street, N W
Washington, D.C. 20036
Telephone 202 393-7700

Emerson file

F[illegible]K ZARB, Federal Energy Administrator

THE ANNOUNCER: Frank Zarb, Administrator, Federal Energy Administration, here are the issues:

Will President Ford's imposition of another $1 per barrel tax on imported oil and the resulting rise in the price of gas push us into a deeper recession?

Can the energy crisis be solved without gas rationing?

What can the Ford Administration do to prevent another sharp rise in the price of oil by the Arab world?

MR. CLARK: Our guest today is Frank Zarb, the Administration's chief policymaker on energy problems. With me is Edward P. Morgan, who is an AEC News Commentator just back from the Middle East, with some stopovers in oil-producing countries.

This has been a very active week on energy problems here in Washington. President Ford, of course, began by raising the tariff on imported oil another dollar. Democrats responded by charging that he was pushing us into a deeper recession by increasing the price of oil and I think our first question to you would be, is the Administration risking the danger of our going into a worsening recession by letting the price of gas go too high?

MR. ZARB: Bob, I don't think the penny and a half a gallon that will be brought on by the increase of this $1 in import fees can have anywhere near that kind of impact. The long term liability to our economy, it seems to me, is allowing our vulnerability to import oil to increase. That is where the prices will be increased in dramatic amounts and those increases will result in American dollars leaving this country, going abroad for the benefit of others. That is where the threat is.

MR. CLARK: You talk about a penny and a half increase. Of course, you can come out with a much higher figure if you add the price that would result from that increase in tariff to the additional price that would result from decontrol of so-called old domestic oil and if you add in the $2 or so a barrel that the oil-producing countries are threatening to increase the world price of oil, I think the question to you might be, how high is the price of gas going to go?

MR. ZARB: The decontrol program that the President has submitted to take effect in a two-year period would result in an increase of about 2.5 cents per gallon per year over the two year period.

The increases that have been specualted with respect to the OPEC countries I think ought to be looked at a little bit differently. I am not sure where they are going to increase prices or how much or exactly when, but it seems to me fairly cleark that they are going to increase prices over a long period of time, particularly if we don't do something to stop our increasing imports.

MR. MORGAN: Mr. Zarb, I got back just last night from covering Senator Kennedy's trip to Saudi Arabi, Iraq and Iran and unmistakably the leaders of those countries to whom the Senator talked interpreted the recent — the President's recent increase in the tariff on oil as an invitation to increase their own prices, and they are going to accept that invitation. Indeed, last Tuesday the Shah of Iran in Teheran told Senator Kennedy that the prices would increase from something above zero to 35 per cent. He didn't mention the specific time span.

Now, if that is the case, and it seems to us to be the case, is this good administration policy or is it counter-productive?

MR. ZARB: Ed, of course I am not familiar with specific conversations that took place between the Senator and the leaders of the oil-producing world, but it seems clear that up until now those nations needed no excuse to raise prices. They raised their prices from some $3 a barrel to $12 a barrel within a two-year period without any so-called provocation or economic basis or anything else which can logically be constructed into a rationalization.

To say now that we shouldn't put together a tough American energy program to reduce our consumption and to bring on additional supplies because we are going to provoke the producers into doing something that we don't like seems to me is exactly the kind of reaction we want to get away from.

MR. MORGAN: Well, Mr. Zarb, in all candor, how are you going to reduce substantially the consumption of energy in America when, since October 1973, the consumption of energy in America has greatly increased?

MR. ZARB: Well, since the embargo, to say it has greatly increased I think would not be correct. The fact of the matter is, our consumption of energy has remained relatively steady.

Now, to be completely candid about the possibilities of cause here, we ought to consider the fact that we have been through a recession so we need to separate out the effects of price from the effects of the recession. That is not very easy to do, but the fact is clear that we need to induce in this country over a period of time a new concept with respect to the value concept of energy. We need to treat energy as a more valuable commodity. Whether it is in the home, whether it is on the road with a different kind of motor vehicle or in the factory. We cannot continue to use more energy per capita than any other nation in the world and not make ourselves more vulnerable to arbitrary actions by the producing countries.

MR. CLARK: Well, Mr. Zarb, it is certainly no secret in this country that the whole focus of the Administration effort to force a reduction in consumption of energy by the American people has been on the price of gasoline, that you are deliberately pushing up the price of gasoline — that is what the President is trying to do by increasing the tariff on imported oil. I want to try again to get a specific figure out of you: How high do you think the price of gasoline now should go before you accomplish your objective in reducing consumption of gasoline?

MR. ZARB: Bob, let me just straighten out one point. The Ways and Means bill now resides in the Congress and has not yet gone to the Floor for action. It would increase gasoline prices 23 cents between now and 1977.

MR. CLARK: It could if the consumption of gasoline continued to rise. The immediate increase would only be three cents.

MR. ZARB: The immediate would be three cents and in 1977 unless we stayed at the '73-'74 level, the tax would be triggered, getting it up an additional 23 cents.

Our program has been one which would increase all of the products from the crude barrel. The average increase would be about ten cents, with gasoline going up perhaps 14 or 15 cents, other products six to eight cents, so calculate the 14 or 15 cents and add it to your current price and that is where you come out.

MR. MORGAN: The average price of gas across the country for regular is 53 or 54 cents. So we add 14 or 15 cents — you were talking about a deliberate effort to push the price of gas close to 70 cents a gallon, is that correct?

MR. ZARB: That is correct, but keep in mind these conservation taxes which we had proposed would be returned to the economy, and individuals, particularly those who could least afford to pay higher energy costs would be given more back than their actual increases would be to help straighten out some of the distortions that have already been created from the oil inflation that have been brought on by the producing nations' increases.

MR. MORGAN: Tell us what the significance is of this story that came out over the week-end — I think it was Friday, I am a little muddled in my time — to the effect that you had a standby gas rationing plan and that it might involve nine gallons per driver across the board.

MR. ZARB: The significance, I suppose, is why we should have such a program standing by, ready to implement.

We have to calculate from a contingency standpoint that the likelihood of another embargo is very high, and as a result we need to have a state of readiness to respond in the event another embargo is placed upon this nation. There is no question in the mind of those who have worked with both the last embargo and projections into the future that the next event of that kind would be a lot more serious than the last. We ought to have methods to insure that people can work by keeping factories and plants going, and that is part of the contingency plan we are putting together.

MR. MORGAN: You indicated the possibility of an embargo was rather high. We got the impression in the Middle East there would not be an embargo unless there were another war. Does this mean that the Administration anticipates another war?

MR. ZARB: I think we -- at least in the Federal Energy Administration -- have a responsibility to be prepared for that kind of an event, so that in preparing our contingency effort, we start with the assumption, that for whatever reason, we could have another embargo and the likelihood was high. I have certainly seen no evidence to indicate one way or the other how the political situation is going to be resolved and in what time frame. In the meantime we can't permit this nation to be caught again without a very thorough and detailed program prepared and needed to respond to such a situation.

MR. CLARK: Mr. Zarb, that program is now being prepared at your direction. I am not quite sure whether it has your personal approval. Does it?

MR. ZARB: The rationing part of the program I am currently reviewing and its details have not yet been approved.

MR. CLARK: And the question I think would be, if there were another Arab oil embargo, would that almost automatically trigger the rationing plan? We would not be able to afford to wait as we did the last time to see whether we really had to go to rationing?

MR. ZARB: It would take us about 90 days to have it fully operational.

MR. CLARK: Would the decision be made immediately if an embargo were imposed?

MR. ZARB: A consideration would be undertaken immediately. A decision would be dependent upon the size, shape and scope of such an embargo. How many nations were involved, to what extent, projections as to the duration of an embargo; it just isn't all that cleark. It certainly will be looked at as one of the first possibilities and, of course, the President will make the final decision.

MR. CLARK: And the other point, this stand-by program for rationing that has been submitted to you as a recommendation talks about an emergency that would trigger a gas rationing program. Could there be an emergency short of an embargo if the world price of oil, for instance, got really out of line in our eyes to the point where it was causing a serious dollar drain? Can you conceive of rationing being ordered by President Ford because the world price of oil might go to 15 or whatever dollars a barrel?

MR. ZARB: At the moment I can't conceive of such a scenario, given the facts that I could perceive as being realistic possibilities. The current program is being designed to meet a disruption, whether by virtue of producer embargo, or some other disruption in our supply.

MR. MORGAN: Mr. Zarb, on energy policy, it is true the Congress has been slow but isn't it also true the Administration has a lot of ways to order the conservation of energy that it hasn't done? Jack Anderson had some unkind words to say about your administration this morning to the effect that you would mismanage the amount of gasoline the states were supposed to collect for stand-by.

MR. ZARB: That report which I also saw this morning referred to a GAO document which I haven't seen yet and it relates to the stand-by supplies of oil, of gasoline that we allow state governors to make decisions with respect to who or who does not receive it, of course, in an emergency.

That was originally put into place because of the shortage in the middle of the embargo when there was not sufficient oil to go around. Each governor had a pool of oil he could distribute for emergency purposes. What that should at the moment be a problem, I don't know, but it is certainly one to look at.

(Announcements)

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MR. CLARK: Mr. Zarb, just a few weeks ago you and Chairman Al Ullman of the Ways and Means Committee seemed to be building a reputation as the great compromises in Washington. You were saying nice things about each other. It looked as if you and at least the Democrats on the Ways and Means Committee could develop an area of compromise that would produce a national energy program.

Now you are throwing brickbats at each other; you are assailing his program and he is assailing the Administration's position. Is that really in the national interest? Wouldn't it be better if, instead of all this name-calling between Congress and the White House, you got back on this compromise track again?

MR. ZARB: The answer to your question is absolutely yes. I certainly don't have any harsh words for the Chairman. He and I have worked many, many hours together in the last several months.

MR. CLARK: I guess the word was soft, calling his program a marshmallow or something like that.

MR. ZARB: Well, in its last generation the bill that was to be voted out of committee had been sonsiderably softened from the position that the chairman started out with, and I can understand the reasons for that occurring. But I don't think the events of the last several weeks should in any way prevent our ability to go back at attempting a compromise. We are not going to have an energy program, and we desperately need one. but we are not going to have one unless the congress legislates it and the only way I think that can occur is if we work very closely together.

MR. MORGAN: A footnote on Bob's question. It seems that the Administration doesn't always speak with the same voice. Mr. Simon has certain emphasis about the judgment of the Shah of Iran and on whether we should deal with commodities and oil with the other countries, and Mr. Kissinger lately, particularly in the Kansas City speech, and at Paris, where you were in attendance, had another idea.

Is the Administration coordinated on these matters?

MR. ZARB: I see little evidence that it is not. There obviously is disagreement among officials within the Administration and there always will be and I think that is good. Ultimately the President makes the decision as to what the Executive Branch's policy is going to be.

In the case of a tough energy program, one that is going to reduce consumption and bring on additional American supplies, we are all together. Secretary Simon, Secretary Kissinger and I are completely in sync on both the issue and the process to achieve that event. So I don't think disagreements on details are all that important.

MR. MORGAN: What is your reading this afternoon on the possibility of Congress overriding the President's veto on the strip mining bill?

MR. ZARB: I just don't know. Before the Congress went out, those that have had experience in that end of the business have indicated that the President's veto would be sustained, and I just don't know what the outcome will be. I think regardless of the outcome, I just wish that we as a nation could stop thinking in terms of only the environment, or only energy, and begin to think of achieving our national goals together.

The process of consultation is not a good one. We ought to think in terms of how we are both going to achieve our energy goals and our environmental goals, do it with some degree of cooperation and I am sure it can get done.

MR. CLARK: Mr. Zarb, probably one of the chief stumbling blocks to that cooperation is what you acknowledged a little while ago, the administration's goal of raising the price of gas at the pumps to about 70 cents. Now, there are a lot of Democrats and I am sure some Republicans in Congress who think that would do very serious damage to the auto industry, among others, the auto industry especially reeling from recession. Wouldn't you have concern, unemployment in the auto industry is running close to 20 per cent; in Detroit it is with 16 per cent, won't you have some concern that 70 per cent gasoline could deliver a final and almost mortal blow to the — that is too strong a word — a very serious blow to the auto industry?

MR. ZARB: Well, Bob, the answer to that question is that we don't think that the President's program would do that. We, as I pointed out earlier, would return all of these conservation taxes to the economy so that the dollars that were taken out of the economy to conserve oil could be returned to be spent on other products

It is clear, however, that we need to create an environment in which people will make different investment and consumption decisions. They are going to put storm windows in their house, and insulation in the attic; they are going to demand lighter and more efficient automobiles from Detroit and they are going to employ factory processes and equipment that are going to use energy as a valuable commodity, and if they don't this nation is going to continue to have serious problems with the outflow of dollars to foreign nations.

MR. CLARK: That is true for those persons to whom price is an object, but one of the statistics comes out of Detroit is that Cadillac sales are at a record pace this year; there is a long back order for new Cadillacs, the small Cadillac coming out in the fall. The fellow who buys a Cadillac certainly isn't going to be worried about how much mileage — or a Lincoln — we don't want to zero in on Cadillac — isn't going to worry about mileage or how much he spends on gas, is he?

MR. ZARB: You almost answered your own question when you spoke of the small Cadillac. That is the first time I have heard that particular term, ever. The point is, Detroit is already responding and they are responding to demands —

MR. CLARK: The small Cadillac, I don't think, I don't know what the mileage is, but it is certainly nothing compared to the sort of mileage you are hoping Detroit will come out with.

MR. ZARB: If you will look at the kinds of automobiles that are hitting the streets now, as compared to what historically we have been used to during the fifties and sixties, you just can't argue with the fact that the American consumer is demanding a different kind of vehicle and is going to get it and if Detroit doesn't respond they are going to lose a big share of their market.

MR. CLARK: That is one of the dangers facing Detroit at the moment. The percentage of imported cars, if my figures are correct, I think has risen to 21 per cent of the total auto sales in this country this year. That has been another blow that Detroit has suffered during this year, that has already been a year of great crisis to them.

MR. ZARB: Well, if your question was will this mean that more and more people will go to imports, I think the answer is not so. Those who would normally be in the medium-size sedan-type of car market are going to demand a smaller kind of car that the American producers are beginning to produce and you have heard, as I have heard in the last week, just this last week two of the major manufacturers announced super-efficient cars for the year 1976 and that is precisely the direction we are moving in and I think that this kind of energy policy drives us in that direction.

The only alternative is to do nothing and I think that long term not so long term can mean pretty serious consequences to the American consumer and to the American economy.

MR. MORGAN: You mentioned earlier Americans need to be educated more keenly on the appreciation of energy. We are doing it the hard way. Before October, '73, we imported about 20 per cent of our oil from abroad and now it is about 40 per cent even though that is only a small amount of the total energy we use.

Would you favor a world energy conference to help straighten these things out?

MR. ZARB: Well, if a world energy conference would straighten them out or have that possibility, I would be in favor of – I would be in favor of any kind of conference or any kind of meeting. I am afraid, however, that talk isn't going to straighten out this particular problem in the next several years. It is going to mean a tough national program to stop importing increasing amounts of foreign oil and that means some form of conservation, and to start to bring on American supplies of energy, that is what is going to have the producers take notice and respond somewhat differently. If we don't do that, all the talk in the world isn't going to make any difference.

MR. MORGAN: Bear with me on this scenario we brought back from the Middle East. The multi-national oil companies, many of whom are American, are assisting not resisting the OPEC countries in keeping the price of oil high. At the same time they are using what influence they have to de-control the price of domestic oil. Now those companies either own or have a large interest in domestic oil, gas and coal. Where does the consumer come out of all this?

MR. ZARB: Well, unfortunately the consumer has already paid a dear price for this nation's lack of attention to its energy problem. The fact that we gave up 40 percent of our total energy supplies to foreign nations made the American consumer vulnerable to the kind of price increase that we have seen in the last two years. The interests of the consumer are best serviced by limiting imported oil and producing American oil. Now we ought to do that in a way that no company, industry or group of individuals are allowed to profit inordinately during that process, and I think we can. We need to have sufficient incentives to develop oil in the north slope of Alaska and the outer reaches of the continental shelf. We need to be able to burn more coal. We need to develop our nuclear technology to a point where it is accepted and used more broadly in the years to come. These are the steps that are going to produce American energy and make us less reliant on imported oil.

MR. MORGAN: But it is not true, Mr. Zarb, that we cannot really in fact make ourselves invulnerable in the production of energy? By that I mean totally self-sufficient?

MR. ZARB: I think that that is not true. We can become self-sufficient. We can become completely invulnerable within ten years if we get moving and get the measures that need to be put in place put there. That will make us substantially self-sufficient by 1985.

MR. CLARK: Mr. Zarb, I am sorry, we are out of time. Thank you for being with us on ISSUES AND ANSWERS.

MR. ZARB: Thank you.

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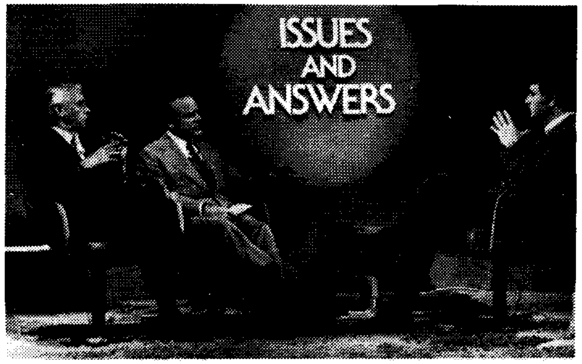

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