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5. When will Gibson take over FEA?
  - A. I have asked John Sawhill to stay on during the transition and he has agreed to do so. We are sending Mr. Gibson's nomination to the Senate and he will assume office after he is confirmed. I hope there will be prompt Senate action on all of these nominations.
  
6. Isn't Robert Seamans the man who fired Ernest Fitzgerald as punishment for blowing the whistle on cost overruns at the Pentagon. How can you appoint such a man to a sensitive position like ERDA?
  - A. Bob Seamans has had a distinguished career as an Engineer and a Manager. He played a key role in the Space Program before his service as Secretary of the Air Force. Certainly I do not tolerate retribution against any government employee for calling attention to important issues. I can assure you that nothing like that will happen in my Administration and I have confidence that Mr. Seamans will adhere to this policy and serve with distinction in a difficult position.
  
7. Will ERDA be submerged in a new Department of Energy and Natural Resources or will it remain outside?
  - A. ERDA was never considered to be a part of a new department under the prior Administration's bill, and my sense is that it probably should not be included in a reorganization. But we will be looking afresh at these questions in the months ahead.

**SIMON:**

SIMON WAS NOT SPEAKING FOR THE PRESIDENT. THE PRESIDENT REMAINS OPPOSED TO THE GASOLINE TAX INCREASE FOR THE REASONS HE HAS GIVEN FREQUENTLY. I UNDERSTAND FROM BILL SIMON THAT HE MENTIONED A GAS TAX INCREASE IN RESPONSE TO A QUESTION ABOUT WHAT, THEORETICALLY, COULD BE DONE TO SAVE FUEL...NOT WHAT WAS BEING CONSIDERED. THE PRESIDENT HOPES VOLUNTARIY METHODS WILL REDUCE OIL IMPORTS, BUT IF NOT, HE WILL ASK STRONGER MEASURES. BUT HE IS OPPOSED TO A GAS TAX INCREASE.

Q and A's Regarding Energy Appointments  
For Your Press Conference

1. Are you firing John C. Sawhill because he took public positions on controversial issues like mandatory conservation and a gasoline tax? Isn't this a form of punishment for being candid with the American people? Is this action consistent with an open Administration?
  - A. I asked for Mr. Sawhill's resignation because I think it is important to field a new team under Secretary Morton in the energy field. I have a high regard for Mr. Sawhill's talents and abilities and have asked him to continue to serve in government. I would emphasize that these appointments demonstrate our strong sense of purpose in dealing effectively with the energy problem.
  
2. Isn't this appointment a demotion for Dixie Lee Ray?
  - A. Not at all. The post at the State Department for which I am nominating Dr. Ray encompasses important responsibilities concerning oceans and the law of the sea and also the non-military nuclear responsibilities of the State Department. Dr. Ray is uniquely qualified to deal in both of these areas since she is a Marine biologist and of course an expert in nuclear areas. I view this as an important appointment and one where Dr. Ray can make a significant contribution.
  
3. Why are you announcing only the Chairman of the Nuclear Regulatory Commission and when can we expect announcement on the other Commission members?
  - A. I am asking Bill Anders to participate in the process of recommending potential candidates to be named to the NRC. I expect that process to get underway quickly and hope to have announcements on the other members soon. The statute calls for appointments by December 10, 1974 and I hope to do it considerably sooner than that.
  
4. Did Secretary Simon and Secretary Morton urge you to fire Sawhill?
  - A. I have given Secretary Morton primary responsibility in the energy field and he and I decided together that a number of new faces were desirable in dealing with this problem.

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Is the Administration considering the imposition of gas rationing as a means of reducing consumption of gasoline?

GUIDANCE: Secretary Simon this morning made the statement that the U. S. would have to have more strict Energy Conservation measures, but I know from past experience, and from talking with Mr. Simon this morning, that he has been, and still is, opposed to mandatory gasoline rationing. *Not considering.*

What does he mean by more strict energy conservation measures?

GUIDANCE: You should probably ask Mr. Simon that question, but I assume he is referring to incentives to form car pools, increasing parking fees etc.

*Q - Why request standby.*

*A In case of emergency, sudden embargo, like to have standby authority*

to let members of the press in the area so that if we have to reach you we can.

1974

There have also been a good deal of reports in the papers concerning the so-called ten-cent-a-gallon gasoline tax which I had hoped we had laid to rest last week by telling you that it was only one of many ideas that the President's economic advisers were weighing as a means of conserving energy and hopefully reducing gasoline travel and perhaps raising money to assist with the problems of the poor.

Aug 30  
The Horst  
Statement

I have talked to the President about this because these reports continue to travel around the country and make headlines, and he has authorized me to say flatly that he is not in favor of a ten-cent-a-gallon tax on gasoline.

Terhorst  
Aug 30

Q Does he favor anything less than that?

MR. TER HORST: I didn't ask him whether he favored anything less but he is definitely not in favor of a ten-cent-a-gallon gasoline tax. And that ties in with what I said yesterday about the President not planning to seek a tax increase at this session of Congress.

Q Jerry, there are some reporters who felt that you were implying that there would be one next year, speaking yesterday of the tax increase. Was that the implication you meant to leave?

MR. TER HORST: I didn't want to mislead anybody there and I might have. I was asked a question about what the President's tax philosophy was and it was in connection with that that I tried to respond that no President is ever in favor of tax increases, but there comes a time in a country's life, as I said yesterday, when every President, whether he personally or philosophically favors tax increases, has to think of the possibility of tax increases.

And it was in that vein that I suggested he couldn't foreclose any option he might have for next year because we don't know at this point what the need is or what the economic situation is.

So I was answering it in a general and not a specific way. I don't want you to get the impression that the President is preparing a tax increase proposal for Congress next year. That was not my intention nor is it.

1974

10¢ Gasoline Tax

This is one of many ideas being considered by the President's economic advisors. It has not come to him for decision, and no decision has been made.

As the President said in his speech to the Economic Summit meeting the other day, he is keeping an open mind on how to fight inflation.



Q. The Washington Post reports today that America's European allies have warned that the U.S. should abandon its effort to lower oil prices and to instead join attempts to find some mechanism to finance the higher costs of oil. Will the United States give up the effort to cut prices or do you still standby the President's position that oil prices are too high?

A. The President continues to believe that the price of oil is too high and that while these high prices hurt the United States, they are even more harmful to the poorer countries of the world and that a lowering of oil prices remains an important step towards coping with the economic challenges facing the world today.

FYI: The important point to stress, as the President has in his recent speeches, is the need for dialogue and cooperation between consumers and producers and that while we continue to hope for lower oil prices, we also want to work with our allies to find a mechanism for financing oil imports and recycling the oil incomes to assist nations affected by the high price of oil.

SUMMARY STATEMENT

COAL

Presidential Response to the Contract Agreement Between  
the Bituminous Coal Operators Association and the United  
Mine Workers of America

I am quite pleased that the Bituminous Coal Operators  
Association and the United Mine Workers of America have been  
able to reach an agreement to be submitted to the mine work-  
ers for ratification. I feel this is a genuine tribute to  
collective bargaining.

My meetings during the past three weeks with the  
leadership of both parties convinced me that they were con-  
cerned about the Nation's welfare, as well as their own  
desires.

The daily briefings I have received from W. J. Usery,  
Jr., Director of the Federal Mediation and Conciliation  
Service and my Special Assistant for Labor Matters, have  
made me hopeful that this agreement provides a sound basis  
for a long-term, stable relationship between the parties.  
Such a relationship is essential in view of the critical role  
that coal is playing in our determined effort to gain energy  
independence.

Q: Mr. President, what is your reaction to the contract settlement between the Mine Workers and the coal-mine operators?

A: I am pleased that a ~~settlement~~ <sup>tentative</sup> settlement could be reached without a major disruption to the economy. I think it certainly speaks well for the collective bargaining process and for the parties.

Q: Mr. President, is this agreement inflationary?

A: As you know, details of the settlement will be disclosed to the membership first. I don't feel it would be proper to comment before the ratification vote is completed.

Q: Mr. President, considering the critical nature of the coal industry, why didn't the government act to prevent any work stoppage at all?

A: As I have said in meetings with leaders from both the union and the industry, I have faith in the collective bargaining process and I considered it the most effective means for achieving a prompt and satisfactory settlement.

Q: Mr. President, if this agreement is not ratified, what actions do you intend to take?

A: In my discussions with Mr. Miller, the president of the United Mine Workers, he said that if he could reach a settlement that was satisfactory to him, he felt certain it would meet the desires of his union's members. For me to comment any further would be inappropriate. Certainly I am hopeful for the Nation that this agreement will be ratified.

To all other questions, i. e. wildcat strikes, productivity, etc., the President can respond generally that the parties addressed themselves to these matters during their many weeks of hard bargaining and obviously reached mutually satisfactory understandings.

~~CONFIDENTIAL~~

FOR WHITE HOUSE PRESS ROOM

Mr. Nessen

1. Canadian Oil Exports to US. Canadian oil exports to US are 800,000 barrels per day of which 700,000 go to Northern Tier refineries (e.g. Minnesota, Michigan, North Dakota, New York, Pennsylvania). Refineries are tied by pipe to Canada and have no alternative sources of crude especially in winter. Therefore, separate infrastructure would be necessary to supply Northern Tier refineries in the absence of Canadian exports.

2. Phase-Out. National Energy Board (NEB) study of Canadian supply/demand and producibility presented to Ministry of Energy, Mines and Resources in November 1974 concluded that Canada is running out of oil and recommended phase-out of exports to US. Under the phase-out plan exports to the US would reach zero by 1983.

In addition,<sup>a</sup> pipeline with maximum throughput of 250,000 barrels a day from producing Western provinces to consuming Eastern provinces was to be constructed. During construction a portion of this oil was to be exported to the US. The current government recommendation, however, is for provinces to shut-in this oil rather than export. This results in accelerated phase-out.

~~CONFIDENTIAL~~

DECLASSIFIED  
E.O. 12958, Sec. 3.5  
NSC Memo, 11/24/98, State Dept. Guidelines  
By WLM, NARA, Date 11/30/00

## GAS RATIONING

Question: Mel Laird is quoted in the papers today as urging a "very tough, firm, hard rationing system" to curb U.S. gasoline consumption.

Answer : The President has been and remains opposed to gasoline rationing.

Question: What about stand-by authority?

Answer : The economic program the President will present next week if fully implemented by the people and the government will remove any need for gas rationing.

Question: What about stand-by in view of the Brussels agreement?

Answer : The Brussels agreement called upon each country to do what it could to conserve gasoline. When you see the President's proposal next week we will carry out our part of the Brussels agreement by taking our own steps to conserve fuel.

**COAL**

MAKING PROGRESS

TALKING SERIOUSLY AND EARNESTLY.

NARROWING THE ISSUES.

COLLECTIVE BARGAINING IS WORKING.

**IF ASKED:**

THERE WAS SUPPOSED TO BE A MEETING WITH COAL STATE GOVERNORS  
AND THE INTERIOR DEPARTMENT. THIS HAS BEEN PUT OFF UNTIL NEXT  
WEEK AT LEAST BECAUSE NEGOTIATIONS ARE MAKING PROGRESS.

THE MEETING WAS TO GET COAL STATE GOVERNORS' IDEAS ON  
HOW TO HANDLE THE SITUATION AND TO HEAR THEIR COMPLAINT THAT  
THE GOVERNMENT IS NOT DOING ENOUGH.

ROBERT BOWEN

Any questions on Robert Bowen and any possible conflict of interest charges should be answered as follows:

A: This is an extremely complicated matter, I understand, and rather than give you wrong information I would prefer that you contact Robert Nipp, in the **Federal Energy Administration**, who I understand is prepared to answer questions on this matter.



*Double dipping*

Question:

Recently, the Federal Energy Administration disclosed that some refiners had taken advantage of a "loophole" in FEA regulations and overcharged consumers by millions of dollars during the Arab oil embargo. Was this "loophole" intentionally created and did former industry employees draft FEA's pricing regulations?

Answer:

FEA has disclosed a "loophole" problem in its regulations and has brought the matter to the attention of appropriate Congressional committees and the Justice Department. One Congressional committee is holding hearings on the subject. FEA has pledged cooperation with those who are conducting investigations.

Administrator Sawhill and other present and former employees of FEA (and its predecessor, FEO) testified last week before Congressman Dingell's Subcommittee. Today (October 2), Secretary Simon and Assistant Attorney General Petersen will testify before the same subcommittee.

This matter is at a preliminary stage of investigation and it would be inappropriate for me to comment further other than to note that the extent of double recovery, if any, or of improper activity by FEA employees has yet to be established.

I am informed that FEA has announced it will seek to rollback the impact of any such double recovery through appropriate regulatory action.

Background:

- The potential for doubling the pass-through of costs ("double-dipping") by certain refiners resulted from an obscure provision in FEO regulations issued in January 1974.
- A charge has been made (which the Congress is now investigating) that this "loophole" was intentionally created and that Federal conflict of interest statutes were violated by the participation of former industry employees in the drafting of the regulation.
- FEA has cooperated fully with an FBI investigation of a former oil company employee in connection with the alleged possible conflict of interest situation.

Question

Senator Jackson has said that the energy program will cost the American people considerably more than the Administration has said. Do you have a comment on that observation?

Answer

We do not think this analysis is correct. The legislation to implement my program will be before the Congress very shortly. I hope we can have early hearings and use that forum to determine which approach has more or less impact.

What is important is that we agree on a national energy plan that will get the job done with the fairest and least possible burden on the American people. I think my plan is the right one.

Analysis of Senator Jackson's Economic Assessment of  
President Ford's Program

There are a number of problems in the analyses that Senator Jackson presented in his release of January 18.

(1) The Senator's analysis uses a misleading estimate of the number of households. He assumes 53 million families of four when, in fact, there are 70 million households which average closer to three people than to four. Using his inflated total consumer costs but dividing by a more realistic number of households, the cost is not \$810 per family, but only \$613 per year.

(2) Senator Jackson's estimate of total consumer costs is \$43B of which \$23.8 is associated with our oil proposals, \$17.2 with natural gas, and \$2.3 with coal. He further estimates that of the total \$43B cost increases, energy producer profits would increase by \$14B.

With respect to oil consumer costs, we do not disagree with Senator Jackson's estimate of \$23.8B of consumer cost increases. However, his estimate of 2.2B of additional producer profits is inaccurate. He mistakenly assumes that the Administration's windfall profits tax only applies to old oil. Hence, he shows increased profits on old oil when it is decontrolled. This is absolutely correct. However, imposition of our windfall profits tax would, in fact, collect substantial profits on currently uncontrolled oil. Hence, the net effect of our proposal is not increased profits of \$2B but an absolute decline of \$3B when the effect of our proposal on both new and old oil are included.

(3) The Senator's natural gas estimate involves the most inaccurate element of his cost analysis. By our estimates, total consumer costs would only be \$7.6B not \$17.2B and windfall profits to producers would be \$600M not \$10B. The reasons are several-fold:

(a) An outside study indicates that less than half of the interstate gas which Senator Jackson estimates will be decontrolled under the President's program can in fact be renegotiated in 1975 due to contractual limitations.

(b) Most important is Senator Jackson's estimate that intrastate gas prices will rise to \$2.21 per MCF and that 60% of all intrastate gas contracts could be renegotiated to that price.

This is inconsistent with current market conditions. Current spot prices for natural gas are about \$1.50 per MCF. If Senator Jackson's calculations were correct (that 60% could be renegotiated) and given that world oil prices did jump to roughly \$1.80 to \$2.00 more than one year ago, then the average intrastate price today should be \$1.30 per MCF. In fact, it is only 50¢ per MCF indicating that intrastate natural gas prices will not rise dramatically as a result of our proposals.

(4) The Senator's analysis assumes that half the total coal producers will also increase coal prices by the equivalent of the \$2 per barrel excise tax on oil. By our estimates, 80% of all coal is under long-term contract where no such escalation provision is allowable. Further, our current belief that coal prices are limited by markets would indicate that even the remaining 20% of coal producers might be unable to renegotiate any increases in profits as a result of higher oil prices.

#### Conclusion

The Senator's estimates are grossly overstated both with respect to consumer price effects and producer profits. Based on more reasonable assumptions, we still believe that average direct household prices will increase by under \$250, while the total CPI will be increased by around two percentage points (with perhaps up to \$100 of indirect increases).

~~350~~

# GOP wing leaders breakfast

21 Jan 1974

1st floor Gemini dining room -

Trz we sent up a package. The only reaction we've gotten is not-picking. Seen no alternative than the opposition. We will send up our energy program in 1 package, a comprehensive program. We'll say "here's our plan. Where's yours. I don't think they can come up with one."

Leachson-Kennedy: "Why don't they do something in a positive way, instead of trying to negotiate. ~~They want to stand this~~ They don't have a plan. They are not-picking."

- 6 -

Speed is the maximum importance on economic side. We're going to fight like hell for my program. The issues are too serious to play politics.

Quenson attempt to restore control over our own society. O because we will be in position of being black-mailed by foreign oil producers. If we get new embargo, 2 or 3 years from now when we are even more dependent on foreign oil, we could get 25% unemployment, LA county could be brought to a halt. Get more and more dangerous. When people have power, they find to use it. Dark = oil

1970	3 kg
1974	25 kg
1977	32 kg

payments to Israel

40% of oil now imported

*Don't lose this but  
into Ullman plan*

*Good starting  
point. Like to*

THE ECONOMY AND ENERGY  
A CONGRESSIONAL PROGRAM OF ACTION

*See some specific  
and details*

*2 or 3 - Won't get the  
job  
done.*

The comprehensive Congressional program on the economy and energy has the following objectives:

- First: To restore in the shortest period of time a healthy economy with full employment, reduced inflation and increased output and productivity.
- Second: To prevent steep increases in the price of all energy and the pervasive economic adversities which such increases surely would entail.
- Third: To manage energy supply in the near term so as to reduce import dependence steadily and surely consistent with rapid economic recovery, providing standby protections against sudden supply curtailments.
- Fourth: To expedite and mandate programs to conserve energy and expand domestic supply in order to improve our balance of payments and achieve national energy sufficiency in a timely and reliable way.

The nation faces two very basic problems -- the rapidly declining economy, and the predictability of future energy shortages. They are distinct but inextricably interrelated. The first is an immediate problem of crisis dimensions and must be treated as such. The second is of necessity a long-range problem which will yield only to effective long-range solutions. Both must be solved, and it is our purpose to set forth on behalf of the Congressional majority a definitive program of action to address both problems.

The most urgent national need is to revive the nation's economy and put Americans back to work. On January 14, the Democratic Steering and Policy Committee of the House announced a 14-point program of action. On February 18, the Democratic Policy Committee of the Senate and the Chairmen of the Standing Legislative Committees of the Senate endorsed a comprehensive economic/energy program formulated by an Ad Hoc Committee of the Democratic Policy Committee. Many of the economic initiatives recommended in these programs already are in the process of legislative implementation. Fully embracing the thrust of those programs, we reject President Ford's 5 percent ceiling on social security and call for the

accelerated payment of benefits by the full 8.7 percent effective January 1, 1975. We recommend several additional economic initiatives, as well as a carefully coordinated program of action for energy sufficiency.

Faced with the worst economic recession and the highest unemployment levels since the great depression, we believe that a panic energy program which interfered with the priority task of economic recovery would be a severe public disservice. The plan recommended by the President would needlessly and massively depress the economy further, add to the cost of living for all Americans and place highly inequitable cost burdens upon such basic necessities as home heating, food production and clothing.

We reject the fundamental premise of the President's program that the only way to achieve energy conservation is deliberately to raise the price of all petroleum products to all American consumers by heavy indiscriminate additions in taxation. The \$3 per barrel tariff on oil imports will not reduce imports; it simply will make them more costly to American consumers. It would add some \$7.6 billion a year to the cost of living. Adding at least \$30 billion in taxes on domestic oil and gas consumption proposed by the Administration would further burden the economy with such weighty impediments that any effort at economic recovery would be hopelessly foredoomed.

The President's budget acknowledges the probable results of the Administration program: yet another year of raging double-digit inflation, another year of declining economic output, and at least another full year of unemployment in the range of 8 percent. This is a prospect which America's families should not be asked to accept. We believe the country can do much better than this, and we are determined that it shall.

The Congressional economic program recommends fiscal and monetary actions at the Federal level that will create over 1 1/2 million more jobs by the end of 1976 than the President's program, while reducing the inflation rate by over 2 percent.

The comprehensive energy conservation and development program which we recommend for immediate adoption will be demonstrably less inflationary, stimulative to the economy, more selective in the areas of use to which we must look for major conservation, and more quantifiable in its results than the plan set forth by the President. It is fairer and

more equitable to the American consumer. And it creates a specific mechanism to help finance an earlier realization of reliable alternate energy sources for the future.

Motor fuel accounts for about 40 percent of the nation's present petroleum usage. Since only 42 percent of this amount is directly work-related, we believe it is practical, equitable and economically responsible to achieve most of our immediate reduction in petroleum consumption in the other 58 percent, but recognize that savings can be achieved in all categories of usage. We propose accomplishing this by:

- (1) A combination of graduating excise taxes and rebates on new car sales, specifically geared to the fuel efficiency of the model purchased.
- (2) Mandatory mileage performance standards for new automobiles.

If these and other conservation initiatives included in this program do not achieve sufficient diminution in imports, standby authority should be invoked to:

- (3) Require Sunday closings, allocations down to the service station level, and controls on the use of credit cards to buy gasoline.
- (4) Impose import quotas.

(Note: a mere five percent reduction in the total number of miles driven would save almost 350,000 bbls of oil per day; a 10 percent reduction would save nearly 700,000 bbls.)

(Encouraging only one-fourth of America's drivers into cars that get just two miles per gallon better mileage would save an additional 230,000 bbls per day. When one-third of the driving population can be accommodated in vehicles that yield better efficiency by just 3 miles per gallon, the additional saving will be 470,000 bbls per day.)

Our program will achieve energy conservation not only in the transportation sector, but also in the residential, industrial and commercial sectors where longer-range savings are both achievable and quantifiable. We prescribe realistic standards in each sector. Fundamentally, we seek to reduce consumption by the elimination of waste -- not by the elevation of price.



Savings in the energy equivalent of almost 500,000 bbls of oil per day will result by 1980 from our recommendations to assist families and businesses in insulating homes and other buildings and making other energy-related improvements.

One key feature provides incentives to expedite conversion of electric power generating and other industrial plants from petroleum and natural gas to coal. This is the second largest area of wasteful petroleum usage, and while it is more difficult to hypothecate a precise saving without knowing how rapidly such plants can be induced to make the conversions, we believe it not unrealistic to anticipate additional savings from this source after the second year in the vicinity of 400,000 bbls daily in BTU equivalent.

A saving of 160,000 bbls a day can result from strict local enforcement of the 55-mile-per-hour speed limit. Other conservation initiatives contained in this program will produce additional savings.

The Congressional program also creates a strategic oil reserve and sets up a National Energy Production Board with authority to recommend import quotas, allocations and even rationing in event of emergency.

In all, we believe that our program will reduce domestic consumption of imported petroleum, at a very conservative estimate, by the equivalent of 500,000 bbls of oil per day in the first year, by 1.6 million bbls per day in the second year, and by more than 5 million bbls per day by 1980. Considerably more dramatic savings can be achieved in years to come.

We have seen no reliable data whatever to support a conclusion that the Administration's draconian tax increases actually would result in one huge round-figure savings he claims for them. Nor have we heard any impelling reason why the national reduction must of necessity reach one million bbls daily in the very first year. In any event, we believe it better to promise relatively less and achieve more than to promise grandly and achieve less than pledged.

We believe that the American people, as well as our friends in the international community, both the suppliers and the users of petroleum, will be more impressed by candor and performance than by roseate promises unfulfilled. We believe they will be more impressed by our frank determination to maintain a strong American economy. And we believe they will readily discern the superiority of a steadily

increasing long-term commitment to long-term objectives over a single sudden surge upward in consumer prices.

Beyond conserving scarce fuels, we recommend a number of specific measures to encourage exploration for oil and natural gas and greater recovery from existing wells and fields. We recommend creation of an Energy Trust Fund financed initially by a 5 cent per gallon retail tax on gasoline and by yields from excess profits taxes. The fund is to be used to assist in the more rapid development of coal gasification, liquefaction and other synthetic fuel plants and to achieve scientific and technological progress in oil shale, geothermal, solar, nuclear fusion and other energy fields.

Faithful implementation of the various facets of this program will close the growing gap between domestic energy consumption and production of all types and forms by the energy equivalent of some 11 million bbls of oil per day by 1985, and will reduce our energy imports by that year to 10 percent of our total consumption.

The Nation's impelling need is for a consistent and coordinated long-term plan. The Congress provides it.

COMPARISON OF ALTERNATIVE COST ESTIMATES 1/

Energy

<u>Action</u>	<u>Congressional Research Service Study</u>	<u>FEA Cost Analysis</u>
<u>Oil</u>		
Petroleum Fees and Excise Taxes	\$12.6	
Decontrol of Old Oil	<u>11.0</u>	\$11.19
	\$23.6	<u>13.01</u>
<u>Natural Gas</u>		
Excise Tax	\$ 8.36	
Deregulation of New Gas	<u>5.40</u>	\$ 7.1
	\$13.76	<u>.7</u>
		\$ 7.8
<u>Coal</u>		
Price Increase	\$ 5.2	
		\$ 0.0
<u>Changes in Utility Accounting</u>		
Inclusion of Construction Work in Progress (CWIP) in Rate Base	\$ 6.8	
Inclusion of Pollution Control Equipment in Rate Base	<u>1.0</u>	
	\$ 7.8	\$ 0.0

1/ Calculations for both studies are contrasted in the section discussing the assumptions of the analyses.



	<u>REAL GNP</u>						<u>CALENDAR YEARS</u>		<u>FISCAL YEARS</u>	
	<u>1975.1</u>	<u>75.2</u>	<u>75.3</u>	<u>75.4</u>	<u>76.1</u>	<u>76.2</u>	<u>1975</u>	<u>1976</u>	<u>1976</u>	<u>19</u>
	No Ford program	-4.2	0.2	2.8	3.8	5.4	6.6	-2.5	5.0	4.7
Partial Ford program	-5.0	-1.5	3.6	6.7	6.8	6.5	-2.8	5.8	5.9	4
Complete Ford program	-4.9	-1.4	2.9	4.9	5.7	4.7	-2.9	4.5	4.6	3

  

	<u>INDUSTRIAL PRODUCTION</u>									
	<u>1975.1</u>	<u>75.2</u>	<u>75.3</u>	<u>75.4</u>	<u>76.1</u>	<u>76.2</u>	<u>1975</u>	<u>1976</u>	<u>1976</u>	<u>19</u>
	No Ford program	-10.9	-2.1	0	3.8	8.4	9.6	-5.0	6.1	5.5
Partial Ford program	-11.1	-3.5	1.7	7.5	10.7	10.3	-4.9	7.6	7.6	5
Complete Ford program	-11.0	-3.3	4.4	6.6	8.5	7.8	-4.6	6.2	6.8	3

  

	<u>UNEMPLOYMENT</u>									
	<u>1975.1</u>	<u>75.2</u>	<u>75.3</u>	<u>75.4</u>	<u>76.1</u>	<u>76.2</u>	<u>1975</u>	<u>1976</u>	<u>1976</u>	<u>19</u>
	No Ford program	7.2	7.5	7.7	7.7	7.5	7.2	7.5	7.0	7.5
Partial Ford program	7.2	7.6	7.8	7.7	7.3	7.0	7.6	6.8	7.4	6
Complete Ford program	7.2	7.6	7.7	7.7	7.4	7.1	7.5	7.0	7.5	6

As can be seen from Table 2, we expect a significant recovery in the latter half of 1975 with or without any tax cuts or rebates. However, the magnitudes are considerably different. Under the baseline case, real GNP rises only 3.3% in the second half of the year, while it rises 5.7% with the partial Ford program and 3.9% with the complete program. Note in particular that the partial program is much more stimulative than the complete program, even though both have the same size ex post deficits, because the latter has a much higher rate of inflation which reduces real disposable income. Both Ford programs reduce the rate of growth in the first half of 1975 because of higher oil prices without any offsetting fiscal stimulus.

SUBJECT: HOUSE PASSES H.R. 4035, EXTENSION OF 1973  
EMERGENCY PETROLEUM ALLOCATION ACT

The House of Representatives has approved (230 to 151) a three month extension of the 1973 Emergency Petroleum Allocation Act. (to December 31, 1975) The bill amends the present law by allowing either chamber of Congress fifteen days to disapprove presidential oil price decontrol actions, rather than the present five day period, for any crude oil price increase over 50 cents a barrel.

Will the President veto this bill?

Guidance: Of course, the legislation still has to go through the Senate, and get to the White House before the President makes his decision, but there are major problems with the bill in its present form.

It is a negative approach to the whole energy problem which confronts this country, and it tends to aggravate, rather than solve, one important aspect of that problem -- declining production of domestic energy.

Specific objections:

1. The bill continues the counterproductive system of unnecessary mandatory controls in a surplus situation, and interferes with the President's ability to carry out a gradual, phased decontrol plan.
2. The bill fails to keep in perspective the long-term benefit of decontrol -- added incentives for increasing domestic production, thus reducing our dependence on imports.
3. The setting of the 50 cent "cut-off" on freedom of executive action to increase the price of old oil is arbitrary and unreasonable. The analysis and findings required for proposed regulation permitting crude oil prices to rise more than 50 cents a barrel are unrealistic and unnecessarily burdensome, subjecting proper executive actions to unnecessary Congressional review. It just adds uncertainty to already complex regulatory decisions.

FYI -- At the briefing Thursday, Rhodes said " We have a clear veto signal on H.R. 4035." But he also said:"We did not get it (the veto signal) today, but we have gotten it before." Zausner's office says there definitely will be a veto recommendation.

COAL INDUSTRY BRIEFING AND DINNER

Q: Has the President ever hosted an industry briefing and dinner at the White House as he is doing today with the coal industry?

A: I believe this is the first time that an event of this type has been held at the White House.

Q: Why is the coal industry being singled out for this special VIP treatment?

A: The President is keenly aware of the fact that our nation will be increasingly dependent on coal as a source of energy in the years ahead. We will need to double current coal production during the years ahead. This will not be easy. The coal industry faces an enormous task in achieving that goal. The President feels it is important to discuss this in detail with labor and management representatives of the coal industry.

Q: Are other industries going to be invited to similar affairs?

A: There are <sup>such</sup> no plans at this time.

JWR

*Under consideration -*

*Utility industry*

*Transportation*

## PRODUCER/CONSUMER CONFERENCE

Q: What is your reaction to the result of the recent IEA meeting in Paris? Will the U.S. attend a consumer/producer conference? Under what conditions? What do we want of OPEC?

A: We have indicated our desire to participate in a consumer/producer conference since early last year. We have, however, felt it necessary first to establish consumer cooperation on conservation on the development of alternative supplies of energy and on financial solidarity. At the IEA governing board meeting to be held in Paris March 19 and 20, we are hopeful that governments will formally subscribe to the agreements reached in principle on methods of stimulating alternative energy sources. This will round out our program of consumer cooperation -- conservation and financial solidarity having already been agreed to. We are then prepared to attend the preliminary consumer/producer meeting in Paris April 7 which will deal primarily with the agenda for the consumer/producer conference later this year. The proposals made at the recent meeting of OPEC heads-of-state in Algiers are, of course, being considered, and many ultimately will be subjects of discussion at a consumer/producer conference.

STATUS OF MAJOR ENERGY LEGISLATION

- H. R. 6860 Energy Conservation and Conversion Act of 1975  
Reported from House Committee on Ways and Means May 15, 1975. Passed the House June 19, 1975 by a vote of 291 yeas to 138 nays. In the Senate referred to Senate Finance Committee June 23, 1975. Committee hearings in Senate commenced.
- H. R. 7014 Energy Conservation and Oil Policy Act of 1975.  
Reported from House Committee on Interstate and Foreign Commerce July 9, 1975. House began consideration July 15, 1975 and is now in the amending process under the five minute rule. House resumes consideration on July 22, 1975.
- H. R. 4035 To provide Congressional review of Presidential decisions removing existing controls on petroleum products. Reported from House Interstate and Foreign Commerce March 14, 1975. Passed the House June 5, 1975. Passed the Senate amended June 11, 1975. Senate asked for a Conference June 11, 1975 and House agreed to a conference. Conference Report passed the Senate, June 16, 1975 by a vote of 57 yeas to 47 nays. Conference Report passed the House on July 17, 1975 by a vote of 235 yeas to 172 nays - clearing the measure for the President.
- H. Res. 605 Disapproval of the President's Order on Oil DeControl. Reported from House Committee on Interstate and Foreign Commerce July 17, 1975. House Committee on Rules granted two hour closed rule on July 18, 1975. Scheduled for House consideration on July 22, 1975.
- S. Res. 145 Disapproval of the President's proposal to remove price controls from domestic crude oil, residual oil, propane and refined petroleum products. Reported from the Senate Committee on Interior and Insular Affairs on July 17, 1975 by a vote of 9 yeas to 5 nays.
- S. 1849 Emergency Petroleum Allocation Extension Act, 1975. Reported from Senate Committee on Interior and Insular Affairs on June 23, 1975. Passed Senate, July 15, 1975 by 62 yeas to 29 nays. Reported from the House Committee on Interstate and Foreign Commerce. House Committee on Rules held hearing July 18, 1975 and deferred further action thereon to July 22, 1975.

*Sunday 11 - to go over veto*



PRESIDENTIAL STATEMENT  
ON DECONTROL

*revised*

I was disappointed to learn that the House has voted to disapprove the phased decontrol plan I submitted last week. Under my plan, price controls on "old oil" would have been gradually lifted over a 30-month period. This was a fair plan which would have not hindered economic recovery, while achieving significant energy savings.

Under the 30-month plan, petroleum prices would have risen by about a penny per gallon in 1975 and an additional three cents per gallon in 1976 and 1977. The plan would have resulted in about 300,000 barrels per day less imports in 1977, and would have added about 1.4 million barrels per day of domestic production by 1985.

I remain convinced that this nation must achieve energy independence in 1985 by increasing domestic supply, encouraging conservation, and removing the complex regulatory system which affects every American. We must start towards energy independence now, and stem our increasing vulnerability before our dependence becomes too great.

The gradual decontrol plan I sent to the Congress was the first and perhaps most important step towards these goals. The Congressional disapproval of this plan occurs before any acceptable energy legislation has been sent to my desk.

Corbico = state of the Union  
Rocky's plan

Energy = Proposed aid sent to  
Bill

1. Propone.
2. Gas stations.
3. Ind refineries.
4. Windfall profits.

39-moz plan, with windfall  
profits introduced by ~~Dem~~ Repubs,  
yesterday.

Question

What provisions have been made for funding the President's \$100 billion energy initiative? Are you proposing that the Energy Independence Authority plan not be reflected in the budget?

Answer

First, the EIA legislation would authorize the Secretary of the Treasury to request appropriations up to a maximum of \$25 billion to purchase the capital stock of the Authority. It also provides authority for the Authority to borrow, or have outstanding, \$75 billion in the aggregate. The EIA proposal assumes that the borrowing of the Authority will ultimately be reflected in the debt subject to legal limit, since when the Authority issues its obligations, Treasury in turn will borrow from the public to provide the necessary funds. This borrowing is subject to limit. Hence, the EIA would affect the budget in the conventional manner.

It is unlikely that the proposal would have a significant impact on the budget through FY 1977, although we have provided that the budget totals will show the net earnings and losses of the Authority.

QUESTION: ENERGY

House and Senate conferees appear near agreement on an energy bill which Republicans predict you would veto. The alternative seems to be immediate decontrol of oil prices and a further rapid increase in prices at the gas pump. How do you regard this compromise version?

ANSWER: I have directed FEA Administrator Frank Zarb to work with the Senate and House conferees through this weekend and early next week to resolve the issues and improve the legislation for the long-run benefit of our American consumers. I am hopeful the conferees on Monday will establish an average ceiling that will reduce-- not increase-- our dependence on imported oil. That is the real test of this legislation. Responsible legislators want a solution, not an issue. Unfortunately, there is no painless way to begin achieving energy independence. We are not as far apart on the pricing provision as you may have been led to believe. I hope to get a bill I can sign: one that will discourage imports and encourage domestic production.

## ENERGY INDEPENDENCE

Q. In all your statements about energy, you have repeatedly said that we must pursue a policy that would make us less dependent on foreign oil. The Washington Monthly, however, recently criticized that goal. It said, "continued pursuit of the policy of energy independence will lead to continued inflation, recession and environmental damage." And it concluded that we should try to get the OPEC nations to co-operate with us.

Have we tried this plan of co-operation?

- We have been working closely with the oil producing nations to find a means to reduce confrontation and achieve a better understanding of our mutual interest.
- We have made some progress in this area, but are not able to control either OPEC price increases or the threat of future embargoes.
- I remain convinced that it is in our own best interest to be free from economic and political blackmail and energy independence is the only way to reach this goal.

QUESTION: How much has the price of gasoline increased because of OPEC actions?

ANSWER: There's been about a 20¢ per gallon increase in the last 2 or 3 years and in fact one could say that about the 15¢ is due to OPEC actions -- directly or indirectly.

For gasoline, this could be broken out as follows:

<u>CATEGORY</u>	<u>PRICE CHANGE</u>	<u>FRACTION OF U.S. CONSUMPTION</u>	<u>IMPACT AT THE PUMP</u>
Crude Imports	\$8.00/Bbl	x .3 ÷ 42 gal/Bbl=	6¢ *
Old Domestic Oil	\$1.35/Bbl	x .4 ÷ 42 gal/Bbl=	1¢
Uncontrolled Domestic Oil	\$7.00/Bbl	x .3 ÷ 42 gal/Bbl=	5¢ *
Import Fee	\$2.00/Bbl	x .6 ÷ 42 gal/Bbl=	3¢
Dealer Margin	2¢/gal	x 1.0	= 2¢ *
Wholesale margin	1¢/gal	x 1.0	= 1¢ *
Refiner non-product pass through and other miscellaneous adjustments	1¢/gal	x 1.0	= 1¢
			19¢

\* Due to rising price of OPEC oil.

GUIDANCE:

FPC REVISED DEREGULATION FIGURES

The Post this morning (and yesterday morning) has a report that the FPC originally underestimated the consumer cost of the deregulation of natural gas by \$1 billion -- from \$1.5 billion to \$2.5 billion -- and Senator Moss, as well as the House Commerce Oversight Committee, have tried to pin the blame on the "Nixon-Ford" appointees.

What is the President's reaction to the new findings by the FPC, and does this alter his position on natural gas deregulation.

First of all, in terms of the revised FPC findings, I think it should be emphasized that the FPC is an independent regulatory commission, and is not answerable to the White House. Whatever their observations and findings, they are arrived at independently.

Secondly, on the issue of natural gas deregulation, as the President said the other night at his press conference, the consumers will suffer more from the lack of natural gas than from any price adjustments due to deregulation. Unless we increase the production of natural gas, which has been declining in recent years because of its artificially low market price, then, as the President says, we face the long-term prospect of cold homes and high unemployment.

Furthermore, our analysis shows that switching to alternate fuels would be more expensive than deregulated natural gas. Natural gas is a clean-burning, highly efficient fuel, and the only way to provide incentive for more production of natural gas is to permit the free market to determine the price.

ENERGY -- DOMESTIC OIL PRICING POLICY

*(Congressional)*  
Q. Will you veto the oil pricing bill if it comes to you in the form approved by the House-Senate Conference which sets a composite price for domestic oil of \$7.55?

A. With the ~~current~~ pricing provisions *(currently in the bill)* I would be compelled to veto ~~this energy bill because~~ *The bill* it would not provide adequate incentive for increased domestic production and ~~it~~ *it* would result in even higher imports during the next few years than under current controls, and ~~it~~ *it* would encourage greater consumption of fuel, thus increasing our vulnerability to the whims of foreign suppliers.

: One that will ~~encourage~~ discourage imports and encourage domestic production.



OIL

HAK - PC  
12/7/74  
PR # 518

11

A The history of the discussion with respect to consumer solidarity since the Washington Energy Conference, has been that in fact there has always been more progress than has been generally apparent.

For example, in the interval between the Washington Energy Conference last February and October of this year, there was set up the International Energy Agency and the system of emergency sharing, which creates at least a safety net in the case of some new embargo.

Since then, I have made specific proposals on how to take the next step in conservation and financial solidarity at Chicago.

We have had preliminary explorations with other consumers on that subject, specifically with the Federal Republic and with Japan and with others. And we are optimistic that the basic objectives of my Chicago speech can be realized and will be realized.

There will be technical disagreements about the size of the fund and other matters of this kind, but I am basically optimistic that the objectives that we set ourselves will be achieved, perhaps in an undramatic fashion.

Q Mr. Secretary, to put another way the

## OIL PRICES

Q: You and Secretary Kissinger have both called oil prices a world peril and sounded threatening. What actions does the U.S. plan to take?

A: The very serious problems caused by high oil prices are receiving the priority attention of this Administration. Most immediately, we must intensify our efforts to conserve energy and move ahead rapidly under Project Independence to develop alternative energy sources and reduce our dependence on imported oil. We and the other oil importing countries simply cannot afford to permit our oil import bill to continue to rise, and we must all limit our use of oil. To be most effective, these conservation policies must be carried out in close cooperation with other consuming countries.

At the same time, we seek to improve our cooperative dialogue with the oil producing countries. It is a misreading of our intentions to say the United States is seeking a confrontation: we are calling for a recognition of the interdependence of the modern world and the need for cooperation. I am confident that the oil producers will realize that their own economic well-being is intimately linked to the economic health of the rest of the world and that they will conduct their oil price and production policies accordingly. We

are also working within the international financial system to provide a means to make the oil income surplusses available to nations whose balance of payments are seriously threatened. We expect the trade reform act to provide opportunities for expanded world trade by enabling the U.S. to work with others to improve the international trading system and lower artificial barriers to trade.

It is essential that we avoid nationalistic policies whereby each nation attempts to protect itself at the expense of others. The international economy can be strengthened only through international cooperation, with each nation accepting its share of the burden in meeting our common difficulties.

- o In January of last year I submitted to the Congress the first comprehensive legislation aimed at securing energy independence for the Nation.
- o That set of proposals covered 13 titles and was the product of intense Executive Branch efforts. All points of view were represented: energy production, energy conservation, environment, research and development, natural resources, budget. What emerged was a comprehensive, balanced program designed to get the job done.
- o What resulted from the Congress -- almost a year later -- was the Energy Policy and Conservation Act of 1975 which contains only a part of what I proposed -- and in some respects, particularly continued price controls, is a substantial step back from my proposal.
- o I signed the bill because I believe that it was the most constructive bill we could work out at that time.
- o But the confused mess of procedures by which Congress considers a comprehensive proposal like that I submitted on energy will enviably result -- as it did in the Energy Policy and Conservation Act -- in either such short-sighted policies as continued price controls or no action whatsoever. We still need action on eight of the thirteen titles -- in particular
  - natural gas deregulation
  - building conservation standards
  - weatherization assistance
  - clean air amendments
- o I think we have made good progress in the Executive Branch in coordinating energy policy development through the Energy Resources Council.
- o I have often stated that "I urge the Congress to act expeditiously" with respect to various proposals in the national interest. But because of excessively fragmented congressional procedures, these urgings have often amounted to a little more than a vain hope. In a word, the Congress needs to "get its act together."

ENERGY -- NATURAL GAS

- Q. What legislation are you requesting to deal with short-term natural gas problems?
- A. We requested legislation authorizing the purchase of intrastate gas by curtailed pipelines and end-users on an emergency basis; extension of authorities prohibiting the use of natural gas as a boiler fuel; and extension of propane allocation authorities. I believe that timely enactment of these authorities could enable us to limit this year's natural gas problem to last year's level, where we only experienced spot shortages.

RON NESSEN STATEMENT RELATED TO SENATE VOTE  
EXTENDING THE EPAA FOR 75 DAYS

1. In agreeing to this extension the President has agreed not only to accept an extension of the Act until November 15, 1975, but also agreed not to submit a plan for administrative decontrol prior to November 1, 1975.
2. The President has continually met the Congress more than half way on this very difficult pricing issue. It should be clear that this extension places a burden on the Congress to legislate an acceptable program to phase out price controls during the extension period.
3. Should an agreement not be reached during the period of extension the Congress will also have an obligation to pass the legislation requested by the President in order to insure an orderly transition to complete an abrupt decontrol. This includes an acceptable windfall tax program, legislation to assist independent refiners and retail marketers, and standby legislation to control propane marketers during periods of natural gas shortages.
4. It goes without saying that the Congress must simultaneously move to pass the natural gas legislation to both avoid serious disruption this winter and begin a long term solution to our declining natural gas supplies.

5. *This is the last extension. (?)*

● *Two choices by Congress. Pass =*

- 1- *Phase de-control* <sup>by legis or admin action.</sup> <sub>or.</sub>
- 2- *Legislation to soften impact. That's what the Pres is giving Cong until Nov. 15 to do.*

ENERGY -- NATURAL GAS

Q. Are you satisfied with the action taken by the Congress to date on natural gas legislation?

A. No, I have been dismayed with Congress' and particularly the House's failure to pass natural gas legislation. As you know, I submitted a legislative recommendation in January to deregulate natural gas. In September, FEA submitted to Congress certain emergency authorities, since it hadn't yet acted upon my January request. In late October, the Senate passed the so-called Pearson-Bentsen bill which I generally support even though there are certain problems which FEA Administrator Frank Zarb is working on. In the House, scheduled mark-ups have been postponed for 2 weeks and another Congressional recess is coming up. Frankly, I am concerned that not even emergency provisions will be in place in time to<sup>be</sup> very helpful this winter.

## OCS DEVELOPMENT, FUEL ALLOCATION, IMPORT QUOTAS

Q: Because of New England's high fuel consumption, that must rely on imports, we would like your views on offshore oil development, fuel allocation, and import quotas.

A: Offshore Oil Development. The only ways that we have to reduce our excessive dependence on imported oil over the next few years is to conserve energy where possible and increase production of energy from our domestic sources. The oil and gas on the Outer Continental Shelf (OCS) can make a significant contribution. I feel very strongly that we must develop our OCS areas as soon as possible and do so in a way that is safe and gives necessary protection to the environment.

Development of OCS resources is especially important to New England because of your heavy dependence on imported oil. Also, the nearness of potential resources in the Georges Banks area off New England can have real benefits because of lower transportation costs.

Fuel Allocation. There is growing evidence that the fuel allocation regulations that were imposed during the embargo are causing increased distortions in the market for petroleum products and reduced competition. In short, they are working to the detriment of consumers.

Under the Energy Policy and Conservation Act which I signed into law on December 22, 1975, the FEA has authority to remove unnecessary and burdensome allocation regulations. I have directed Frank Zarb to move quickly to review all the allocation regulations and to remove them as soon as possible. FEA will, of course, have to move carefully and allow markets to return to a more normal and competitive state in a way that does not cause sharp distortions in supply or prices.

FEA will maintain some regulations in a standby status in the event of another embargo so that areas of heavy dependence on imported products -- such as New England -- can be protected.

Import Quotas. I oppose import quotas, particularly because of their inequitable impact on areas that are dependent upon imported energy supplies. Import quotas are almost certain to result in higher consumer prices -- without any benefit



in the near term in increased domestic energy production.

To protect areas dependent upon imported energy products, import quotas would have to be followed by allocation regulations and could, ultimately, lead to rationing.