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THE WHITE HOUSE
PRESS CONFERENCE
OF
FRANK ZARB
ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

12:38 P.M. EDT

MR. NESSEN: This morning, the President met for a little over an hour with his economic and energy advisers to talk about what he should do in these next 13 days.

As you know, on May 1, the delay that he agreed to in the imposition of the second dollar on the oil import tariffs and the one-month delay in decontrolling the price of oil runs out.

I thought I would bring Frank Zarb out today to tell you what transpired at the meeting this morning and what the plans are for dealing with the energy matter now that the time is running out.

Q And then will you brief?

MR. NESSEN: I wouldn't miss it, Helen.

Frank?

MR. ZARB: Won't you take me briefing instead of him this afternoon?

Q Go ahead. How about Cambodia?

MR. ZARB: We will wait until the briefing.

In the meeting this morning, we brought the President up-to-date on discussions which we have been having primarily on the House side with Chairman Ullman and Chairman Dingell.

We, in a general way, pointed out the progress that has been made in focusing in on the various measures, particularly the conservation measures as well as some of the other supply and development pieces of legislation.

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We pointed out that while a good deal of progress has been made, there is still a great distance between where we are now and having a national energy bill.

However, I do want to underscore the fact that working with both these chairmen has been a good and orderly exercise. They have been working very hard, as we have, to try and find areas of accommodation. So, the working relationship has been a good one.

We have a number of areas that are still not settled and that is to say that all of the pieces of the national energy program appear to be, in one form or another, on the table. They are in two different committees, as you know, and we have to bring them together before we can see what the total package may look like.

The President has directed me to spend as much time as is needed over the next six days to work with the Congressional principals and try to bring these discussions to a close in a way that we could have a program that he could support and will get the job done.

He underscored his concern for the seriousness of the energy situation and underscored his adamant feeling that we need to have a national energy program that will get the job done.

So, the net of all this is that we will, in the next five or six days, which is a critical time, work doubly hard with both committees in an attempt to resolve open issues and bring together those that have been discussed over the last two months.

He will not make his decisions, with respect to actions as of May 1 until sometime next week after we have had some additional meetings.

Now, I will answer your questions.

Q What is his inclination?

MR. ZARB: His inclination is to get a national energy program that will really do a job.

Q On the \$1.00 tariff?

MR. ZARB: He is going to reverse that decision until he gets a report next week, after some additional sessions, which we will have early during the week.

Q What are you recommending on that point?

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MR. ZARB: My recommendation was that he wait until next week and get my report. Then, at that point, he will know enough to make a more specific recommendation.

The overriding factor, of course, is whether or not we are going to have a national energy program that will indeed get the job done. If we just have a program that we consider not substantive or tough enough, then obviously, that would not be acceptable.

Q What areas are you far apart on?

MR. ZARB: When you say "far apart," I think parts of it are just bringing together some of the work that has been done. The issue of conservation and the extent to which we affect conservation between now and the end of 1977 still needs to be closed on.

We have talked about various alternatives, and indeed, the Congress has submitted within the committee's structure several alternatives in terms of how much we are going to conserve and what vehicles we are going to use to conserve.

As you know, there has been a gasoline tax on the table. There has been the President's program of tariffs and other means. Others have suggested a lesser gasoline tax. Others have suggested a quota and allocation system. All of the pieces are there. They are written out in one draft or another.

We have been discussing the plusses and minuses of each approach, and now is the time to begin to see if we can pull all that together and put it together in a form that Congress can agree to and the President can agree to.

Q Mr. Zarb, in your report that you are going to review, what are you looking for? I mean, what will the President have to see in that report to decide whether or not he is going to put this tariff on?

MR. ZARB: He will have to see that the opportunities for us to have an agreed to plan in the very near future are real and there. That means that a piece of legislation is put together that we believe will receive the approval of the Congress, and it is put together in a direction that is agreeable to the President; that is, that it achieves the goals that he wants to achieve and it uses some of the vehicles that he thinks are awfully important.

His principle of achieving meaningful conservation by the end of 1977 and taking the early steps now to achieve invulnerability by 1985 are absolutely solid. I would expect if you are looking for a macro opinion, those would be the two that we would have to use.

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Q In your estimation, has Congress accepted those two principles, or have the Members of these committees accepted those principles?

MR. ZARB: I must say in the recent weeks, working with the chairmen and their staffs and some of the principal Members of the committee, they have gotten into quite a bit of detail. The more that occurred, the more I sensed, at least, a concern on their parts, an agreement, that we needed to have a meaningful national energy policy and one that would get results similar to the ones I just described.

The answer to your question, I think, has to be yes. I have been impressed with the time and effort both these gentlemen particularly put into it.

Q Mr. Zarb, does this energy policy include any provision for the repeated suggestions of Frank Church and the MIT professor, among others, that the OPEC countries be obliged to bid for the U.S. market competitively in sealed bids?

MR. ZARB: That provision is still in one of the drafts that we have been looking at. The Administration's position up to now continues to be one where we are unconvinced that that bidding process wouldn't have a counter-productive effect of driving the cartel closer together.

I think the area of discussion has been in this general context, how effective could it be? The mechanics are not a problem, but what would be its residual impacts on our oil economy? Beyond that, how effective would it really be? Would it move the cartel in the other direction?

Q Is anybody discussing Sunday closings, on-off days and rationing, if you will pardon the expression?

MR. ZARB: Yes. S.622, which came out of the Senate last week, at least implied that. As you recall, that was an emergency standby bill we had worked out with the Senate, and sometime during the dead of night some other measures were attached to it that affected conservation.

One of them would at least move in the direction of either a line, queuing inconvenience, Sunday closings or that kind of thing. They are very unclear. They asked the President to submit a plan to reduce discretionary travel, without defining discretionary travel, and asked the President, after he had that plan, to resubmit it for Congressional approval.

Q Mr. Zarb, do you feel the American people are convinced this is still the type of emergency issue that you and the President have labeled it as?

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MR. ZARB: To answer that question honestly, I think we have a great challenge ahead of us in describing to the American people the size and shape of this particular problem.

I must say, however, I heard on the radio coming in this morning that one of the producing nations said yesterday in Paris that there is a likelihood of imported oil increasing.

That was a radio report, so I am not here to confirm that. But it seems to me the American people, the more they see the opportunities for the producing nations to increase their prices, because we expand our vulnerability or expand our imports, the more they are going to understand the nature of the crisis because it is going to touch the utility bills and every other energy bill they have to pay.

It means more expenses for Americans, if we don't do something about this in a meaningful way.

Q Mr. Zarb, what are you really doing to increase the production of coal?

MR. ZARB: The coal problem at the moment has a number of features. The most pressing feature is that it is demand constrained; that is, that it cannot be burned freely in a number of areas in the country for (a) environmental reasons, and (b) hardware reasons, where converting a gas-fired boiler, for example, is very difficult, very costly and probably not feasible.

The other problem, of course, is transportation and the ability to move coal from where it is mined to where it can be burned.

We are moving on all these fronts. We have asked the Congress for some Clean Air Act amendments which would allow us to burn coal in a way that would not violate primary health standards.

We have been working with the Department of Transportation to examine what we can do with respect to the railroad situation to enable us to move coal around the country.

We are working with utilities to get conversions to occur where that is feasible. We now have the authority to order such conversions under certain circumstances and it is our intent within the next 60 days or so, to use that authority.

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Then, finally, we are working on the liquefaction and gasification as rapidly as that can be pushed. A liquefaction plant is now being built in Kentucky.

Q Isn't this transportation thing something that is really more of an emergency and you could do that with Executive Orders, couldn't you?

MR. ZARB: Well, the Executive Orders, or the authorities to get something done are probably not as critical as the financing and the time to get it done. In many instances, roadbeds have to be completely replaced; in other instances, we have to have a substantially bigger fleet of cars that can carry coal.

That is going to take time and it is going to take a lot of money and an awful lot of direction. We are giving that a pretty top priority at this moment.

Q Mr. Zarb, since you have advised the President that Congress is moving seriously on the national energy bill and since the President's goals are reasonably long-range, what incentive does he have, or should he have, to reimpose the tariff? Like, why can't he wait another month, or two or three?

MR. ZARB: The question was, why should the President move forward now and impose the additional tariff? That is one of his options.

Q Since Congress is moving.

MR. ZARB: I did point out Congress is moving. We are now almost 90 days from his State of the Union message and 12 years since we should have started on the problem.

The President will look at the progress made by the end of next week from two standpoints. One, general direction that it takes; and two, acceptability with respect to its substantive goals and to what extent they are going to achieve those goals.

At that point, he has to determine whether it is important to the Nation that he take his administrative steps to move this program along further. I think it would mean progress and progress after coming to the conclusion that activity on the Hill was too slow.

I am not saying that is the conclusion he will come to. But you asked for a possible scenario, and that is it.

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Q If this question was asked before I got here I will withdraw it. ERDA, or some such agency, has a study underway as to the feasibility of exploding thermonuclear bombs in salt caverns, underground caves, and so forth, to generate electricity with the initial cost of the study being some three-quarters of a million dollars, or something like that.

Considering the likely reaction of people in Mississippi and Texas to having thermonuclear bombs exploded underneath them, is there any conceivable way of justifying this expense of money?

MR. ZARB: Somebody brought it up before you got here. (Laughter)

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Q Can we bring it up again?

MR. ZARB: I am not familiar with the proposal, but I will point this out to you: Dr. Seamans is working on a national R and D policy with respect to energy and those options that we are going to have to focus on.

We told you earlier in the year we would be doing this toward midyear. We have had discussions, and he will be presenting to the Energy Resources Council shortly a total spectrum of where we are moving in the nuclear field, the solar field, the coal and synthetic fields.

Q I don't like to ask you for a comment on a question on a blind basis, if you have not heard of it, but I am curious as to your own personal reactions as to how you think people in these areas of the country -- Texas, Mississippi, and two or three other States -- will react to this?

MR. ZARB: Has this been public information?

Q Yes.

MR. ZARB: What has been their reaction?

Q I don't know. I really wondered what yours was.

MR. ZARB: It really is unfair. Until I look at specifically what they were talking about, where and under what circumstances and whether it was just a conceptual design, I better not try and comment on somebody else's territory.

Q Mr. Zarb, how optimistic are you that enough progress can be made by next week that the President might decide to have an additional delay in the tariff or other matters?

MR. ZARB: All of the elements of a satisfactory program are, as I said earlier, on the table, both from the standpoint of Administration submissions and submissions that have come from various elements of the Congress.

There seems to be a growing awareness by many Members of the Congress that this is a serious problem and we better move out. As I said earlier, there has been an awful lot of homework done by the committee chairmen.

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On the other hand, that has to amount to a piece of legislation which is specific in nature and lays out the design of this Nation's energy program. That is going to take subcommittee action, committee action, floor action, and we are going to have to assess the possibility of that occurring after next week's work.

So, while I am hopeful that we can make satisfactory progress, lots of things can happen that will create obstacles, and I wouldn't go further than that except to say that I am very hopeful.

Q A two-part question, Mr. Zarb. First of all, what ramifications for domestic energy policy are there in the collapse earlier this week of the Paris preparatory talks for the producer-consumer conference? That is the first part of my question.

Secondly, you have not said anything specifically criticizing the proposals now before Congress, so I was wondering what is the Administration's view of the Ways and Means draft bill insofar as it would rely on an import quota system, which the President has said consistently that he opposes?

MR. ZARB: Let me take the last question first. I didn't want to get into detail because we can be here all day. There is a long list of issues where we either are in agreement or still in disagreement. We have been opposed to a quota system, which would create an artificial shortage because of the economic disruption that could occur as a result of that.

We said that a number of times publicly and before hearings, and more recently during the mark-up sessions.

There are those in the Congress who would ask for a quota system which would insure that the savings that occurred from other measures came from imports. That is an interesting concept, and we are examining that.

Our position remains generally unchanged on the full program that was proposed.

With respect to the first question, I have forgotten what it was.

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Q The ramifications to the U.S. energy policy by the collapse of the Paris talks.

MR. ZARB: I think it just, in my view, underscores the need for us to come to grips with the problem. It seems to me pretty clear we are going to get the attention of others more favorably if it is clear we have a program to become invulnerable and we have bowed our backs as a Nation to get there.

Once that is legislated and there is no question but what we are moving toward lesser imports, rather than additional imports, the likelihood of conferences such as that in the future being productive is increased substantially.

THE PRESS: Thank you, Mr. Zarb.

END (AT 1:08 P.M. EDT)