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THE WHITE HOUSE

PRESS CONFERENCE
OF
FRANK ZARB
ADMINISTRATOR
FEDERAL ENERGY ADMINISTRATION

THE BRIEFING ROOM

4:05 P.M. EDT

MR. NESSEN: The President has made his decision on the strip mining legislation. The decision is to veto it.

There will be no filing until this briefing is over.

Now, the official veto message has not gone up and when it does go up, we will obviously give you copies of it, but it has not gone yet.

Q He has not signed it yet?

MR. NESSEN: That is correct.

In the meanwhile, because tomorrow is a travel day and we would either have to do the briefing very early in the morning or after we got back, I thought as a convenience since we have announced the decision that Frank ought to talk to you today about why the decision was made. So, you can go ahead and write your stories saying the President has decided to veto it and will send the message up there shortly.

Q Today?

MR. NESSEN: It is just not clear yet when he is going to send it.

Frank will explain to you why.

MR. ZARB: The message has to go by tomorrow midnight, that is the last day.

Just a few words and then I will answer your questions.

The President reviewed very carefully the impacts of the current legislation on energy economy and as it relates to its environmental benefits. He was impressed by a number of things that I think might be useful to go over here.

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It is clear from everyone's standpoint that this legislation would cause some unemployment. It is our calculation that up to 36,000 people can be put out of work in the first year, or so, of operation, and while there are those who might have different estimates, there is no one -- even the proponents of the bill -- who says that this bill will not cause unemployment. Certainly, at this point in our economic cycle, additional unemployment is not a beneficial result.

We estimate that coal production could be reduced from 40 to 162 million tons, the range which I have given you before --

Q Annually, you mean?

MR. ZARB: Annually. At the high end of the scale, that could mean 25 percent of our total current production. Now, that doesn't include some of the ambiguous, or vague, provisions which we cannot quantify.

It does include estimates on some, but certainly not all, of them.

Q Why is there such a wide range there?

MR. ZARB: Principally because of the ambiguities that we attempted to estimate. I will give you the ones that we did.

The small mines that will be put out of business we were able to come to a fairly decent projection of that. The Alluvial Valley floor, the fact we are able to do that; the restrictions on the saltation hydraulic impact, we estimated that; the steep slope restrictions, particularly with respect to Appalachia, we were able to come to some reasonable estimates there. There were at least three other major areas where vague provisions could not be estimated in terms of impact.

I want to point out a few things for background. I think this is awfully important.

We have calculated first-quarter domestic production of oil to be about 8.5 million barrels a day. That is down from 9 million barrels a day, first-quarter of last year.

We have dropped a half million barrels a day in our domestic production.

You heard yesterday, I think, Senator Mansfield describe the fact that the Congress has a long way to go in finalizing energy legislation. The Senator said that the President has more than met the Congress halfway and he was not too optimistic about having permanent energy legislation in place.

That has to be considered in the light of any energy-oriented legislation. I think you can see the reason why.

Secondly, the indications that we have discussed earlier about the increase of imported oil in terms of price seems to me has been further substantiated in the last week or two. Not only have the Canadians increased their natural gas prices by 60 percent, or announced that intent by the end of the year, but the Shah yesterday was rather clear in the plans of the cartel on an ongoing basis.

So, we have a situation of continued decline of domestic production. We have the inability to achieve a legislated answer to our energy problem, certainly one that does not appear to be forthcoming over the near term in the face of increasing imports and higher prices for those imports.

Tie that to the unemployment that would be created by this legislation. The coal which would be lost would be replaced by additional imported oil.

Just two other numbers. Since 1971, 21 States which account for over 90 percent of total surface mined coal have either enacted new legislation or strengthened their existing laws. It does not appear that those changes, over the last three years, have been calculated in constructing the latest legislation which was sent to us.

Q How many states was that?

MR. ZARB: Twenty-one States, which account for more than 90 percent of all surface mined coal have either enacted new legislation or strengthened their existing laws.

In the final number, before we get to your questions, we calculated that if we do nothing -- the Congress does not act or we are not successful in achieving any of our administrative measures to conserve oil and bring on additional supplies -- that we would nearly double oil from the Mideast between now and the end of 1977.

If the outer limits of this range of coal reduction was reached during this same period -- now keep in mind that some of the vagaries, if they went against us, could increase that outer limit even further -- but if that 162 million tons was reached that would have the effect of nearly tripling our imports from the Mideast during that same period of time.

Having looked at all of the issues, including the fact, as I have said, that we do not have a national energy program in place that relates to all of the other elements of both conserving and developing additional resources, the President came to the conclusion that it was in the national interest at this time not to approve the surface mining legislation.

Now, can we have your questions?

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Q What is your chance, Mr. Zarb, of sustaining the veto this time?

MR. ZARB: Our early indications are that there is sufficient strength to sustain a Presidential veto in the House of Representatives.

Q Does the President favor any surface mining legislation at all?

MR. ZARB: The President sent up a bill in February, and for the most part, it had the elements of a bill that would be satisfactory to us. Even that bill had a penalty, but keep in mind two things that were somewhat different.

When that bill went forward, there was some reasonable expectation that at this moment we would be looking at the possibility of a comprehensive piece of legislation in the total energy area having been completed. That certainly is not the case.

Q Is part of the reason then, Mr. Zarb, of what you are saying that because the Congress has not come forward with the total energy plan, that the President felt that it was necessary to veto this bill? Is that part of his reason for vetoing?

MR. ZARB: I think we have to include that as one of the things he has considered. His bill resulted in a loss of a maximum of 80 million tons. However, it was a lot more precise, and in our view would have moved toward the lower end of the range that we calculated at that time.

If a national energy program was in place, and if we were already underway in reducing our consumption levels of oil, and if we were already underway in putting those measures into place to get additional production between now and 1980, then perhaps this bill might have been examined differently.

It was not the sole reason. It clearly was one factor and a number of factors, including the high unemployment and the increase of prices to consumers, particularly utility consumers who buy what we consider to be often times unnecessary and uneasy restrictions.

Q Mr. Zarb, the last time you briefed us here on this bill, you were asked by someone here whether the Administration's position was fair, and you said we got a fair assumption. Is that statement that you have made that 21 States which mine 90 percent, does that suggest now that you don't want a Federal bill?

MR. ZARB: No, I don't think so. We certainly still believe that a Federal bill is in order, and we will be more than happy to go back to work with the Congress. However, in looking at the status of what has happened since February until today, it seems clear to me at least that much of the history, the three years of history that have gone into the product that we now look at, ignores the fact that the 21 States have in fact moved on their own to provide environmental restrictions and improvements with respect to surface mining.

It is clear that when you look at it in that context and look at a Federal law, which will lay over a new Federal bureaucracy with new Federal costs and new Federal regulations, unless you consider what has occurred during that three-year period, you are legislating public policy that is not in the best interest of what you are trying to do.

Q Mr. Zarb, did you consider those laws in those 21 States generally adequate as to the laws themselves and their enforcement in those States?

MR. ZARB: I would say that -- can I give you a general answer to a general question -- generally yes, the trend has been toward substantially improving the environmental standards and the direction is clearly there.

In some States, they take great pride in what their legislation has produced over the last two years and even in Texas, which I understand doesn't have a reclamation bill, they take some pride in the track record that they have produced.

Q Mr. Zarb, how can you say that is adequate in the West, where about half the land is Federally owned where those State laws don't apply?

MR. ZARB: I think what we should have done in the first place will now be done. The Department of Interior has been in the process of promulgating Federal regulations with respect to surface mining on Federal lands, and they will be instructed to go forward with that and complete that exercise and have those published within the very near term, within a matter of a month or so.

Yes, ma'am.

Q How would it affect the electric companies who have planned to convert from oil to coal? How will it affect them since Cleveland Electric eliminated --

Q Question?

MR. ZARB: The question is, how will it affect the conversions from oil to coal in those utilities who have planned such conversion.

It is clear to us that over the next three years or so this legislation will make it less easy for those conversions to take place, especially in certain pockets of the country. Thereby, those utilities would have to remain on a higher priced oil and the consumer would pay the price of imported or higher priced oil.

Consumer costs have to be a factor here. They will go up with surface mining legislation. If they go up to the extent that they are buying improvements, that may not be required or are indeed duplicative or unnecessary, then consumers are paying a higher price for improvements they don't need.

Q On the subject of Western coal on Federally owned lands, the Senate Interior Committee has scheduled a mark-up session for Wednesday morning, I believe it is, on a bill sponsored by Senator Metcalf and supported by Senator Jackson, among others, for a freeze on further Federal leasing of coal lands until there is an effective surface mining bill passed.

What is your reaction to this?

MR. ZARB: This is related to Federal plans, particularly?

Q Yes.

MR. ZARB: Well, my reaction is if the Senator's concern is to see that we have promulgated certain standards to protect the environment and to insure reclamation on Federal lands, that we will accomplish that by promulgating the necessary Federal regulations from the Department of Interior and that the long process of legislation would not be required.

I am assuming that the Senators will agree that our regulations achieve the objectives that they agree to.

I don't think we can afford to think in terms of freezes or moratoriums on energy sources while certain things occur that need to occur. It seems to me that the nature of our problem is so severe that we ought to be thinking in terms of producing domestic energy and at the same time insuring that these necessary safeguards are promulgated.

Q Mr. Zarb, my memory may be faulty, but it seems to me that the last time we had this veto, the Administration said that the previous strip mining measure would have been unfair to certain producers. I have not heard you use that term "unfair" this time. Was that cleared up to your satisfaction in this new bill?

MR. ZARB: No. I am glad you asked the question. The net impact of this bill over the near term will be to put a good number of small, independent miners out of business. Now, just about everyone associated with the bill agrees that that will be the outcome because they cannot nearly afford to live up to the standards and will be inclined to shut their mines and leave the market place. This is particularly true in Appalachia and that is where the highest degree of unemployment occurs.

If you consider that that is unfair, as I do, then use that term. I consider it a lot more severe than unfair. It just feeds a deteriorating situation so that our energy picture can be even further worsened over the next year over what we expect it to be without surface mining legislation.

Q The Secretary has said this will have the net effect of creating jobs. Where do you differ with him?

MR. ZARB: I am not sure except that I have heard the Secretary and we have talked about the reclamation jobs that put people to work, actually, on reclamation assignments.

It is my view, and I think his as well, that many of those reclamation activities are already underway. Perhaps, if you will look into the 1978, 1979, 1980 period, you might be able to structure the work force a little differently showing that some of these miners might indeed be re-employed.

I am not sure what they do in this interim period and my concern -- and I have said this to you before -- relates to the increased vulnerability of this Nation over the next three years.

Q Is the 36,000 figure a net figure?

MR. ZARB: You say a net figure. The number can be debated and has been debated as to whether it is 36,000, 46,000 or 26,000. I would say it is a net figure for the first year of operation.

Q Mr. Zarb, can you tell us how the agencies lined up? I mean, was it the same this time as last time with Interior in favor of the bill on balance and CEQ and --

MR. ZARB: The last time you asked me that question, I refused to tell you how they lined up.

Q No, I didn't ask it.

Are you going to refuse to tell us now?

MR. ZARB: Just go into a separate category. The President did visit with a number of his advisers and take comments from both sides of the equation, both the pros and the cons.

Q Mr. Zarb, was the vote in the Energy Resources Council seven to six in favor of that veto?

MR. ZARB: That answer to that question is no.

Q Why were you unable to have a veto message on time?

MR. ZARB: The veto message is under preparation and is to be approved by the President. It is a question of the final language being approved.

The reason I am here is because Ron felt it would be a discourtesy to do this in your absence tomorrow.

Q Do you expect to have the veto sustained on the Hill?

MR. ZARB: Do I expect that? I personally expect that, yes.

Q Can you tell me, please, what motive do you think the embers have for sending you much the same bill a second time knowing full well your objections to it?

MR. ZARB: You know, the legislation has been in the process of development for over three years. It is clear that there is a great big time investment going way back to 1971 -- that is four years. Many people feel that this time investment should ultimately result in legislation similar to the legislation that we started.

Environmental improvement is a goal that nearly everyone can associate with, including myself. It seems to me, however, that when the embers look again at the unemployment created, at the increase in oil vulnerability and how many barrels additional oil we will need to import just to support this legislation, and we calculate that for every 50 million tons of coal, our extra oil imports have to be in the range of 50 million tons, 215 million barrels a year.

When they see that, and when they calculate the extra cost to their consumers, and look at the complexity and the vagaries within the law, and how long we are going to be in court trying to determine what the Congress really meant on this provision or that provision, I think they will see their way clear to sustain the President.

Q Are you saying, then, that the Congress is just stubbornly sending you a bad bill the second time?

MR. ZARB: No.

Q A technical point. Since Congress is supposed to go out on recess at the close of business Thursday for their Memorial Day vacation, is there any time limit involved as far as how long they have to override this veto? In other words, if they are going to do it, do they have to do it before the close of business Thursday?

MR. ZARB: The answer is, this session of Congress so that they can wait as long as it pleases them.

Q Mr. Zarb, about two weeks ago, Senator Jackson sent a letter to the President saying would you please have someone tell me where these magic figures come from 40 to 162 million tons, and I have not seen the answer, which is up in his office, but I think it was signed by you in which you said, "Your letter to the President has been referred to me," and so forth, and you didn't give him the back up.

Is there any back up?

MR. ZARB: There is about three years of back up. Most of the data is being developed by the Bureau of the Mines and they fine-tune their systems as we go along. It is clear that when you look at a bill so complicated with so many general terms, that you have to make some estimates as to how the courts will ultimately rule on this question or that question so you come out with a rather wide range.

I think another point which is at least interesting -- and in going over these numbers again, which I did do, in trying to see if a better determination or a more precise estimate can be made -- I asked whether the proponents of the bill or the supporters of the bill who acknowledge that there will be a coal loss, acknowledge that there will be unemployment and acknowledge that there will have to be an increase in the price of coal, and thereby, a higher price to the consumers, whether those supporters had calculated, themselves, how much coal shortage there would be, how much unemployment there would be, and how high the price of coal would be.

There are some numbers, I understand, with respect to the increase in price of coal, but I have not been able to find numbers on the other two categories.

Q Mr. Zarb, I have forgotten exactly when the President said he would have to impose the second dollar and the third dollar on the oil imports if Congress didn't act. Can you refresh my memory?

MR. ZARB: The question relates to the second dollar and the third dollar of tariff on oil imports. The President said that he would be looking at the situation within 30 days which gets us into the June 1 period, give or take some days, that he will be making his determination on that question.

Q You had some testimony on the Hill today that seemed to indicate that the President's message on decontrolling old oil was imminent. Is that going to happen this week?

MR. ZARB: It is imminent, but I am not sure it will happen this week.

Q The decision has been made to go ahead and send up your own program, though, and not wait for the Congressional.

MR. ZARB: The President directed us to go ahead. We had our hearings and I took a good deal of the hearing material home with me over the weekend, and came back with a number of questions which I want resolved and we will be working on it this week.

Whether or not it is completed sufficiently to have up there this week remains to be seen, but it will go.

Q Mr. Zarb, there were some people saying around here late last week that there was a new feeling of confidence in the White House following the Cambodian venture, that this would carry over into the legislative process even on the domestic matters up on the Hill.

Is that really esoteric thinking or does that really figure in your decisions or your recommendations and the President's decision, that sort of thing, that it has increased his clout up on the Hill and therefore, you have a better chance of getting this bill?

MR. ZARB: If you ask that question with respect to my personal frame of mind, I will answer it candidly because I cannot speak for the views of others and what goes into their thinking.

There is little question in my mind but what our energy situation is seriously deteriorating on a day-by-day basis, that we are going to wake up in a middle of a more severe crisis some six or 12 months from now and that will prompt all of the activity that we are asking for right now, if we don't get it now.

When I looked at this bill, and re-looked at it, and asked questions and asked staff analysis and had discussions with my own staff, I honestly looked for a reason to agree that we could accept this bill in the face of our energy problem because, being in favor of environmental legislation is not a bad position for an energy person to be in.

I tried awfully hard, but I had to come to the conclusion that this bill, which so seriously affects our coal production at a time when our total domestic production of oil is declining, at a time when we are not legislating an answer to our total energy issue, and thereby making us more vulnerable.

I come to the conclusion that the people who are paying the price, unfortunately, are the American consumers because, as we increase our imports between now and 1977, and the cartel increases its prices, the people that are going to pay the bill are the American consumers.

So, if you don't share with me the question of national security or the threat of embargo and its international blackmail implications, then share with me, please, the history of the last year where oil import prices have gone up four times, and we have every indication that they are going to go up further in the years to come.

We cannot visit that kind of disservice to the American people even in the light of a noble objective such as this one.

Q A follow up to the Cambodian question. I guess the answer was no.

MR. ZARB: From my standpoint, one had no relationship to the other.

THE PRESS: Thank you, Mr. Zarb.

END (AT 4:30 P.M. EDT)