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THE WHITE HOUSE

WASHINGTON

February 12, 1975

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN *VL*

FROM: DOUGLAS P. BENNETT *DPB*

SUBJECT: High-Level Consultation with Oil
Industry Chief Executive Officers

I am becoming increasingly aware that the individual oil companies are sending the message via their Washington representatives to the various oil state Congressmen to oppose the imposition of the tariff. I think it most timely and very important that we talk with the oil company leaders in an effort to gain their support or at least blunt their opposition to the President's energy program.

I have prepared the attached draft memorandum for you to send to Bill Baroody if you deem appropriate.

Attachment



THE WHITE HOUSE

WASHINGTON

DRAFT

Memorandum

We have noticed in the past couple of weeks opposition to the President's decision to impose a tariff on oil imports expressed by oil state Congressmen of both Houses. It is my view that there is a tendency on the part of the business leaders of this industry to be short-sighted in their views and are expressing this attitude to their elected officials. It strikes me that it might be very wise for the President or another very high-level official to call a meeting in Washington of the oil company chief executive officers (as opposed to industry association leaders such as Frank Ikhard) to fully discuss the President's program.

It seems to me we may be able to rally the support of the key oil principals involved and thereby greatly assisting our efforts to sustain a veto of H. R. 1767, the oil tariff 90-day delay bill.

THE WHITE HOUSE
WASHINGTON

March 3, 1975

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Oil Tariff Veto

It was indicated in the CR staff meeting this morning that the President is considering going on nationwide TV to announce his veto and the possibility of complying with the Democrats' desire for a 60-day deferral of the two and three dollar oil tariff.

In connection with this and in conversation with Joe Waggoner, he suggested it would be desirable for the President to describe the urgency of the energy situation in which we find ourselves. In describing the inflationary effect of our continued purchasing of foreign oil at world prices and the fact that we are importing approximately 40% of the United States needs now and, unless strong action is taken in the next few years, it will approach 50%, the President should point out that \$24.6 B went into the hands of foreign producers, this year thus depriving United States capital markets of these badly needed investment dollars. Although \$16 B was lent back to this country, we paid about 8% on that money (this is about a billion dollars in interest costs). This clearly is inflationary and contributes most adversely to the United States balance of payments position.

If we are going to find the amount of capital necessary for the United States to achieve the oil production levels necessary in coming years, we can ill-afford to send this amount of money out of this country. It must remain in our own capital markets. The imposition of the tariff while contributing to a reduction in consumption, also, importantly, is a large step in the direction of reducing dependence on foreign oil and increasing domestic production.

cc: William Kendall, Pat O'Donnell, Charles Leppert

MARCH 4, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

MODIFYING PROCLAMATION 3279, AS AMENDED, RELATING TO IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS, AND PROVIDING FOR THE LONG-TERM CONTROL OF IMPORTS OF PETROLEUM AND PETROLEUM PRODUCTS THROUGH A SYSTEM OF LICENSE FEES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, I judge it necessary and consistent with the national security, taking into account the economic welfare of the Nation, that provision be made to defer scheduled increases in the fees applicable to imported petroleum and petroleum products for a period of two months; and

WHEREAS, it is my intention that refiners located in territories of the United States, and in foreign trade zones, shall participate in the Mandatory Oil Import Program upon terms not less favorable than domestic refiners, and

WHEREAS, in order to facilitate such treatment, it is necessary that the Administrator of the Federal Energy Administration be authorized to determine at what point the oil import license fees effective February 1, 1975 shall be deemed to apply with respect to crude oil entered into such territories and zones, and

WHEREAS, I judge it necessary to permit a system for the receipt by Puerto Rico of sums equivalent to the license fees on petroleum consumed in Puerto Rico, to be appropriated by the Commonwealth for the benefit of individuals and corporations resident therein, comparable to the system which I have proposed for other parts of the United States,

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

Section 1. Subparagraphs (iii), (iv), and (viii) of subparagraph (1) of paragraph (a) of section 3 are amended to read as follows:

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

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

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that where duty drawbacks exceed the duty paid during that period, the net differences shall be applied to subsequent periods; provided that when the duty less drawbacks exceeds the fee imposed, the Administrator may provide that any excess may be used to reduce fees payable in subsequent months, such extended period not to exceed six months;

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

- for imports entered into the United States customs territory during the months of February, March and April, 1975, \$1.00 per barrel;

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

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

Section 2. Paragraph (a) of Section 3 is amended by adding subparagraph (5) to read as follows:

"(5) In order to ensure that refiners located in territories of the United States and in foreign trade zones are treated not less favorably than other United States refiners, the Administrator shall by regulation determine at what point crude oil, unfinished oils and finished products shipped into United States territories and foreign trade zones shall become subject to the fees imposed pursuant to paragraphs 3(a)(1)(i)-(iii)."

Section 3. Subparagraph (1) of paragraph (a) of Section 3 is amended by adding clause (x) to read as follows:

"(x) The Administrator shall by regulation reduce the fees payable by importers pursuant to paragraphs 3(a)(1)(i)-(iii) with respect to crude oil, unfinished oils, and finished products imported into Puerto Rico, or imported into Districts I-V and shipped to Puerto Rico, with or without further processing, and not shipped to Districts I-V, as crude oil, unfinished oils, or finished products, by the amount of any excise tax or other levy imposed and collected

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by the Government of Puerto Rico on such materials, Provided that refunds from or reductions in such excise tax or other levy are authorized in the same manner as are authorized with respect to payments prescribed by paragraphs 3(a)(1)(i)-(iii), Provided further that with respect to shipments to Puerto Rico from Districts I-V such shipments shall be deemed attributable to imported crude."

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

GERALD R. FORD

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THE WHITE HOUSE
WASHINGTON

March 4, 1975

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Ullman Plan

As the Ways and Means moves in the coming weeks to consider the plan developed by the Democratic members of that committee and in light of the fact that it comes closest to the conceptual approach of the President's plan, we should, if a modification to that plan can be worked out, effect a continuing dialogue with the committee and particularly with Dr. Larry Woodworth, who from my experience will be a primary guiding force. Chairman Ullman knows that in view of the diversity between his approach and that of the Wright Task Force, he must have help from the Republicans.

In regard to these points, I think it would be a good idea for Eric Zausner, Frank Zarb's Deputy, and Ernest Christian, Fred Hickman's Deputy for Tax Policy in Treasury, to maintain a continuing and close liaison with Woodworth. Christian is very highly regarded by Woodworth and the Ways and Means Committee and has a close relationship with them already. Although the "big guns" will be calling the shots from our standpoint, the less major modifications to the Ullman plan could be effected through these two individuals. Obviously, because of my background with the Ways and Means Committee I would be glad to work with them.

cc: Charles Leppert



THE WHITE HOUSE

WASHINGTON

March 26, 1975

MEMORANDUM FOR:

GLENN SCHLEEDE

FROM:

CHARLES LEPPERT, JR. *CLJr.*

SUBJECT:

Application of Sec. 32 of the Act of August 24, 1935, to the President's Imposition of Oil Import Fees

Attached is a copy of Sec. 32 of the Act of August 24, 1935, which I am told the Library of Congress in a report contends applies to the President's imposition of the oil import fees.

I have requested a copy of the Library of Congress Study or report and will make it available to you as soon as I receive it. In the interim you may want to inquire from our people if the 30% figure in Sec. 32 does apply to the imposition of oil import fees under the President's energy program.

SECTION 32 AND RELATED STATUTES

SECTION 32 OF PUBLIC LAW NO. 320, SEVENTY-FOURTH CONGRESS¹

Sec. 32. There is hereby appropriated for each fiscal year beginning with the fiscal year ending June 30, 1936, an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period January 1 to December 31, both inclusive, preceding the beginning of each such fiscal year.² Such sums shall be maintained in a separate fund and shall be used by the Secretary of Agriculture only to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations or by other means, among persons in low-income groups as determined by the Secretary of Agriculture; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. Determinations by the Secretary as to what constitutes diversion and what constitutes normal channels of trade and commerce and what constitutes normal production for domestic consumption shall be final.

The sums appropriated under this section shall be expended for such one or more of the above-specified purposes, and at such times, in such manner, and in such amounts as the Secretary of Agriculture finds will effectuate substantial accomplishment of any one or more of the purposes of this section.³ Notwithstanding any other provision of this section, the amount that may be devoted, during any fiscal

¹ The Act of August 24, 1935, 49 Stat. 750, 774. Although this section has been amended a number of times, the purposes of Section 32—through payments or indemnities to encourage the exportation and domestic consumption of agricultural commodities and products and to reestablish farmers' purchasing power in connection with the normal production of agricultural commodities—remain basically the same since February 29, 1936. Authority to encourage consumption of agricultural commodities and products by their utilization among persons in low-income groups was added by amendment of clause (2) in 1939 (53 Stat. 975). Later amendments are noted.

Surplus agricultural commodities purchased under clause (2) may be donated for relief purposes and for use in nonprofit summer camps for children under the Act of June 28, 1937 (p. 231), and may be donated to schools and service institutions under sections 9 and 13 of the National School Lunch Act, as amended, (p. 266) and section 8 of the Child Nutrition Act of 1966 (p. 284).

² Section 205 of the Agricultural Act of 1956 (see p. 232) authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957, of \$500,000,000 to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such section, except that up to 50 percent of the \$500,000,000 may be devoted during any fiscal year to any one agricultural commodity or the products thereof.

³ For the administration of Section 32, not to exceed 4% of the total amount available for such section in any fiscal year may be used for that purpose under the limitation contained in section 392(b) of the Agricultural Act of 1938, as amended, p. 148.



SEC. 410. The provisions of section 620(e) of the Foreign Assistance Act of 1961, as amended (referring to nationalization, expropriation, and related governmental Acts affecting property owned by United States citizens), shall be applicable to assistance provided under title I of this Act.³² (7 U.S.C. 1736d.)

SEC. 411.^{32a} No agricultural commodities shall be sold under title I or title III or donated under title II of this Act to North Vietnam, unless by an Act of Congress enacted subsequent to July 1, 1973, assistance to North Vietnam is specifically authorized. (7 U.S.C. 1736e.)

³² Sec. 620(e) of the Foreign Assistance Act of 1961, P.L. 87-195, 75 Stat. 444, Sept. 4, 1961, as amended (22 U.S.C. 2370(e)) reads in part as follows:

"(e) (1) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

(A) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(B) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(C) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned.

and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action, or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange, equivalent to the full value thereof, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be; and such suspension shall continue until the President is satisfied that appropriate steps are being taken, and the provisions of this subsection shall not be waived with respect to any country unless the President determines and certifies that such a waiver is important to the national interests of the United States. Such certification shall be reported immediately to Congress."

^{32a} Sec. 411 was added by Sec. 1(26) of the Agriculture and Consumer Protection Act of 1973, P.L. 93-86, 87 Stat. 237, Aug. 10, 1973.

year after June 30, 1939, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for such fiscal year. The sums appropriated under this section shall be devoted principally to perishable non-basic agricultural commodities (other than those receiving price support under title II of the Agriculture Act of 1949)⁴ and their products.⁵ The sums appropriated under this section shall, notwithstanding the provisions of any other law, continue to remain available for the purposes of this section until expended; but any excess of the amount remaining unexpended at the end of any fiscal year over \$300,000,000 shall, in the same manner as though it had been appropriated for the service of such fiscal year, be subject to the provisions of section 3690⁶ of the Revised Statutes (U.S.C., title 31, sec. 712), and section 5⁷ of the Act entitled "An Act making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June thirtieth, eighteen hundred and seventy-five and for other purposes" (U.S.C., title 31, sec. 714).⁸ (7 U.S.C. 612c)

ACT OF JUNE 28, 1937, AS AMENDED⁹

To extend the time for purchase and distribution of surplus agricultural commodities for relief purposes and to continue the Federal Surplus Commodities Corporation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in carrying out the provisions of clause (2) of section 32 of the Act approved August 24, 1935 (49 Stat. 77), as amended, the Secretary of Agriculture may transfer to the Federal Surplus Commodities Corporation,¹⁰ which Corporation is continued, until June 30, 1945, as an agency of the United States under the direction of the Secretary of Agriculture, such funds, appropriated by said section, as may be necessary for the purpose of effectuating clause (2) of said section: *Provided*, That such transferred funds, together with other funds of the Corporation, may be used for purchasing, exchanging, processing, distributing, disposing, transporting, sorting, and handling of agricultural commodities and products thereof and inspection costs, commissions, and other incidental costs and expenses, without regard to the provisions of existing law governing the expenditure of public funds and for administrative expenses, including rent, printing and binding, and the employment of persons and means, in the District of Columbia, and elsewhere, such employment of persons to be in accordance with the provisions of law applicable to the employment of persons by the Agricultural Adjustment Administration.

In carrying out clause (2) of section 32, the funds appropriated by said section may be used for the purchase, without regard to the provisions of existing law governing the expenditure of public

⁴ The clause within the parentheses was substituted for "other than those designated in title II of the Agricultural Act of 1949" by sec. 5 of the Act of January 30, 1954, 68 Stat. 4.

⁵ This sentence was added by sec. 411 of the Agricultural Act of 1949, 63 Stat. 1057.

⁶ Superseded by the Act of July 6, 1949, 63 Stat. 407, 31 U.S.C. 712a, and the Act of July 25, 1956, 70 Stat. 647, as amended, 31 U.S.C. 701-708.

⁷ This sentence was added by section 301 of the Agricultural Act of 1948, 62 Stat. 1257.

⁸ 50 Stat. 223; February 16, 1938, 52 Stat. 31, 38; June 27, 1942, 56 Stat. 461.

⁹ The functions of the Federal Surplus Commodities Corporation have been transferred to the Secretary of Agriculture (15 U.S.C. 713c note, 713 c-2 note) and the Corporation has been dissolved.

funds, of agricultural commodities and products thereof, and such commodities, as well as agricultural commodities and products thereof purchased under the preceding paragraph of this section, may be donated for relief purposes and for use in nonprofit summer camps for children.¹⁰ (15 U.S.C. 713c.)

UTILIZATION OF COMMODITY CREDIT CORPORATION

Agricultural Act of 1949—SEC. 404. The Secretary, in carrying out programs under section 32 of Public Law Numbered 320, Seventy-fourth Congress, approved August 24, 1935, as amended, and section 6 of the National School Lunch Act, may utilize the services and facilities of the Commodity Credit Corporation (including but not limited to procurement by contract), and make advance payments to it. (7 U.S.C. 1424.)

APPROPRIATION TO SUPPLEMENT SECTION 32 FUNDS

Agricultural Act of 1956—SEC. 205. There is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1957, the sum of \$500,000,000 to enable the Secretary of Agriculture to further carry out the provisions of section 32, Public Law 320, Seventy-fourth Congress, as amended (7 U.S.C. 612c), subject to all provisions of law relating to the expenditure of funds appropriated by such section, except that up to 50 per centum of such \$500,000,000 may be devoted during any fiscal year to any one agricultural commodity or the products thereof. (7 U.S.C. 1855.)

ACT OF AUGUST 11, 1939¹¹

To authorize the Federal Surplus Commodities Corporation to purchase and distribute surplus products of the fishing industry.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any part of the funds not to exceed \$1,500,000 per year, transferred by the Secretary of Agriculture to the Federal Surplus Commodities Corporation⁹ created under and to carry out the provisions of section 32 of the Act of August 24, 1935 (49 Stat. 774), as amended, may also be used by such Corporation for the purpose of diverting surplus fishery products (including fish, shellfish, mollusks, and crustacea) from the normal channels of trade and commerce by acquiring them and providing for their distribution through Federal, State, and private relief channels: *Provided*, That none of the funds made available to the Federal Surplus Commodities Corporation under this Act shall be used to purchase any of the commodities designated in this Act which may have been produced in any foreign country. The provisions of law relating to the acquisition of materials or supplies for the United States shall not apply to the acquisition of commodities under this Act. (15 U.S.C. 713c-2.)

¹⁰ The last nine words were added by the Act of July 2, 1958, 72 Stat. 286.

¹¹ 53 Stat. 1411.

SECTION 32 AND RELATED STATUTES

SECTION 32 OF PUBLIC LAW NO. 320, SEVENTY-FOURTH CONGRESS¹

SEC. 32. There is hereby appropriated for each fiscal year beginning with the fiscal year ending June 30, 1936, an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period January 1 to December 31; both inclusive, preceding the beginning of each such fiscal year.² Such sums shall be maintained in a separate fund and shall be used by the Secretary of Agriculture only to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations or by other means, among persons in low-income groups as determined by the Secretary of Agriculture; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. Determinations by the Secretary as to what constitutes diversion and what constitutes normal channels of trade and commerce and what constitutes normal production for domestic consumption shall be final.

The sums appropriated under this section shall be expended for such one or more of the above-specified purposes, and at such times, in such manner, and in such amounts as the Secretary of Agriculture finds will effectuate substantial accomplishment of any one or more of the purposes of this section.³ Notwithstanding any other provision of this section, the amount that may be devoted, during any fiscal

¹ The Act of August 24, 1935, 49 Stat. 750, 774. Although this section has been amended a number of times, the purposes of Section 32—through payments or indemnities to encourage the exportation and domestic consumption of agricultural commodities and products and to reestablish farmers' purchasing power in connection with the normal production of agricultural commodities—remain basically the same since February 29, 1936. Authority to encourage consumption of agricultural commodities and products by their utilization among persons in low-income groups was added by amendment of clause (2) in 1939 (53 Stat. 975). Later amendments are noted.

Surplus agricultural commodities purchased under clause (2) may be donated for relief purposes and for use in nonprofit summer camps for children under the Act of June 28, 1937 (p. 231), and may be donated to schools and service institutions under sections 9 and 13 of the National School Lunch Act, as amended, (p. 266) and section 8 of the Child Nutrition Act of 1966 (p. 284).

² Section 205 of the Agricultural Act of 1956 (see p. 232) authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957, of \$500,000,000 to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such section, except that up to 50 percent of the \$500,000,000 may be devoted during any fiscal year to any one agricultural commodity or the products thereof.

³ For the administration of Section 32, not to exceed 4% of the total amount available for such section in any fiscal year may be used for that purpose under the limitation contained in section 392(b) of the Agricultural Act of 1933, as amended, p. 148.

year after June 30, 1939, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for such fiscal year. The sums appropriated under this section shall be devoted principally to perishable non-basic agricultural commodities (other than those receiving price support under title II of the Agriculture Act of 1949)⁴ and their products.⁵ The sums appropriated under this section shall, notwithstanding the provisions of any other law, continue to remain available for the purposes of this section until expended; but any excess of the amount remaining unexpended at the end of any fiscal year over \$300,000,000 shall, in the same manner as though it had been appropriated for the service of such fiscal year, be subject to the provisions of section 3690⁶ of the Revised Statutes (U.S.C., title 31, sec. 712), and section 5⁷ of the Act entitled "An Act making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June thirtieth, eighteen hundred and seventy-five and for other purposes" (U.S.C., title 31, sec. 714).⁸ (7 U.S.C. 612c)

ACT OF JUNE 28, 1937, AS AMENDED

To extend the time for purchase and distribution of surplus agricultural commodities for relief purposes and to continue the Federal Surplus Commodities Corporation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in carrying out the provisions of clause (2) of section 32 of the Act approved August 24, 1935 (49 Stat. 77), as amended, the Secretary of Agriculture may transfer to the Federal Surplus Commodities Corporation,⁹ which Corporation is continued, until June 30, 1945, as an agency of the United States under the direction of the Secretary of Agriculture, such funds, appropriated by said section, as may be necessary for the purpose of effectuating clause (2) of said section: *Provided*, That such transferred funds, together with other funds of the Corporation, may be used for purchasing, exchanging, processing, distributing, disposing, transporting, sorting, and handling of agricultural commodities and products thereof and inspection costs, commissions, and other incidental costs and expenses, without regard to the provisions of existing law governing the expenditure of public funds and for administrative expenses, including rent, printing and binding, and the employment of persons and means, in the District of Columbia, and elsewhere, such employment of persons to be in accordance with the provisions of law applicable to the employment of persons by the Agricultural Adjustment Administration.

In carrying out clause (2) of section 32, the funds appropriated by said section may be used for the purchase, without regard to the provisions of existing law governing the expenditure of public

⁴ The clause within the parentheses was substituted for "other than those designated in title II of the Agricultural Act of 1949" by sec. 5 of the Act of January 30, 1954, 68 Stat. 4.

⁵ This sentence was added by sec. 411 of the Agricultural Act of 1949, 63 Stat. 1057.

⁶ Superseded by the Act of July 6, 1949, 63 Stat. 407, 31 U.S.C. 712a, and the Act of July 25, 1950, 70 Stat. 647, as amended, 31 U.S.C. 701-708.

⁷ This sentence was added by section 301 of the Agricultural Act of 1948, 62 Stat. 1257.

⁸ 50 Stat. 323; February 16, 1938, 52 Stat. 31, 38; June 27, 1942, 56 Stat. 461.

⁹ The functions of the Federal Surplus Commodities Corporation have been transferred to the Secretary of Agriculture (15 U.S.C. 713c note 713c-2 note) and the Corporation has been dissolved.



SECTION 32 AND RELATED STATUTES

SECTION 32 OF PUBLIC LAW NO. 320, SEVENTY-FOURTH CONGRESS¹

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The sums appropriated under this section shall be expended for such one or more of the above-specified purposes, and at such times, in such manner, and in such amounts as the Secretary of Agriculture finds will effectuate substantial accomplishment of any one or more of the purposes of this section.³ Notwithstanding any other provision of this section, the amount that may be devoted, during any fiscal

¹ The Act of August 24, 1935, 49 Stat. 750, 774. Although this section has been amended a number of times, the purposes of Section 32—through payments or indemnities to encourage the exportation and domestic consumption of agricultural commodities and products and to reestablish farmers' purchasing power in connection with the normal production of agricultural commodities—remain basically the same since February 29, 1936. Authority to encourage consumption of agricultural commodities and products by their utilization among persons in low-income groups was added by amendment of clause (2) in 1939 (53 Stat. 975). Later amendments are noted.

Surplus agricultural commodities purchased under clause (2) may be donated for relief purposes and for use in nonprofit summer camps for children under the Act of June 28, 1937 (p. 231), and may be donated to schools and service institutions under sections 9 and 13 of the National School Lunch Act, as amended, (p. 266) and section 8 of the Child Nutrition Act of 1966 (p. 284).

² Section 205 of the Agricultural Act of 1956 (see p. 232) authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957, of \$500,000,000 to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such section, except that up to 50 percent of the \$500,000,000 may be devoted during any fiscal year to any one agricultural commodity or the products thereof.

³ For the administration of Section 32, not to exceed 4% of the total amount available for such section in any fiscal year may be used for that purpose under the limitation contained in section 392(b) of the Agricultural Act of 1938, as amended, p. 148.

year after June 30, 1939, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for such fiscal year. The sums appropriated under this section shall be devoted principally to perishable non-basic agricultural commodities (other than those receiving price support under title II of the Agriculture Act of 1949)⁴ and their products.⁵ The sums appropriated under this section shall, notwithstanding the provisions of any other law, continue to remain available for the purposes of this section until expended; but any excess of the amount remaining unexpended at the end of any fiscal year over \$300,000,000 shall, in the same manner as though it had been appropriated for the service of such fiscal year, be subject to the provisions of section 3690⁶ of the Revised Statutes (U.S.C., title 31, sec. 712), and section 5⁷ of the Act entitled "An Act making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June thirtieth, eighteen hundred and seventy-five and for other purposes" (U.S.C., title 31, sec. 714).⁷ (7 U.S.C. 612c)

ACT OF JUNE 28, 1937, AS AMENDED⁸

To extend the time for purchase and distribution of surplus agricultural commodities for relief purposes and to continue the Federal Surplus Commodities Corporation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in carrying out the provisions of clause (2) of section 32 of the Act approved August 24, 1935 (49 Stat. 77), as amended, the Secretary of Agriculture may transfer to the Federal Surplus Commodities Corporation,⁹ which Corporation is continued, until June 30, 1945, as an agency of the United States under the direction of the Secretary of Agriculture, such funds, appropriated by said section, as may be necessary for the purpose of effectuating clause (2) of said section: *Provided*, That such transferred funds, together with other funds of the Corporation, may be used for purchasing, exchanging, processing, distributing, disposing, transporting, sorting, and handling of agricultural commodities and products thereof and inspection costs, commissions, and other incidental costs and expenses, without regard to the provisions of existing law governing the expenditure of public funds and for administrative expenses, including rent, printing and binding, and the employment of persons and means, in the District of Columbia, and elsewhere, such employment of persons to be in accordance with the provisions of law applicable to the employment of persons by the Agricultural Adjustment Administration.

In carrying out clause (2) of section 32, the funds appropriated by said section may be used for the purchase, without regard to the provisions of existing law governing the expenditure of public

⁴ The clause within the parentheses was substituted for "other than those designated in title II of the Agricultural Act of 1949" by sec. 5 of the Act of January 30, 1954, 68 Stat. 4.

⁵ This sentence was added by sec. 411 of the Agricultural Act of 1949, 63 Stat. 1057.

⁶ Superseded by the Act of July 6, 1949, 63 Stat. 407, 31 U.S.C. 712a, and the Act of July 25, 1950, 70 Stat. 647, as amended, 31 U.S.C. 701-708.

⁷ This sentence was added by section 301 of the Agricultural Act of 1948, 62 Stat. 1257.

⁸ 50 Stat. 323; February 16, 1938, 52 Stat. 31, 38; June 27, 1942, 56 Stat. 461.

⁹ The functions of the Federal Surplus Commodities Corporation have been transferred to the Secretary of Agriculture (15 U.S.C. 713c note, 713c-2 note) and the Corporation has been dissolved.



SECTION 32 AND RELATED STATUTES

SECTION 32 OF PUBLIC LAW NO. 320, SEVENTY-FOURTH CONGRESS¹

Sec. 32. There is hereby appropriated for each fiscal year beginning with the fiscal year ending June 30, 1936, an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period January 1 to December 31, both inclusive, preceding the beginning of each such fiscal year.² Such sums shall be maintained in a separate fund and shall be used by the Secretary of Agriculture only to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations or by other means, among persons in low-income groups as determined by the Secretary of Agriculture; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. Determinations by the Secretary as to what constitutes diversion and what constitutes normal channels of trade and commerce and what constitutes normal production for domestic consumption shall be final.

The sums appropriated under this section shall be expended for such one or more of the above-specified purposes, and at such times, in such manner, and in such amounts as the Secretary of Agriculture finds will effectuate substantial accomplishment of any one or more of the purposes of this section.³ Notwithstanding any other provision of this section, the amount that may be devoted, during any fiscal

¹ The Act of August 24, 1935, 49 Stat. 750, 774. Although this section has been amended a number of times, the purposes of Section 32—through payments or indemnities to encourage the exportation and domestic consumption of agricultural commodities and products and to reestablish farmers' purchasing power in connection with the normal production of agricultural commodities—remain basically the same since February 29, 1936. Authority to encourage consumption of agricultural commodities and products by their utilization among persons in low-income groups was added by amendment of clause (2) in 1939 (53 Stat. 975). Later amendments are noted.

Surplus agricultural commodities purchased under clause (2) may be donated for relief purposes and for use in nonprofit summer camps for children under the Act of June 29, 1937 (p. 231), and may be donated to schools and service institutions under sections 9 and 13 of the National School Lunch Act, as amended, (p. 266) and section 8 of the Child Nutrition Act of 1966 (p. 234).

² Section 205 of the Agricultural Act of 1956 (see p. 232) authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957, of \$500,000,000 to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such section, except that up to 50 percent of the \$500,000,000 may be devoted during any fiscal year to any one agricultural commodity or the products thereof.

³ For the administration of Section 32, not to exceed 4% of the total amount available for such section in any fiscal year may be used for that purpose under the limitation contained in section 392(b) of the Agricultural Act of 1938, as amended, p. 148.

year after June 30, 1939, to any one agricultural commodity or the products thereof in such fiscal year, shall not exceed 25 per centum of the funds available under this section for such fiscal year. The sums appropriated under this section shall be devoted principally to perishable non-basic agricultural commodities (other than those receiving price support under title II of the Agriculture Act of 1949)⁴ and their products.⁵ The sums appropriated under this section shall, notwithstanding the provisions of any other law, continue to remain available for the purposes of this section until expended; but any excess of the amount remaining unexpended at the end of any fiscal year over \$300,000,000 shall, in the same manner as though it had been appropriated for the service of such fiscal year, be subject to the provisions of section 3690⁶ of the Revised Statutes (U.S.C., title 31, sec. 712), and section 5⁷ of the Act entitled "An Act making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June thirtieth, eighteen hundred and seventy-five and for other purposes" (U.S.C., title 31, sec. 714).⁷ (7 U.S.C. 612c)

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In carrying out clause (2) of section 32, the funds appropriated by said section may be used for the purchase, without regard to the provisions of existing law governing the expenditure of public

⁴ The clause within the parentheses was substituted for "other than those designated in title II of the Agricultural Act of 1949" by sec. 5 of the Act of January 30, 1954, 68 Stat. 4.

⁵ This sentence was added by sec. 411 of the Agricultural Act of 1949, 63 Stat. 1057.

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⁶ Superseded by the Act of July 6, 1949, 63 Stat. 407, 31 U.S.C. 712a, and the Act of July 25, 1950, 70 Stat. 647, as amended, 31 U.S.C. 701-708.

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⁹ The functions of the Federal Surplus Commodities Corporation have been transferred to the Secretary of Agriculture (15 U.S.C. 713c note, 712 c-2 note) and the Corporation has been dissolved.



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NORMAN E. D'AMOURS, N.H.

U.S. House of Representatives
Committee on Agriculture
Room 1301, Longworth House Office Building
Washington, D.C. 20515

April 3, 1975

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JOHN RAINBOLT,
HYDE H. MURRAY,
COUNSELS

L. T. EASLEY,
PRESS ASSISTANT

Mr. Charles Leppert, Jr.
The White House
Washington, D. C. 20500

Dear Charlie:

Attached please find a Library of Congress memo to me in regard to the status of "Section 32" vis-a-vis the oil import fee.

As you will note, they conclude that "Section 32" will not be enriched by oil revenues.

Best wishes,


Hyde H. Murray
Counsel

Enclosure

HHM:abc



The Library of Congress

Congressional Research Service

Washington, D.C. 20540

March 28, 1975

TO: The House Agriculture Committee
Attention: Hyde Murray

FROM: Leo V. Mayer
Senior Specialist in Agriculture

SUBJECT: Section 32 and Oil Imports

After much chasing of the wrong rabbit, I finally located someone acquainted with the new import tax on oil. It turns out that the Administration labeled this a "license fee" and provided that FEA collect it rather than Customs. Thus it is technically not a customs duty and Section 32 will not be affected by it.

Sorry it took so long. Finding the right person and asking the right question is often time consuming in this Government.

LVM:mc

April 14, 1975

SUMMARY OF STANDBY ENERGY AUTHORITIES ACT

(S. 622)

The Senate adopted the "Standby Energy Authorities Act" to deal with domestic energy shortages or curtailment of oil imports. Similar legislation is presently under consideration in the House Commerce Subcommittee on Energy and Power.

A description of S. 622 as passed is outlined below:

Any energy conservation or rationing plan under this Act will be based upon consideration of the economic impacts of the following:

- a. State and local governments
- b. Vital industrial sectors of the economy
- c. Employment
- d. "Economic vitality" of regional areas
- e. Availability and price of consumer goods and services
- f. Gross national product
- g. Industry competition
- h. Small businesses
- i. Supply and availability of energy resources for the use of fuel as a feedstock for industry.

Standby Authorities

- Requires the President to develop a contingency plan within 180 days of enactment of this Act and a plan for rationing within 90 days of enactment.
- Requires the President to determine that acute energy shortages exist before authorities can go into effect, or that such plans are necessary to meet obligations under the IEA.
- Limits measures effected under standby authority to a duration of nine months.
- The Standby Authority expires June 30, 1977.

End-Use Rationing

- At the President's discretion, but subject to Congressional approval, a program may be promulgated which will set up an end-use basis for rationing crude oil, residual, or any refined petroleum product.
- These rationing provisions are to be carried out under the provisions of the "Emergency Petroleum Allocation Act of 1973", notwithstanding the expiration of that Act.
- No tax or fee may be used to ration.

Energy Conservation

- Authorizes the President to promulgate energy conservation plans, subject to Congressional review and the right of disapproval by the adoption of a resolution by either house.
- Authorizes the President to establish an interim conservation plan until a national conservation plan is set up, or until conservation standards are established.
- The conservation provision requires the Federal Energy Administration to promulgate regulations which will set up a broad range of standards from which each state must adopt an efficient conservation program tailored to local conditions.
- Establishes a goal for a 12-month period after enactment of the reduction in energy consumption of refined petroleum products of 4% (approximately 700,000 barrels per day).
- Requires that within 3 months a mandatory standard for energy efficiency should be established, among others, in the following areas:
 - Lighting in public buildings
 - Thermal efficiency for new federal buildings or buildings subsidized by the government
 - Restrictions on hours for public buildings
 - Standards for increased industrial efficiency
 - Enforcement of 55 M.P.H. speed limit
 - Standards for discretionary transportation activities

Coal Conversion

Extends the Energy Supply and Environmental Coordination Act of 1974 to December 31, 1975, from June 30, 1975.

Petroleum Allocation

- The Emergency Petroleum Allocation Act will be extended to March 1, 1976.
- Requires that allocation based on historical periods provide for adjustments for regional disparities, population growth and climatic changes.
- Provides for a priority allocation system for fuels used to explore, develop and transport other fuels.

Refinery Slate Control

- President is authorized to order adjustments to refinery operations.

Price Regulations

- Establishes a four-tier pricing system.
 - Old oil prices fixed at prices permitted on January 1, 1975
 - Raises the price of controlled oil to \$7.50 to provide for secondary and tertiary recovery. (Johnston and Jackson amendments)
 - Stripper and new oil prices limited to the maximum average price on January 31, 1975
 - Imports are not subject to these limits.

Entitlements Program

- Exempts the first 50,000 barrels per day produced from small refineries if their refining capacity did not exceed 100,000 barrels per day on January 1, 1975.

Materials Allocation

- Amends the Defense Production Act to allow the allocation of supplies of materials and equipment in order to maximize energy supplies.

Maximum Efficiency Rate

- President may order production in excess of MER for 90 days on fields designated after consultation with State regulatory agency.
- Provides the President with the authority to utilize production of oil and gas on federal lands. However, this excludes additional authorities to produce from the Naval Petroleum Reserves.

International Energy Agency

- Authorizes the President to order such action as may be necessary for implementation of United States international energy agreements, including domestic allocation and export of domestic petroleum.

State Authorities

- The President may delegate authorities and responsibilities to State and local officers.
- Gives grants to States to implement authorities given provided that plans for energy conservation are submitted.

Exports

- President is authorized to restrict exports of coal, petroleum, natural gas and energy production equipment.

Energy Information

- Adopts the broad energy gathering authority in the Energy Supply and Environmental Coordination Act of 1974 and the FEA Act of 1974.
- Defines "energy information" as applied to any person engaged in energy supply or consumption as pertaining to:
 - corporate structure
 - financial and capital data
 - energy supply contracts
 - current rates of production
 - allocations between captive and other customers
 - inventories, costs, prices
 - transportation
 - supply and demand projections
 - demand restraint measures; and
 - "other subjects" necessary to carrying out the Act.

PRELIMINARY COMPARISON OF MAJOR ENERGY
CONTINGENCY, PRICING AND
CONSERVATION PROPOSALS

APRIL 14, 1975

INCLUDED ARE PROPOSALS BY:

- Administration (Energy Independence Act - S. 594)
- Senate Standby Energy Bill (S. 622)
- House Subcommittee on Energy and Power (Representative Dingell)
- House Ways and Means Committee (Representative Wilman)

ADMINISTRATION PROPOSALS
(S. 594)

SENATE STANDBY ENERGY BILL
(S. 622)

DINGELL BILL
(Committee Print)

CONGRESSMAN ULLMAN'S PROPOSAL
(House Ways and Means Committee)

Provides the President w/
standby authorization
upon determination that
an emergency condition
exists.

Provides for Presidential
authority to carry out
such action needed to
implement the Int'l Energy
Agreement.

Emergency authorities
include allocation and
rationing of petroleum.

Invoked upon a determina-
tion that emergency con-
ditions exist (opposes a
short-term limitation).

Provides for control over
petroleum pricing during
period of a shortage.

(Opposed to a limitation
of duration.)

Provides the President w/
standby authorization upon
determination that an emer-
gency condition exists.

Provides for Presidential
authority to carry out
such action needed to
implement the Int'l Energy
Agreement.

Requires the President to
develop a contingency plan
w/n 180 days and a ration-
ing plan w/n 90 days of
enactment (subject to
Congressional approval).

Emergency authorities include
allocation and rationing of
petroleum upon Congressional
approval.

Limits standby measures to a
duration of 9 months.

No tax or fees may be used
to ration.

Authority expires 3/30/77.

Provides the President w/
standby authorization
upon determination that
an emergency condition
exists.

Provides for Presidential
authority to carry out
such action needed to
implement the Int'l Energy
Agreement.

Allows the President to
exercise a contingency plan
upon Congressional approval.

Emergency authorities
include allocation and
rationing of petroleum
upon Congressional
approval.

Limits standby measures to
a duration of 18 months.

No tax or fees may be used
to ration.

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ADMINISTRATION PROPOSALS
(S. 594)

SENATE STANDBY ENERGY BILL
(S. 622)

DINGELL BILL
(Committee Print)

CONGRESSMAN ULLMAN'S PROPOSAL
(House Ways and Means Committee)

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During periods of severe shortage, the President is authorized to allocate energy production materials and equipment.

Implemented by the Department of Commerce.

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(Supports broadening the Defense Production Act)

The President is authorized to restrict the export of energy-related equipment or materials.

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(Opposes the extension of the EPAA) A product-by-product phase out of allocation controls is one viable option.

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FEA is preparing new contingency allocation plans to simplify the existing system.

Residual fuel may be given special consideration due to the larger quantity imported, and its impact on electric

During periods of severe shortage, the President is authorized to allocate energy production materials and equipment.

Implemented by the Department of Commerce.

Broadens the Defense Production Act to allow the allocation of energy production materials and equipment in times of national defense and/or an energy shortage.

The President is authorized to restrict the export of energy-related equipment or materials.

Extends the Emergency Petroleum Allocation Act to March 1, 1976.

Provides for a priority system for fuels used to explore, develop and transport other fuels.

The President is authorized to order adjustments to refinery operators.
Residual and refined petroleum

During periods of severe shortage, the President is authorized to allocate energy production materials and equipment.

Implemented by the Department of Commerce.

The President is authorized to restrict the export of energy-related equipment or materials.

Amends Emergency Petroleum Allocation Act to phase out the mandatory allocation system to provide for standby allocation.

Extends the Emergency Petroleum Allocation Act providing allocation on a regional hardship basis.

Freezes proposed duty for winter 1975 and 1976. (Also applicable to distillate)

ADMINISTRATION PROPOSALS
(S. 594)

SENATE STANDBY ENERGY BILL
(S. 622)

DINGELL BILL
(Committee Print)

CONGRESSMAN ULLMAN'S PROPOS
(House Ways and Means Commi

M Maximum Efficiency Rates:
E May compromise on
R discretionary authority
& to set maximum efficiency
rates.

Provides the President w/
authority to produce at
maximum rates of production
in excess of the MER of
production not to exceed a
90-day term.

Provides the President w/
authority to produce at
maximum rates of production
in excess of the MER of
production not to exceed
a 90-day term. (This
section as deleted in
markup by an Eckhardt
amendment, 4-9-75).

N
P Advocates increased produc-
R tion of Naval Petroleum
Reserves.

Authorizes the President to
utilize production of oil and
gas on Federal lands excluding
Naval Petroleum Reserves.

I.

E Provides for enforcement of
N a mandatory plan. (Opposed
E to a one-House veto)
R (Believes a comprehensive
G plan w/ government inter-
Y vention may be unwarranted)

Authorizes the President to
promulgate a mandatory pro-
gram subject to Congressional
review and right to disapprov-
al by either House.

Authorizes the President to
promulgate a mandatory pro-
gram subject to Congression-
al review and right to dis-
approval by either House.

C Total effect on energy con-
O sumption and aggregate
N economic effects on indi-
S vidual sectors are advisable.

Restricted to a one-subject
plan (or one plan-of-action).

Requires Federal agencies to
set up a mandatory program of
energy efficiency standards
to be implemented by FEA w/n
3 months.

Provides for a voluntary
program of energy efficiency
standards to be implemented
by FEA.

Authorizes the President to
establish an interim conser-
vation plan.

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ADMINISTRATION PROPOSALS
(S. 594)

SENATE STANDBY ENERGY BILL
(S. 622)

DINGELL BILL
(Committee Print)

CONGRESSMAN ULLMAN'S PROPOSAL
(House Ways and Means Committee)

The President set a goal of 1-million b/d reduction for calendar year 1975.

Considering a reduction of allocation fractions or the application of a fraction to end-users. Possibly SNG plant feedstock use and commercial use could be reduced to 80 or 90 percent of current base load.

Establishes a goal for the 12-month period following enactment of a reduction in energy consumption of 4 percent of projected domestic consumption of refined products (estimated to be 700,000 b/d).

Authority expires 6/30/76.

Provides authority to impose quotas, tariffs, import fees and price floors. FEA has administrative responsibility.

Requires a 2-percent reduction on gasoline consumption compared to a 1972 base w/ no increase in consumption for 3 years. Establishes an Energy Consumption Permit Program to improve efficiency of large consumers of petroleum, natural gas or synthetic fuels.

Imposes quantitative limitation on imports ranging from 6.0 million barrels a day in 1975 to 5.5 million barrels in 1976 and thereafter; 2 million barrels of which will be composed of residual and distillate fuel oil.

Expands existing authority (Clean Air Act; Energy Supply and Environmental Coordination Act (ESECA)) to require plant conversions to coal; and to reduce imports by 100,000 b/d in 1975 and 300,000 b/d by 1977. (Lack of adequate extension of the ESECA would disallow mandatory conversion in the industrial sector. Estimated savings are 300-500,000 b/d by 1980-1982.)

Extends the ESECA to 6/30/75.

Extends the ESECA to 6/30/77.

Requires plant conversions to coal as expeditiously as possible.

Expands investment tax credit

ADMINISTRATION PROPOSALS
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(House Ways and Means Committee)

STATE GRANTS

New programs believed to be unnecessary.

The President may delegate authorities and responsibilities to state and local officers.

States are currently receiving funding through FEA's \$10-million reimbursement program for conservation action.

Gives grants to states to implement authorities given provided that plans for energy conservation are submitted.

III.

PRICE CONTROLS

EPAA should expire to effect crude oil decontrol (crude oil decontrol was scheduled for April 1 but was temporarily deferred).

Retains price control on currently regulated crude oil (does not limit or extend EPAA authorities).

Extends EPAA to 3/1/76.

Authority to control prices during petroleum shortages.

Establishes a four-tier pricing system:

Pricing system includes:

New oil as redefined

- (1) old oil - prices fixed at the permitted 1/1/75 level.
- (2) new and stripper oil - limited to the maximum average price on 3/31/75.
- (3) recovered oil - secondary and tertiary recovery oil. prices rise to \$7.50 for controlled oil.
- (4) imported oil - not subject to these controls.

- (1) Limits the price of domestic crude oil to a maximum of \$1.35 per day over highest posted prices on 5/15/73.
- (2) Stripper oil is exempt from price controls only if the production of the well is less than 18,400 b/d.
- (3) Recovery oil - provides for gradual removal of a portion of controls of an increased production level.

Gradually remove the controlled price of old oil over next 5-6 years.
(No jurisdiction)

Immediate decontrol of secondary and tertiary recovery.
(No jurisdiction)

ADMINISTRATION PROPOSALS
(S. 594)

SENATE STANDBY ENERGY BILL
(S. 622)

DINGELL BILL
(Committee Print)

CONGRESSMAN ULLMAN'S PROPOSAL
(House Ways and Means Committee)

Advocates "new" natural gas
decontrol.

(No jurisdiction)

Ullman's proposal is to be
expedited through Dingell's
Committee. (Dingell is
opposed to natural gas
deregulation, however.)

"New" natural gas committed
interstate commerce gradual
decontrolled (coupled w/ wind
fall profits tax).

(Working w/ Senate Commerce
Committee on compromise
"phase-out" decontrol legis-
lation coupled w/ a windfall
profits tax.

(No jurisdiction over the
price of natural gas.)

The Administration opposes
exemption of FEA's entitle-
ment program to equalize
crude oil costs to refiners.
Alteration of this program
may be promulgated by amend-
ing existing FEA regulations.

Exempts the first 50,000 b/d
produced from small refiners
from FEA's entitlement pro-
gram if their refinery capa-
city did not exceed 100,000
b/d on 1/1/75.

- 1). Establishes an Import
Licensing System.
Entitlement available to
sealed bid.
- 2). Separate entitlement for
small and independent
refiners.

Does not advocate a Federal
Purchasing Agency.

Establishes a Federal Purchas-
ing Agency which would have
exclusive rights to oil
imports into the U.S.

Establishes a Federal
Purchasing Agency which
would have exclusive
rights to oil imports
into the U.S.

Authorizes the imposition of
import tariffs, fees and
price floors. FEA has
administrative responsibility.

(1) Petroleum

Impose a \$2.00 tax on all domestic petroleum products.

No jurisdiction.

No jurisdiction.

Impose a \$2.00 fee on imported petroleum products.

(2) Windfall Profits Tax

Proposes an 88 percent tax on crude which would phase out "plowback" now provided.

Windfall profits tax graduated on oil based on price in excess of \$4.95 to be phased out over a 16-year period. Plowback provision included (similar to Treasury proposal).

Graduated windfall profits tax on gas above the current 51 cents per Mcf controlled price. Plowback provision is under consideration. Phased out in regard to natural gas deregulation.

Windfall profits tax on coal noted; appropriate base is questioned.

(3) Natural Gas Excise Tax

Tax of 37 cents per Mcf.

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ADMINISTRATION PROPOSALS
(S. 594)

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(S. 622)

DINGELL BILL
(Committee Print)

CONGRESSMAN ULLMAN'S PROPOSAL
(House Ways and Means Committee)

(4) Investment Tax Credit

Increases utilities to same as other industries (10%) and raises all to 12% for one year. Utilities for two years.

No jurisdiction.

No jurisdiction.

Increased for all industries to 10%. Future legislation expected to make this permanent.

(5) Energy Tax Rebate

Thirty billion per year would be collected by energy taxes. This money would be rebated to individuals, state and local governments and corporations.

Possibly extended to farmers

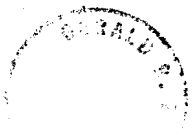
(6) Nuclear

Enactment of expedited licensing and siting procedures.

Tax incentives to encourage expansion in the area after environmental issues are resolved.

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V. <u>ADMINISTRATION PROPOSALS</u> (S. 594)	<u>SENATE STANDEY ENERGY BILL</u> (S. 622)	<u>DINGELL BILL</u> (Committee Print)	<u>CONGRESSMAN ULLMAN'S PROPO</u> (House Ways and Means Comm
SYNTHETIC FUELS Administration "National Synthetic Fuels Program."		(1) Authorizes the President to purchase synthetic fuels at the rate of 1 million b/d to an aggregate limit of 1.825 million bbls. Sets a ceiling price of \$15 per day coupled with a windfall profits tax. (2) Establishes a Federal subsidy program whereby the President buys SNG and resells it domestically w/out regard to cost of acquisition.	No additional tax incentive this time because of uncertainties and low anticipated production.
VI. RESERVE Establishes 1 billion barrel reserves. A report and later Congressional action contemplated.		Establishes 1 billion barrel reserve of petroleum products. President has one year to submit plan for Congressional approval.	Establishes reserves equal to 1/2 the amount imported annually and it contains that level. It is generally consistent.
VII. LEASING Increased development and production under existing law. (The Administration is considering giving coastal states a portion of Federal leasing revenues.)		The deadline for production for leases on Federal lands (for oil, gas and coal) is 2 years. Unless granted a delay after this period, the lease will be forfeited.	

FOR IMMEDIATE RELEASE

MAY 1, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

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

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, I judge it necessary and consistent with the national security that the Mandatory Oil Import Program maintain flexibility to accommodate evolving programs for discouraging importation into the United States of petroleum and petroleum products in such quantities or under such circumstances as threaten to impair the national security; and

WHEREAS, a temporary deferral of the scheduled increases in oil import license fees is appropriate in order to maintain such flexibility; and

WHEREAS, I intend to act within thirty days to increase the oil import license fees to their originally scheduled levels of \$2 and \$3 should alternative programs for discouraging imports not be formulated in a timely fashion or should such programs fail to protect adequately United States national security interests;

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

Section 1. Clause (iii) of subparagraph (1) of paragraph (a) of Section 3 is amended to read as follows:

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

Sec. 2. Clause (viii) of subparagraph (1) of paragraph (a) of Section 3 is amended to read as follows:

more

"(viii) with respect to licenses issued pursuant to paragraph 3(a)(1)(iii) for imports other than (A) any material imported for refining that qualifies for inclusion in a refiner's crude oil runs to stills under the Old Oil Allocation Program or (B) products refined in a refinery outside of the customs territory as to which crude oil runs to stills would qualify a refiner to receive entitlements under the Old Oil Allocation Program, the Administrator may by regulation reduce the fee payable for imports entered on or after February 1, 1975, by \$1.00 per barrel, except that the Administrator may reduce such fee by such other amounts as he may determine to be necessary to achieve the objectives of this Proclamation and the Emergency Petroleum Allocation Act of 1973."

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of April, in the year of our Lord nineteen hundred seventy-five, and of the Independence of the United States of America the one hundred and ninety-ninth.

GERALD R. FORD

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General Counsel
Copy MAY 2 1975

FEDERAL ENERGY ADMINISTRATION

[10 CFR PART 212]

Phase-Out of Old Oil Price Ceilings .

Notice of Proposed Rulemaking and Public Hearing

The Federal Energy Administration (FEA) hereby gives notice of a proposal to amend Part 212 of Title 10 of the Code of Federal Regulations to phase out over a two-year period all price controls on crude oil at the producer level. The FEA will receive written comments and hold a public hearing with respect to this proposal.

In his State of the Union Message on January 15, 1975, President Ford called for a massive energy conservation program in which consumption of energy resources would be reduced and domestic production of fuels would be increased, in order to reduce this country's dependence on imported crude oil. Among specific complementary measures proposed to curtail domestic energy consumption, the President listed decontrol of the price of domestic crude oil. This notice implements the President's stated intention to take steps leading to decontrol of domestic crude oil.

Decontrol would permit domestic crude oil prices to rise to the prevailing world price ^{THE NATIONAL ARCHIVES} so that the ^{AND RECORDS SERVICE} demand-dampening effects which have ^{FILED AND MADE AVAILABLE} been felt worldwide

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IN THE OFFICE OF THE
FEDERAL REGISTER



would be felt to the full extent in the United States. Under the two-tiered price system now in effect, the price of most domestic oil is held at a level approximately half that of world price levels, so that the impact which the escalation of free market prices has had on demand overseas has been considerably cushioned in the United States. The removal of price controls on domestic crude oil is a necessary and integral part of the program to reduce energy consumption and curtail dependence on imported crude oil.

Other parts of the President's program call for legislative action. In particular, the enactment of a windfall profits tax and of legislation to alleviate the impact of higher energy costs on consumers have been proposed. In light of the fact that action on these proposals has not yet been taken, and in order to alleviate the impact of price decontrol of domestic crude oil, this proposal is for gradual rather than total decontrol. The Congress will therefore be afforded further time in which to enact the essential measures needed for a comprehensive energy program, but at the same time, the economic disincentives and distortions resulting from current price controls will be gradually eliminated.

In addition to conserving domestic supplies by reducing demand, decontrol of domestic crude oil prices would stimulate domestic production, or at least slow the rate of decline in domestic production, displacing some supplies of crude oil that would otherwise have to be imported. It is now generally agreed that measures to insure maximum domestic production of crude oil are essential in order to assure adequate and dependable energy resources for the United States, until alternative domestic energy resources can be developed over the long term. Furthermore, for the reasons noted below, the FEA has found that the production incentives afforded since the fall of 1973 by the rules permitting "new" and "released" domestic crude oil to be sold at free market prices are of decreasing impact or effectiveness.

The prices for domestic crude oil (other than crude oil produced from a stripper well lease) are determined under FEA regulations according to the number of barrels produced and sold each month from each property. If the current month's production from the property concerned is less than that in the corresponding month of 1972, all of the production must be sold at or below the ceiling price established for "old crude petroleum." The ceiling price now is the May 15, 1973 posted price for the particular crude oil concerned plus \$1.35 per barrel. The national average of such ceiling prices is currently approximately \$5.25 per barrel. However, in order to encourage increased production of domestic crude



oil, the FEA regulations permit all production in excess of the 1972 base level (less adjustments for production at less than the 1972 base level in prior months) to be sold as "new crude petroleum" at the higher market level prices (currently \$11.50 per barrel and higher). As a further incentive to increased production, an amount of the month's production which equals the amount of "new oil" produced may also be sold at the higher market level prices, provided that such amounts of crude oil, called "released crude petroleum," do not exceed the production level of the 1972 base month. Thus, if the production from a property in the 1972 base month was 10,000 barrels and was 13,000 barrels in the current month, 7,000 barrels of the current month's production would be subject to the "old oil" price ceiling while 3,000 barrels could be sold at market level prices as "new" and an additional 3,000 barrels could be sold at market level prices as "released" crude oil (assuming no adjustments were needed for past production deficiencies).

At present, nearly two-thirds of total domestic crude oil production qualifies as old oil and is therefore subject to the price ceiling. The remaining one-third of total domestic production is either specifically exempt from price controls under the stripper well lease exemption or is

permitted to be sold at free market levels under the production-incentive rules governing the sale of "new" and "released" crude oil.

Many producers, especially those whose current production levels are substantially below the 1972 base levels and are further declining under primary recovery techniques, remain unaffected by the incentives presently afforded because those incentives are too remote to outweigh the cost of implementing the substantial secondary or tertiary recovery programs which would be necessary to bring production up to and above the 1972 base levels. Under the proposed amendments when fully implemented, any and all additional recoveries would bring the higher price available to uncontrolled oil.

The existing incentives are only effective for limited periods of time in any event, since the inevitable slackening of output will eventually bring production below base levels to the point where existing incentives are no longer adequate to encourage investment in secondary/tertiary recovery and other costly programs designed to increase total output of crude oil. While it is true that the additional incentive afforded by the proposed gradual decontrol of old oil would also eventually diminish in effect due to the inevitable

decline or exhaustion of worked-over reservoirs, the purpose of FEA is not to devise a permanent solution to limited domestic production capabilities but to propose incentives of sufficient effectiveness and duration as will yield maximum levels of domestic production until such time as supplementary energy resources can be developed and exploited. Although existing incentives are believed to have contributed substantially to the current improvement in the rate of decline in domestic production, the FEA believes that existing incentives clearly cannot work to maintain domestic production at levels now thought necessary to avoid an unacceptable degree of reliance on imported fuels over the next few years.

An additional benefit of decontrol of domestic crude oil will be the elimination of economic distortions caused by the present two-tiered pricing system. The two-tiered pricing system inevitably causes cost disparities among refiners and marketers of petroleum products. Although these cost disparities have been substantially reduced by the crude oil entitlements program, they can never be entirely eliminated while the two-tiered pricing system exists. Such cost disparities significantly hinder FEA's ability to assure that the competitive viability of the independent sector of the petroleum industry is maintained.



Moreover, the existing complicated structure of price controls at all levels of distribution, which is necessitated due to the existence of the cost disparities resulting from the two-tiered price system, tends to be self-defeating over the long run by reducing normal incentives toward increased production and cost control and by eliminating the ability of the industry to engage in long range business planning. As effectiveness of price control lags over time, regulations of greater complexity and reach become necessary to maintain the controlled-price structure. Tightening of controls tends to further stifle initiative and to contribute to greater economic distortion.

The FEA recognizes that this proposal must be implemented in a manner which will minimize any adverse impact on national economic recovery. The FEA proposes, therefore, that the ceiling price on old crude oil be eliminated gradually, primarily by reducing the amount of "base production control level crude petroleum" for each property by 4 percent every month for the next 25 months.

The FEA also recognizes that this price decontrol proposal may not be implemented until the requirements of §4(g)(2) of the Emergency Petroleum Allocation Act of 1973, as amended, are complied with. Section 4(g)(2) of that Act restricts authority to promulgate administrative exemptions by requiring submission to Congress of proposed exemptions

prior to implementation and providing that proposed exemptions may not be implemented if disapproved by either house of Congress during the period of five sessional days allowed under §4(g)(2) for legislative review. The FEA therefore proposes to submit this exemption proposal for congressional review pursuant to §4(g)(2) of the Act after rulemaking proceedings have been completed and FEA has received the benefit of comment and suggestions from interested segments of the public.

Interested persons are invited to participate in this rulemaking by submitting data, views, or arguments with respect to this matter to Executive Communications, Room 3309, Federal Energy Administration, Box DA, Washington, D.C. 20461. Comments are invited both with respect to the nature and scope of the proposed amendments and the proposed method of phased implementation.

Comments should be identified on the outside of the envelope and on documents submitted to FEA Executive Communications with the designation "Phase-Out of Old Oil Price Ceilings." Fifteen copies should be submitted. All comments received by May 14, 1975, before 4:30 p.m., e.d.t., and all other relevant information will be considered by the Federal Energy Administration before the final action is taken on the proposed regulations.

Any information or data considered by the person furnishing it to be confidential must be so identified and submitted in writing, one copy only. The FEA reserves the right to determine the confidential status of the information or data and to treat it according to that determination.

The public hearing in this proceeding will be held at 9:30 a.m., e.d.t., on May 13, 1975, and will be continued, if necessary on May 14, 1975, in Room 2105, 2000 M Street, N.W., Washington, D.C. 20508, in order to receive comments from interested persons on the matters set forth herein.

Any person who has an interest in this matter, or who is a representative of a group or class of persons that has an interest in this matter, may make written request for an opportunity to make oral presentation. Such a request should be directed to Executive Communications, FEA, and must be received before 4:30 p.m., e.d.t., on May 8, 1975. Such a request may be hand delivered to Room 3309, Federal Building, 12th and Pennsylvania Avenue, N.W., Washington, D.C., between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday. The person making the request should be

prepared to describe the interest concerned; if appropriate, to state why he is a proper representative of a group or class of persons that has such an interest; and to give a concise summary of the proposed oral presentation and a phone number where he may be contacted through May 12, 1975. Each person selected to be heard will be so notified by the FEA before 4:30 p.m., e.d.t., May 9, 1975, and must submit 100 copies of his statement to Executive Communications, FEA, Room 2214, 2000 M Street, N.W., Washington, D.C. 20508, before 4:30 p.m., e.d.t., on May 12, 1975.

The FEA reserves the right to select the persons to be heard at these hearings, to schedule their respective presentations and to establish the procedures governing the conduct of the hearings. The length of each presentation may be limited, based on the number of persons requesting to be heard.

An FEA official will be designated to preside at the hearings. These will not be judicial or evidentiary-type hearings. Questions may be asked only by those conducting the hearings, and there will be no cross-examination of person presenting statements. Any decision made by the FEA with respect to the subject matter of the hearings will be based on all information available to the FEA. At the

conclusion of all initial oral statements, each person who has made an oral statement will be given the opportunity, if he so desires, to make a rebuttal statement. The rebuttal statements will be given in the order in which the initial statements were made and will be subject to time limitations.

Any interested person may submit questions, to be asked of any person making a statement at the hearings, to Executive Communications, FEA, before 4:30 p.m., e.d.t., May 12, 1975. Any person who wishes to ask a question at the hearings may submit the question, in writing, to the presiding officer. The FEA or the presiding officer, if the question is submitted at the hearings, will determine whether the question is relevant, and whether the time limitations permit it to be presented for answer.

Any further procedural rules needed for the proper conduct of the hearings will be announced by the presiding officer.

A transcript of the hearings will be made and the entire record of the hearings, including the transcript, will be retained by the FEA and made available for inspection at the Administrator's Reception Area, Room 3400, Federal Building, 12th and Pennsylvania Avenue, N.W., Washington, D.C., between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday. Any person may purchase a copy of the transcript from the reporter.

As required by §7(c)(2) of the Federal Energy Administration Act of 1974, Pub. L. 93-275, a copy of this notice has been submitted to the Administrator of the Environmental Protection Agency for his comments concerning the impact of this proposal on the quality of the environment. The Administrator had no comments on this proposal.

The inflationary impact of this proposal has been considered by the FEA, consistent with Executive Order 11821, issued November 27, 1974.

(Emergency Petroleum Allocation Act of 1973, as amended, Pub. L. 93-159, as amended by Pub. L. 93-511; Federal Energy Administration Act of 1974, Pub. L. 93-275; E.O. 11790, 39 FR 23185).

In consideration of the foregoing, it is proposed to amend Part 212, Chapter II of Title 10 Code of Federal Regulations, as set forth below.

Issued in Washington, D.C., April 30, 1975.



Robert E. Montgomery, Jr.
General Counsel
Federal Energy Administration

1. Section 212.72 is revised to add, in appropriate alphabetical order, a definition of "decontrolled crude petroleum" as follows:

§212.72 Definitions.

* * *

"Decontrolled crude petroleum" means an amount of crude petroleum equal to the base production control level crude petroleum for a particular month for a particular property multiplied by 4 percent and multiplied by the number of months beginning with June 1975, through the current month.

2. Section 212.74 is revised to read as follows:

§212.74 New, released and decontrolled crude petroleum.

Notwithstanding the provisions of §212.73(a), a producer of crude petroleum may sell in each month, without respect to the ceiling price, the new crude petroleum, the released crude petroleum, and the decontrolled crude petroleum produced and sold from a property in that month.



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

May 12, 1975

OFFICE OF THE ADMINISTRATOR

Honorable Carl Albert
Speaker of the House
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Speaker: (identical letter sent to Senator Mansfield)

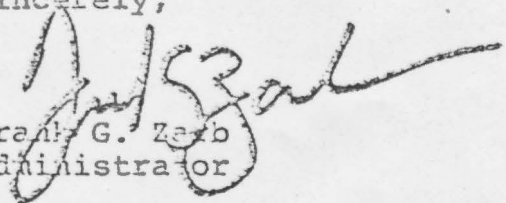
When the President announced a further delay in additional import fees and a modified crude oil price decontrol proposal, he took these actions in the spirit of compromise and with the hope that agreement soon would be reached on an effective and equitable national energy program. However, comprehensive energy legislation does not appear to be forthcoming from the Congress.

In order to reduce domestic energy consumption, increase supply and provide standby authorities, the President last January proposed the Energy Independence Act of 1975. Currently, of the Act's thirteen titles, none is close to enactment -- indeed, only a few have been reported out of Committee. I have enclosed a summary of the status of these bills.

The need for prompt action is even more important today than it was in January. We must act soon to provide clear directions to the American people and to stem our increasing dependence on foreign oil.

I have appreciated working with you as we have sought to make progress on these matters, but I urgently request more rapid action.

Sincerely,


Frank G. Zarb
Administrator

Enclosure

cc: Congressman James Wright



ENERGY INDEPENDENCE ACT
STATUS

Title I: Naval Petroleum Reserves

Senate: Armed Services and Interior Committees held joint hearings in March. Action by Armed Services Committee is not expected until summer.
House: Interior reported HR-49 and Armed Services reported HR-5919. Floor action pending.

Title II: Strategic Reserves (Civilian)

Senate: Interior Committee marking up bill.
House: Section approved in Commerce Subcommittee bill.

Title III: Natural Gas Deregulation

Senate: On May 6 Commerce Committee ordered S.692 reported with amendments.
House: Interstate and Foreign Commerce Committee has postponed action until it has completed consideration of its omnibus energy bill.

Title IV: ESECA Amendments

Senate: Hearings scheduled by Interior Committee in June.
House: Included in Commerce Subcommittee bill.

Title V and VI: Clean Air Act Amendments

Senate: Hearings held by Public Works Subcommittee, with mark-up possible in June.
House: Hearings held. Commerce Subcommittee on Health and Environment holding mark-up sessions.

Title VII: Utilities

Senate: Hearings held by Government Operations Committee which is presently drafting legislation.
House: Interstate and Foreign Commerce Committee expected to hold hearings after completion of omnibus energy bill.

Title VIII: Energy Facility Siting

Senate: Interior Committee held hearings on related bills.
House: Interstate and Foreign Commerce Committee expected to hold hearings after completion of major energy legislation.



Title IX: Energy Development Security

Senate: Passed S.621 in early May prohibiting the use of certain authorities by the President for the purposes of establishing a floor price for imported petroleum.

House: Interstate and Foreign Commerce Subcommittee is including portions of this title in current energy legislation mark-ups.

Title X: Thermal Efficiency Standards

HR-4485 as amended is now in Conference. The Senate version incorporates the Administration's Title X.

Title XI: Winterization

Senate: Hearings held by Banking, Housing & Urban Affairs Committee.

House: Housing Subcommittee reported out HR-3573. HR-5005 in Ways and Means contains certain provisions of Title XI.

Title XII: Appliance and Motor Vehicle Labelling

Senate: Commerce Committee held hearings. No action scheduled in next several months.

House: Included in Commerce Subcommittee bill.

Title XIII: Standby Authorities

Senate: Passed S.622, which included Interior Committee's version of Standby Authorities plus mandatory conservation standards.

House: Included in Commerce Subcommittee bill.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

May 12, 1975

OFFICE OF THE ADMINISTRATOR

Honorable Carl Albert
Speaker of the House
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Speaker: (identical letter sent to Senator Mansfield)

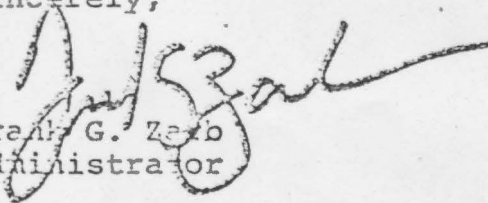
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House: Interstate and Foreign Commerce Committee expected to hold hearings after completion of omnibus energy bill.

Title VIII: Energy Facility Siting

Senate: Interior Committee held hearings on related bills.
House: Interstate and Foreign Commerce Committee expected to hold hearings after completion of major energy legislation.



Title IX: Energy Development Security

Senate: Passed S.621 in early May prohibiting the use of certain authorities by the President for the purposes of establishing a floor price for imported petroleum.

House: Interstate and Foreign Commerce Subcommittee is including portions of this title in current energy legislation mark-ups.

Title X: Thermal Efficiency Standards

HR-4485 as amended is now in Conference. The Senate version incorporates the Administration's Title X.

Title XI: Winterization

Senate: Hearings held by Banking, Housing & Urban Affairs Committee.

House: Housing Subcommittee reported out HR-3573. HR-5005 in Ways and Means contains certain provisions of Title XI.

Title XII: Appliance and Motor Vehicle Labelling

Senate: Commerce Committee held hearings. No action scheduled in next several months.

House: Included in Commerce Subcommittee bill.

Title XIII: Standby Authorities

Senate: Passed S.622, which included Interior Committee's version of Standby Authorities plus mandatory conservation standards.

House: Included in Commerce Subcommittee bill.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

May 12, 1975

OFFICE OF THE ADMINISTRATOR

Honorable Carl Albert
Speaker of the House
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Speaker: (identical letter sent to Senator Mansfield)

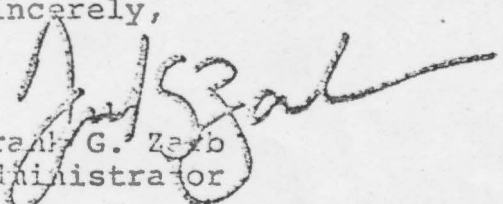
When the President announced a further delay in additional import fees and a modified crude oil price decontrol proposal, he took these actions in the spirit of compromise and with the hope that agreement soon would be reached on an effective and equitable national energy program. However, comprehensive energy legislation does not appear to be forthcoming from the Congress.

In order to reduce domestic energy consumption, increase supply and provide standby authorities, the President last January proposed the Energy Independence Act of 1975. Currently, of the Act's thirteen titles, none is close to enactment -- indeed, only a few have been reported out of Committee. I have enclosed a summary of the status of these bills.

The need for prompt action is even more important today than it was in January. We must act soon to provide clear directions to the American people and to stem our increasing dependence on foreign oil.

I have appreciated working with you as we have sought to make progress on these matters, but I urgently request more rapid action.

Sincerely,


Frank G. Zarb
Administrator

Enclosure

cc: Congressman James Wright



ENERGY INDEPENDENCE ACT
STATUS

Title I: Naval Petroleum Reserves

Senate: Armed Services and Interior Committees held joint hearings in March. Action by Armed Services Committee is not expected until summer.
House: Interior reported HR-49 and Armed Services reported HR-5919. Floor action pending.

Title II: Strategic Reserves (Civilian)

Senate: Interior Committee marking up bill.
House: Section approved in Commerce Subcommittee bill.

Title III: Natural Gas Deregulation

Senate: On May 6 Commerce Committee ordered S.692 reported with amendments.
House: Interstate and Foreign Commerce Committee has postponed action until it has completed consideration of its omnibus energy bill.

Title IV: ESECA Amendments

Senate: Hearings scheduled by Interior Committee in June.
House: Included in Commerce Subcommittee bill.

Title V and VI: Clean Air Act Amendments

Senate: Hearings held by Public Works Subcommittee, with mark-up possible in June.
House: Hearings held. Commerce Subcommittee on Health and Environment holding mark-up sessions.

Title VII: Utilities

Senate: Hearings held by Government Operations Committee which is presently drafting legislation.
House: Interstate and Foreign Commerce Committee expected to hold hearings after completion of omnibus energy bill.

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FOR IMMEDIATE RELEASE

MAY 27, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

ADDRESS BY THE PRESIDENT
LIVE ON
NATIONWIDE RADIO AND TELEVISION

THE OVAL OFFICE

8:31 P.M. EDT

Good evening.

Last January 15, I went before your Senators and Representatives in Congress with a comprehensive plan to make our country independent of foreign sources of energy by 1985. Such a program was long overdue. We have become increasingly at the mercy of others for the fuel on which our entire economy runs.

Here are the facts and figures that will not go away. The United States is dependent on foreign sources for about 37 percent of its present petroleum needs. In ten years, if we do nothing, we will be importing more than half of our oil at prices fixed by others, if they choose to sell to us at all.

In two and a half years, we will be twice as vulnerable to a foreign oil embargo as we were two winters ago. We are now paying out \$25 billion a year for foreign oil. Five years ago we paid out only \$3 billion annually. Five years from now, if we do nothing, who knows how many more billions will be flowing out of the United States.

These are not just American dollars. These are American jobs.

Four months ago, I sent the Congress this 167-page draft of detailed legislation, plus some additional tax proposals. My program was designed to conserve the energy we now have, while at the same time speeding up the development and production of new domestic energy.

Although this would increase the cost of energy until new supplies were fully tapped, those dollars would remain in this country and would be returned to our own economy through tax cuts and rebates. I asked the Congress in January to enact this urgent ten-year program for energy independence within 80 days; that is, by mid-April.

MORE

In the meantime, to get things going, I said I would use the standby Presidential authority granted by the Congress to reduce our use of foreign petroleum by raising import fees on each barrel of crude oil by \$1.00 on February 1, another \$1.00 on March 1, and a third on April 1.

As soon as Congress acted on my comprehensive energy program, I promised to take off these import fees. I imposed the first dollar on oil imports February 1, making appropriate exemptions for hardship situations.

Now, what did the Congress do in February about energy? Congress did nothing.

Nothing, that is, except rush through legislation suspending for 90 days my authority to impose any import fees on foreign oil. Congress needed time, they said.

At the end of February, the Democratic leaders of the House and Senate and other Members concerned with energy came to the White House. They gave me this pamphlet outlining energy goals similar to mine and promised to come up with a Congressional energy program better than mine by the end of April.

I remember one of them saying he didn't see how they could ask the President to do more than postpone the second dollar for 60 days. If the Congress couldn't come up with an energy program by then, he said, go ahead and put it on.

Their request stretched my original deadline by a couple of weeks. But I wanted to be reasonable, I wanted to be cooperative.

So, in vetoing their bill to restrict the President's authority, I agreed to their request for a 60-day delay before taking the next step under my energy plan.

What did the Congress do in March? What did the Congress do in April about energy? Congress did nothing.

In fairness, I must say there were diligent efforts by some Members -- Democrats as well as Republicans -- to fashion meaningful energy legislation in their subcommittees and committees.

My Administration worked very hard with them to bring a real energy independence bill to a vote. At the end of April, the deadline set by the Congressional leaders themselves, I deferred for still another 30 days, the second \$1.00 fee on imported oil. Even then, I still hoped for positive Congressional action.

MORE

So, what has the Congress done in May about energy? Congress did nothing and went home for a 10-day recess.

February, March, April, May, as of now, the Congress has done nothing positive to end our energy dependence.

On the contrary, it has taken two negative actions, the first an attempt to prevent the President from doing anything on his own; the second, to pass a strip mining bill which would reduce domestic coal production instead of increasing it; put thousands of people out of work; needlessly increased the cost of energy to consumers; raise electric bills for many, and compel us to import more foreign oil, not less.

I was forced to veto this anti-energy bill last week because I will not be responsible for taking one step backward on energy when the Congress will not take one step forward on energy.

The Congress has concentrated its attention on conservation measures such as a higher gasoline tax. The Congress has done little or nothing to stimulate production of new energy sources here at home.

At Elk Hills Naval Petroleum Reserve, in California, I saw oil wells waiting to produce 300,000 barrels a day if the Congress would change the law to permit it.

There are untold millions of barrels more in our Alaskan petroleum reserves and under the Continental Shelf. We could save 300,000 barrels a day if only Congress would allow more electric power plants to substitute American coal for foreign oil.

Peaceful atomic power, which we pioneered, is advancing faster abroad than at home.

MORE

Still, the Congress does nothing about energy. We are today worse off than we were in January.

Domestic oil production is going down, down, down. Natural gas production is starting to dwindle, and many areas face severe shortages next winter.

Coal production is still at levels of the 1940s. Foreign oil suppliers are considering another price increase.

I could go on and on, but you know the facts. This country needs to regain its independence from foreign sources of energy, and the sooner the better.

There is no visible energy shortage now, but we could have one overnight. We do not have an energy crisis, but we may have one next winter. We do have an energy problem, a very grave problem, but one we can still manage and solve if we are successful internationally and can act decisively domestically.

Four months are already lost. The Congress has acted only negatively. I must now do what I can do as President.

First, I will impose an additional \$1.00 import fee on foreign crude oil, and 60 cents on refined products, effective June 1. I gave the Congress its 60 days, plus an extra 30 days to do something, but nothing has been done since January.

Higher fees will further discourage the consumption of imported fuel and may generate some constructive action when the Congress comes back.

Second, as I directed on April 30, the Federal Energy Administration has completed public hearings on decontrol of old domestic oil. I will submit a decontrol plan to Congress shortly after it reconvenes. Along with it, I will urge the Congress to pass a windfall profits tax with a plowback provision.

These two measures would prevent unfair gains by oil companies from decontrol prices, furnish a substantial incentive to increase domestic energy production and encourage conservation.

When I talk about energy, I am talking about jobs. Our American economy runs on energy. No energy -- no jobs.

MORE

Page 5

In the longrun, it is just that simple. The sudden fourfold increase in foreign oil prices and the 1973 embargo helped to throw us into this recession. We are on our way out of this recession. Another oil embargo could throw us back.

We cannot continue to depend on the price and supply whims of others.

The Congress cannot drift, dawdle and debate forever with America's future.

I need your help to energize this Congress into comprehensive action. I will continue to press for my January program, which is still the only total energy program there is.

I cannot sit here idly while nothing is done. We must get on with the job right now.

Thank you and good night.

END (AT 8:44 P.M. EDT)

MAY 27, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

PRESIDENT'S ADMINISTRATIVE ENERGY ACTIONS

The President today announced the imposition of an additional \$1 per barrel fee on imported crude oil. This is in addition to the \$1 per barrel fee already imposed on crude oil February 1, 1975. He also imposed a \$.60 per barrel fee on imported refined products. These fees are effective June 1, 1975. In addition the President also announced that he will send to Congress shortly after they return, a plan to decontrol the price of oil and he will urge the Congress to pass a windfall profits tax with a plowback provision.

I. BACKGROUND

In his State of the Union Message, the President announced his economic and energy program for the nation. He announced a series of legislative proposals to the Congress and administrative actions that he would take to encourage energy conservation, pending completion of action by the Congress. The principal administrative actions included the imposition of oil import fees and the decontrol of oil prices. He transmitted his legislative proposals, The Energy Independence Act of 1975, to the Congress on January 30, 1975.

The President issued a Proclamation on January 23, 1975 which would have imposed a \$1 per barrel fee on crude oil, beginning February 1; the second dollar beginning March 1, and the third dollar beginning April 1. In order to reduce regional hardships, a reduced fee was imposed on imported products.

In response to a request from the Congressional leadership, the President announced on March 4 a 60 day delay in the imposition of the second and third dollar import fees. The Congressional leadership had asked for additional time to enact a national energy program. On April 30, ~~in the hope~~ ~~of still getting a positive Congressional energy program,~~ the President announced a further delay in the import fees, of up to 30 days, in order to allow additional time for Congressional action.

Thus far, the Congress has passed only two energy-related bills, both of which would have been counterproductive and had to be vetoed by the President. This includes H.R. 1767, Suspension of Oil Import Tariff Authority which would have suspended the oil import tariff authority and thus restricted the President's authority to impose import fees, and H.R. 25, the Surface Mining Control and Reclamation Act, which would have caused significant losses in coal production, increased oil imports, and increased unemployment.

more



II. IMPACT OF PRESIDENT'S ADMINISTRATIVE ACTIONS

The President's Administrative Actions are expected to have the following impact:

<u>Action</u>	<u>Conservation: Import Savings (barrels per day)</u>		<u>Impact on Retail prices (¢ / gallon)</u>
	<u>1975</u>	<u>1977</u>	
2nd dollar imposed today	50,000	200,000	1.5
Total Fee (\$1 plus \$1)	100,000	350,000	2.9

III. STATUS OF ACTIONS BY THE PRESIDENT

Since the President's January 15, 1975 State of the Union Message to Congress a number of legislative proposals and administrative actions within his limited statutory authority, have been taken by the President, including:

- A. Submission of the Energy Independence Act on January 30, 1975. This encompasses 13 separate titles on supply, demand and emergency measures. (action to date shown in Section VI)
- B. Imposition, administratively, of a \$1 fee on imported crude oil on February 1, 1975.
- C. Imposition of an additional \$1 per barrel fee on imported crude oil and a \$.60 fee on refined products, effective on June 1, 1975.
- D. Directed the Federal Energy Administration, on April 30, 1975, to take administrative actions to decontrol old oil in two years. FEA held hearings on May 13 and 14 and is now evaluating comments received, prior to submission of a final plan.
- E. Energy conservation actions by the major executive branch agencies in the first six months of FY 1975 cut energy use 24% below 1973 levels (saving over 45 million barrels)
- F. Voluntary compliance with energy efficiency labeling, including:
 1. Most 1975 model year autos now comply with FEA/EPA voluntary fuel efficiency labelling program.
 2. Most air conditioners now have labels developed by the Commerce Department indicating their efficiency.
- G. FEA has issued or will issue by June 30 notices leading to coal conversion orders to 31 power plants. If they all converted, 175,000 barrels of oil per day would be saved.

IV. ACTIONS TAKEN BY CONGRESS

- A. Congress passed H.R. 1767, the Suspension of the Oil Import Tariff Authority which:



1. would restrict the President's authority to impose new fees on imported oil and would roll back the \$1 crude oil fee imposed by the President on February 1.
 2. was vetoed by the President on March 4. Congress has not acted to override the veto.
- B. Congress passed H.R. 25, the Surface Mining Control and Reclamation Act which:
1. would regulate surface mining in a way that would cause a major loss of coal production, increased unemployment and greater dependence on imported oil.
 2. was vetoed by the President on May 20. Congress voted to delay consideration of an override attempt to June 10.

V. ENERGY OUTLOOK

If no action is taken, domestic oil and natural gas production will continue to decline and oil imports will continue to grow. The administrative actions taken by the President, within the limited authority available to him, will help encourage energy conservation and reduce oil imports. Congressional action is still needed to provide additional incentives for conservation and domestic energy production.

A. Oil Imports

Expected imports of petroleum if current trends continue are contrasted below with the impact of the President's administrative actions and the effect if his total program is enacted.

	(million barrels/day)				
	1970	1974	1975	1977	1985
No Action	3.4	6.1	6.3	7.6	12.1
President's admin. program (\$2 fee + decontrol)	3.4	6.1	6.2	6.9	9.6
President's leg. program	3.4	6.1	5.6	5.4	4.9

B. Balance of Payments

The above imports would cost the United States:

	(billions of dollars/year)				
	1970	1974	1975	1977	1985
No Action	3.0	24.5	25.3	30.5	61.8
President's admin. program	3.0	24.5	24.9	27.7	49.1
President's leg. program	3.0	24.5	22.5	21.7	25.0

more

C. Domestic Oil Production Trends

As indicated below, domestic production of crude oil peaked in 1970 and has been declining since.

	1955	1960	1970	1971	1972	1973	1974
crude production (millions barrels per day)	6.8	7.0	9.6	9.5	9.4	9.3	3.8

D. Natural Gas Trends

As indicated below U.S. proven reserves of natural gas have been declining since the mid 1960's and domestic production, which was constant in the early 1970's, has started to drop.

	1955	1960	1965	1970	1971	1972	1973	1974
reserves (trillion cubic ft) <u>1/</u>	223	262	287	265	253	240	224	211
production	9.4	12.8	16.0	21.9	22.5	22.5	22.6	21.9

1/ excludes 26 trillion cubic ft from Alaskan North Slope

E. Coal Trends

Coal production has not appreciably changed from levels of 30-40 years ago.

	1920	1940	1950	1960	1970	1974
production (million tons)	658	512	560	434	613	607

VI. STATUS OF PRESIDENT'S PROGRAM IN CONGRESS

A. Title I - Development of Naval Petroleum Reserves and Military Strategic Reserve

- . House: Interior and Armed Services Committees each reported a bill. However, no floor action is scheduled. Neither bill authorizes production of NPR-4. Use of NPR proceeds for a strategic petroleum reserve program is not authorized.
- . Senate: Joint hearings held by Armed Services and Interior Committees. No legislation reported.

B. Title II - Civilian Strategic Reserve

- . House: Reported by Energy and Power Subcommittee but is awaiting full Commerce Committee action.
- . Senate: Interior Committee held hearings but no legislation reported.

C. Title III - Natural Gas Deregulation

- . House: The House has scheduled no hearings.
- . Senate: The Senate Commerce Committee reported out S. 692 on May 6. Floor action is expected in the last two weeks of June. S. 692 would extend rather than reduce federal regulation of natural gas.

more



D. Title IV - Coal Conversion Amendments

House: Reported by the Energy and Power Subcommittee as part of their omnibus bill.

Senate: Under consideration by the Environmental Pollution Subcommittee of the Senate Public Works Committee. No legislation reported.

E. Titles V and VI - Amendments to the Clean Air Act of 1970

House: The Subcommittee on Health and the Environment held hearings and is drafting legislation. No legislation reported.

Senate: The Subcommittee on Environmental Pollution completed Oversight hearings on May 21, 1975. No bill has been reported.

F. Title VII - The Utilities Act of 1975

House: No hearings scheduled.

Senate: A Government Operations Subcommittee held hearings on April 14, 1975. No legislation has been reported.

G. Title VIII - Energy Facilities Planning and Development Act of 1975

House: No hearings scheduled.

Senate: Hearing held in April before Interior Committee on land use and facility siting (S. 984 and S. 619). No legislation reported.

H. Title IX - Energy Development Security Act of 1975

House: No hearings scheduled.

Senate: No hearings have been scheduled.

I. Title X - Building Energy Conservation Standards Act of 1975

House: The Housing Subcommittee of the House Banking and Currency Committee has held hearings but has not reported legislation.

Senate: Was included in the Emergency Housing Act. However, it was later stricken before enactment. No further action anticipated.

J. Title XI - Winterization Assistance Act of 1975

House: The Housing Subcommittee of the House Banking and Currency Committee has had hearings but did not report a bill to full committee.

Senate: Was referred to the Senate Interior, Labor, and Banking Committees, none of which has reported a bill.

more

K. Title XII - National Appliance and Motor Vehicle Energy Labeling Act of 1975

House: Reported by the Energy and Power Subcommittee, but awaiting action by the full House Interstate and Foreign Commerce Committee. No legislation reported.

Senate: Referred to the Senate Commerce Committee. No legislation reported.

L. Title XIII - Standby Energy Emergency Authorities

House: Reported as part of H.R. 7014 by the Energy and Power Subcommittee for full Commerce Committee consideration. The standby authorities included are unworkable because of extensive Congressional oversight requirements.

Senate: S. 622 passed and sent to the House, but requires mandatory conservation programs as well as providing standby authorities.

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May 28, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

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

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, pursuant to the authority of Section 232 of the Trade Expansion Act of 1962, Proclamation No. 3279, as amended, was modified by Proclamation No. 4341 of January 23, 1975, in order to impose a system of supplemental license fees on imported petroleum and petroleum products; and

WHEREAS, the system of supplemental license fees on imported petroleum and petroleum products was imposed pursuant to an investigation and recommendation by the Secretary of the Treasury in accordance with the provisions of Section 232 of the Trade Expansion Act of 1962; and

WHEREAS, the scheduled increases in the level of fees established by Proclamation No. 4341 were deferred by Proclamation No. 4370 of April 30, 1975, in order to afford Congress an opportunity to propose alternative programs for discouraging importation into the United States of petroleum and petroleum products in such quantities or under such circumstances as threaten to impair the national security; and

WHEREAS, such alternative programs have not been developed and are unlikely to be enacted in the near future; and

WHEREAS, I judge it necessary and consistent with the national security to reinstitute the originally scheduled increase in the supplemental fee to the level of \$2.00 per barrel; and

WHEREAS, the Administrator of the Federal Energy Administration has recommended that certain other changes in the license fee system be made;

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

more

Section 1. (a) Clauses (iii), (iv), and (viii) of subparagraph (1) of paragraph (a) of Section 3 are amended to read as follows:

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

"(iv) with respect to the fees imposed pursuant to paragraphs 3(a)(1)(i)-(iii), the amount of such fees shall be reduced, on a monthly basis, by an amount equal to any applicable duties paid less any drawbacks received during the same period charged against imports made on or after February 1, 1975, except that where duty drawbacks exceed the duty paid during that period, the net differences shall be applied to subsequent periods; provided that when the duty less drawbacks exceeds the fee imposed, the Administrator may provide that any excess may be used to reduce fees payable in subsequent months, such extended period not to exceed six months;

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

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

-- for imports entered during the month of June, 1975, and thereafter, \$1.40 per barrel."

(b) Paragraph (b) of Section 3 is amended by redesignating the existing paragraph (b) as (b)(1), and by adding a new paragraph (2) to read as follows:

"(2) With respect to allocations and licenses issued prior to June 1, 1975, for which a bond was not required or with respect to which a bond was required in amounts less than the full amount of the fees imposed pursuant to this Proclamation, the Administrator may, by regulation, provide for such bonding procedures as he deems necessary."

Sec. 2. (a) Paragraph (c) of Section 5 is amended to read as follows:

"(c) The Administrator of the Federal Energy Administration may modify or alter the composition of the Appeals Board or abolish the Board and establish such other appellate procedures as he deems appropriate."

more



(b) A new paragraph (d) is added to Section 5 to read as follows:

"(d) The authority granted by this Section shall expire on April 30, 1980."

Sec. 3. Paragraph (1) of Section 11 is amended to read as follows:

"(1) The term 'imports' includes both entry for consumption and withdrawal from warehouse for consumption, but excludes unfinished oils and finished products processed in United States territories and foreign trade zones from crude oil produced in the United States."

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

GERALD R. FORD

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