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MEETING WITH THE PRESIDENT
AND THE VICE PRESIDENT
Wednesday, August 6, 1975
2:00 p.m.
Oval Office

Agenda for the
Meeting with the President
Wednesday, August 6, 1975

1. Letter for Dean Alfange
2. Presidential Weekly Briefing Notes
-- copies available for distribution
3. Energy Resources Finance Corporation
4. Vail Reading

TAB A



THE VICE PRESIDENT
WASHINGTON

Materials for the President

August 6, 1975

I. Domestic Policy Review

- Presidential authorization for development of discussion papers on major domestic issues TAB I
- Jim Cannon's memo to the Domestic Council staff implementing this study, with Jack Veneman as study director TAB II
- Domestic Council Social Programs Review - Overview Options Memorandum TAB II:
 - as example of the kind of philosophical and conceptual approach which will be used in all of the discussion papers

II. Office of Science and Technology Policy

- Research Questions for Task Forces - from the July 17 Meeting with Scientific Leaders TAB IV
- Sample approach to one of these research questions - weather prediction and modification TAB V

III. Public Hearings on the Development of Domestic Initiatives TAB VI

- Format and list of subjects

IV. Bicentennial

-- Idea for a series of Presidential Bicentennial Speeches on key subjects, that could ultimately be published in book form sometime next year; TAB V:

-- these speeches would give you the opportunity to place the challenges facing us as a nation in a historical context, just as you did in your address in Philadelphia, last May

V. -- A sample speech - on "The Role of Philanthropy in Our History;" TAB V:

V. Energy Research and Development Administration (ERDA) TAB I:

-- Follow-up from Bob Seamans on the conversation you authorized me to have with him regarding a systems-management approach to the acceleration of national coal production;

VI. Weekly Presidential Briefing Notes TAB X

-- Projected timetable and information on monthly edition to be produced for distribution to government officials and for public sale



THE VICE PRESIDENT
WASHINGTON

August 6, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: THE VICE PRESIDENT
SUBJECT: Energy Resources Finance Corporation -
Political Considerations

1. International

The Administration posture in terms of the international scene has been enhanced by your continued activity and personal involvement from The Mayaguez Affair through your successful recent European summit meetings.

2. Energy

However, on the domestic scene the Administration is confronted with:

- a) No action on Energy by the Congress
- b) The prospect of decontrol of oil prices with the Democrats blaming you for higher prices
- c) The possibility of another OPEC price increase hitting the U.S. economy with its inflation and unemployment implications
- d) Employment figures showing only a small gain and the prospect of an unacceptable 8+ unemployment rate persisting into next year

3. Inflation

The Administration's firm anti-inflation policy has had the impact of slowing down price and wage rises.

4. Unemployment

But, there is increasing criticism that there

is insufficient positive actions to stimulate the economy and provide "real jobs". It is becoming a political problem now and could become a major political liability for 1976.

5. Political

Politically, as well as substantively, it is important there be a new initiative in both the Energy and Employment areas. The initiative should be dramatic and easily understood, and it should be consistent with your stated goals of (1) encouraging private industry to provide jobs instead of "make work" jobs at Federal expense; (2) keeping the Federal spending level down and (3) achieving energy self-reliance by the United States in a decade.

6. Energy Resources Finance Corporation Proposal

The Energy Resources Finance Corporation proposal and your recommendation of it to the Congress around Labor Day could:

- a) Provide the political initiative needed both for energy and employment
- b) Break the stalemate with the Congress over energy
- c) Blunt the ability of the Democratic Congressional Majority to grab the post-veto initiative
- d) Attract labor support
- e) Encourage sectors of business to move ahead with plans for construction and inventory replenishment
- f) Put enormous pressure on the returning Congress to respond
- g) Give the OPEC countries and the rest of the World tangible evidence of U.S. determination to diminish its reliance on imports.

7. Public Impact

The public is currently confused. Your original energy program has now been blurred so far as the people are concerned by the 8 months of back and forth jockeying between the White House and the Congress.

The Energy Resources Finance Corporation will be easily understood by the public. Even if the ERFCO proposal should not ultimately be adopted (although this is not likely), you would have the credit for a major leadership effort.

THE VICE PRESIDENT
WASHINGTON

August 6, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: Analysis of the Energy Resources Finance Corporation (ERFCO) Proposal by the Federal Energy Administration (FEA)

You will receive tomorrow FEA's analysis of The Energy Resources Finance Corporation proposal originally suggested by the Domestic Council.

BACKGROUND

In the State of the Union Message, you set forth the objective of this country's meeting its own energy requirements by 1985. The purposes were to a) secure needed energy, b) help solve the balance of payments problem, and c) most importantly, protect our national security.

The Alternatives

There are three basic alternative ways to achieve the energy needs for the United States.

Alternative I

Leave it to the free market forces - private industry through the interplay of price, supply and demand - to develop the needed energy sources.

This alternative ignores the national security aspect which arises from an increasing dependence on imports for U.S. energy requirements. It would not produce energy self-sufficiency within a ten year period in accordance with your stated goal. Conservative estimates would see 25 years as a more realistic time period, if indeed it is possible at all through this alternative.

Alternative II

Rely on the experience and expertise of the existing energy industry and related activities in the private sector to do the job, but supplement them with broad government cooperation and capital on a self-liquidating basis through a federally sponsored Energy Resources Finance Corporation (ERFCO) to assure construction of the necessary facilities by 1985.

This alternative could meet national security and domestic needs in the next decade and keep private enterprise as the principal element in the energy field.

Alternative III

Another method of achieving energy independence would be for the Federal Government itself to directly finance, build, own and operate power plants and related energy facilities.

This alternative would put the Federal Government in the power business in a big way and really be a major move toward government ownership and operation of the energy business. There is a good probability of strong pressures for this approach in the Congress if energy needs are not otherwise being met.

THE FEA ANALYSIS

The FEA analysis (draft of July 29) does not examine the three foregoing basic alternatives. It undertook to study The Energy Resources Finance Corporation (ERFCO) proposal - Alternative II, above.

The FEA draft analysis sets up and examines essentially four different possible levels of function and activity for ERFCO. These the study calls "Scope Options".

The Scope Options would principally limit ERFCO to research and development and construction of commercial sized prototype plants as follows:

Scope Option 1

ERFCO is limited to develop only synthetic gas, oil or other such fuels from coal, shale or solid waste.

-- Total potential increased production
1,000,000 barrels per day by 1985

Scope Option 2

ERFCO is limited to the area of Option 1 plus the "emerging" technologies like geothermal, solar, "in situ" production from the fuel gas formations and Devonian shale. Included also would be emerging energy conservation technologies.

-- Total potential increased production
2,000,000 barrels per day by 1985

Scope Option 3

ERFCO would have the areas of Options 1 and 2 but would also be empowered to build, on a demonstration basis, conventional technology plants and related facilities.

Scope Option 4

ERFCO would have all of the areas of Options 1, 2 and 3 plus being able to encompass conventional technology production plants in the energy area as well as elements like pipelines, coal rail lines, equipment of various kinds and materials which otherwise would be so scarce or unobtainable and constrict the possibility of achieving the program.

-- Total potential increased production
20,000,000 barrels per day by 1985

Commentary on the Scope Options

1. Scope Options 1, 2 and 3 really deal primarily with research, development, pilot plant and a limited number of commercial sized demonstration plants. They do not deal with getting the production of energy on a broad scale underway here and now.
2. Scope Option 4 includes the production here and now concept but includes all the research and development, pilot and demonstration plant element.

RECOMMENDATION

1. That the expanded research, development and pilot plant activities described in Scope Options 1, 2 and 3, above, be assigned to the Energy Research and Development Administration (ERDA). Generally speaking, these will be activities spread across a broad range of new technologies, with a need for pure federal subsidy without prospect of financial return. It is further recommended that ERDA's mission be broadened to encompass similar R&D activities in other natural resources.
2. That all the remaining financial activities described in Scope Option 4, above, become the mission of the Energy Resources Finance Corporation, authorized to be capitalized at \$10 - \$20 billion, with a borrowing capacity of \$100 - \$200 billion.

ERFCO, through a combination of loans, loan guarantees and where necessary, temporary ownership, would provide the thrust to move rapidly to full scale commercial production. Although it is expected that the risks of such acceleration will result in some individual project failures, the total program would be self-liquidating. ERFCO would make no new commitments after seven years and would liquidate after ten years.

It should be noted that as a result of ERDA and ERFCO activities, it may be determined that large scale commercial production of oil and gas synthetics can only be achieved at a per barrel cost that will require subsidy payments to the producer. Neither ERDA nor ERFCO are designed to provide such long term broad guage support. If a new subsidy program were deemed necessary, it would have to be legislated.