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THE PRESIDENT HAS SEEN
THE WHITE HOUSE
WASHINGTON

August 29, 1974

MR. PRESIDENT:

Attached is the Domestic Council's latest status report on energy legislation.

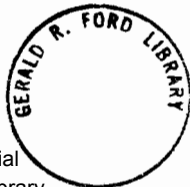


Al Haig

GRF
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Attachment



ADMINISTRATION ENERGY LEGISLATION
AWAITING CONGRESSIONAL ACTION

. Natural Gas Supply Act

- Allows competitive pricing of newly developed gas supplies, thereby encouraging exploration and development of new wells.
- Bill submitted April 1973. Hearings were held in Senate Commerce Committee -- most recently in March 1974. The Committee is now considering a Stevenson-Pearson bill that would retain field price regulation but transfer from FPC to FEA most of the responsibility with respect to new gas. Administration opposition stated in Simon-Sawhill August 12 letter to Senator Cotton. Senate Interior and Finance Committees (Long, Fannin, et al) are working toward a clean new gas deregulation floor amendment for the trade bill or a tax bill. No overt action in the House.

. Mined Area Protection Act

- Establishes standards to govern surface effects of coal mining; would allow mining to proceed with reasonable environmental protection and reclamation requirements.
- Bill submitted in February 1971 and resubmitted February 1973. Both Senate passed (October 1973) and House passed (July 1974) surface coal mining bills have unacceptable provisions. Conference Committee which began meeting on August 13 was advised of Administration position in an August 6, 1974 letter. Conference resumes after recess.

. Deepwater Ports Facilities Act

- Authorizes the Secretary of the Interior to grant permits for construction, licensing and operation of ports beyond the three-mile limit.
- Bill submitted April 18, 1973. The House passed an acceptable bill on June 10, 1974 giving Federal permit responsibility to Interior (construction) and DOT (operation). Senate Ad Hoc Committee on Deepwater Ports reported a bill via three parent committees (Commerce, Public Works



and Interior) which gives all responsibility to DOT and has other problems. Commerce and Public Works apparently will support the bill but Interior Committee will try to amend it when it comes to the floor, probably in September.

. Electric and Energy Facilities Siting

- Electric Facilities Siting

- .. Electric Facilities Siting bill would have provided procedures for expediting siting and facilities approval at Federal and State levels.
- .. Bill submitted in February 1971 and resubmitted in 1973. No action in this Congress and none is likely.

- Energy Facilities Siting

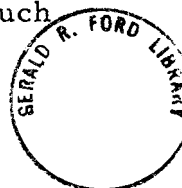
- .. Bill was promised in President Nixon's January 23, 1974 energy message.
- .. Bill developed by FEA and CEQ submitted to OMB for clearance on June 20, 1974. Draft bill takes different approach than the electric facilities siting bill described above. Bill may be held until next session.

. Revision of Nuclear Licensing Process

- Modifies nuclear licensing to encourage standardization of nuclear plant designs and early site review and approval so as to reduce the time required for getting plants on line.
- Bill submitted March 8, 1974. Hearings held by Joint Committee on Atomic Energy on March 19-21. JCAE favorably disposed but outlook is unclear and will remain so at least until the ERDA bill is disposed of. If nuclear critics are not satisfied with results in ERDA bill on payments to intervenors, etc., those matters will be issues in licensing bill.

. Clean Air Act Amendments

- Extends certain deadlines and temporarily relaxes requirements with respect to transportation control plans, auto emissions and pollution from stationary sources such



as power plants; requires an EPA plan to eliminate the expected clean fuels deficit; authorizes indefinite use of intermittent control strategies; provides legislative relief from court "significant deterioration" decisions.

- 13 Administration amendments submitted on March 22, 1974. EPA dissents from 2 amendments. Bill enacted in June freezing into emission standards for one year (option for second year) and giving very limited coal conversion authority. No further action likely in this session.

. Appliance and Motor Vehicle Energy Labelling Act

- Requires that major appliances and motor vehicles be labelled to show energy use and efficiency.
- Bill submitted March 3, 1974. No action yet on this bill but bills with similar but more far reaching authorities have passed the Senate and are nearing final action in the House Interior Committee.

. Naval Petroleum Reserves

- Allow one-year production from Elk Hills Naval Petroleum Reserves and provide funds for exploration of reserves.
- Resolution submitted November 6, 1973. Senate action complete. Special House Armed Services Subcommittee issued a report critical of the bill. No further consideration likely.

. Special Energy Act of 1974

- Provides standby authority for rationing and mandatory conservation measures and grants to States.
- Bill submitted March 10, 1974. No action on this bill.

. Minerals Leasing Act

- Places all mineral exploration and mining activities on Federal lands under a modernized leasing system.



- Bill submitted October 12, 1971; resubmitted February 1973. Senate Interior held hearings in March and April 1974. No action in House.

Energy Related Taxes

Windfall Profits Tax

- Imposes a tax up to 85% on the selling price of domestic crude oil above December 1, 1973 ceilings.
- Proposal announced December 19, 1973; described in February 4, 1974 testimony. Comprehensive petroleum tax bill reported by House Ways and Means and then withdrawn for consideration with comprehensive tax reform bill includes a windfall profits tax, but with forgiveness for investment.

Foreign Depletion Allowance

- Eliminates the 22% depletion deduction permitted in computing U. S. taxes on foreign production of oil and gas -- to encourage investment in U. S. rather than foreign energy resources.
- Described in February 4, 1974 testimony. Provided for in House Ways and Means Committee bill referred to above.

Foreign Tax Credits

- Limits foreign tax credits available to U. S. oil and gas companies operating in foreign lands. (Excessive portion of taxes paid to foreign governments would be treated as an expense rather than tax credit in computing U. S. tax.)
- Described in February 4, 1974 testimony. This approach was rejected by the House Ways and Means Committee and a less effective provision is included in the petroleum tax bill referred to above.



. Drilling Investment Tax Credit

- Provides a tax credit similar to investment tax credit for costs of exploratory drilling for new oil and gas fields in the U. S.
- Proposed in April 1973. No action.

Federal Energy Organization

. Energy R&D Administration and Nuclear Energy Commission

- ERDA would provide a central agency for managing most Federal energy R&D, including functions transferred from Atomic Energy Commission, Interior, National Science Foundation and EPA. NEC would carry out nuclear licensing functions of the AEC.
- Legislation proposed on June 29, 1973. The House passed an acceptable bill in December, the Senate on August 15, 1974. Conference should occur in September. Outlook probably favorable but still unclear because of controversial provisions on nuclear safety and safeguards and funding of intervenors in Senate bill and Committee report.

Department of Energy and Natural Resources

- Provides a new Cabinet Department for energy and natural resources programs including most responsibilities of Interior and selected programs from Agriculture, Commerce, Transportation, Corps of Engineers and Water Resources Council.
- Legislation proposed June 29, 1973. Hearings by House and Senate Government Operations Committees in August 1973. Followup hearings in Senate Government Operations in March 1974. No further action likely this session.

We must get this passed out.



THE WHITE HOUSE
WASHINGTON

September 3, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: KENNETH R. COLE
FROM: JERRY H. JONES
SUBJECT: Administration Energy Legislation
Awaiting Congressional Action

The attached paper has been reviewed by the President and the following notation was made on page 5, Energy R&D Administration and Nuclear Energy Commission, with regard to funding of intervenors:

-- We must get this provision out.

Please follow-up with the appropriate action.

Thank you.

cc: Al Haig
Bill Timmons

