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THE PRESIDENTIAL HANDWRITING FILE

October 2, 1974

MEETING WITH EXECUTIVE COMMITTEE
ECONOMIC POLICY BOARD
October 2, 1974
2:00 p.m.

From: L. William Seidman *LWS*

I. PURPOSE

- A. To discuss a series of options papers on issues which may be included in your Economic Policy Address.
- B. To discuss consultations which you may wish to undertake before announcing your Economic Policy Program.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: This is the second in a series of meetings with The Executive Committee of the Economic Policy Board in preparation for your Economic Policy Address.
- B. Participants: Secretary Simon, L. William Seidman, Roy Ash, Alan Greenspan, Arthur Burns, Paul McCracken, William Eberle, Secretary Lynn, John Sawhill, John Carlson, Laurence Silberman, and Paul O'Neill.
- C. Press Plan: White House Press Corps Photo Opportunity.

III. DISCUSSION POINTS

A. Format for Economic Policy Address

I would like William Seidman to summarize the current status of the time, place, audience, and format for announcing our program.

B. ANTI-TRUST

I would like Laurence Silberman to present the alternatives on what might be included in our program in the area of anti-trust activity.

(Mr. Silberman will need to be excused after his presentation for other commitments this afternoon.)

C. ENERGY

I would like Jack Carlson to present the alternatives on what might be included in our program in the area of conservation and energy.

(John Sawhill will also be present and ready to participate in this discussion.)

(Secretary Morton has left Washington and is unable to attend this meeting. Jack Carlson, an Assistant Secretary at Interior, will be making the presentation in Secretary Morton's behalf.)

D. HOUSING INITIATIVE

I would like Secretary Lynn to bring us up to date on the status of the housing initiative.

E. REGULATION

I would like Roy Ash to present what might be included in our program in the area of regulation.

Anti-trust
 ✓ 1) *File - increased*
 ✓ 2) *app. info.*
 ✓ 3) *info.*
 ✓ 4) *targets*
 ✓ 5) *Prohibit*
 ✓ 6) *Restrict*

*Conservation
 increased
 supply*

October 2, 1974

MEMORANDUM FOR THE PRESIDENT

FROM: ROGERS MORTON
 JOHN SAWHILL

SUBJECT: Energy Measures for Inclusion in
 Economic Speech

Your advisors agree that your economic speech should contain a program to achieve short-run and long-run reductions in energy demand as well as stepped up research and development programs and a renewed push for key energy legislation. A conservation program strengthens your hand in negotiating with the oil-producing countries and impacts positively on the balance of payments. It should have an objective of reducing petroleum imports by 1-2 million BPD.

There are two major options we have for achieving this objective -- (1) a voluntary program in which you ask for the support of the American people in solving a major national problem and (2) tax and regulatory measures in addition to the above.

VOLUNTARY CONSERVATION PROGRAM

The voluntary program would include energy reduction objectives for each major energy consuming group in the economy (Tab A). While the program could save as much as 1.5 million barrels per day, it is our estimate that 300 to 500 barrels per day is the maximum that could be realized.

The program would be supported with extensive public service advertising, frequent Presidential events and visible conservation actions on the part of senior government officials and other thought leaders in society. The industrial program is already well under way through a series of meetings between Secretary Dent and John Sawhill with the leaders of the six major energy consuming industries and includes "E" awards for above average accomplishment. The 1975 Federal Government objective can be announced in your speech and we have initiated programs in a number of States.

The conservation effort should include measures to improve automobile fuel economy. FEA has embarked on an effort to achieve a goal of 20 mpg by 1980 versus 13.5 mpg today. We believe the speech should support these objectives by calling for a 1.5 mpg improvement in automobile fuel economy each year through 1980. Industry should be asked initially to do this on a voluntary basis.

CONSERVATION FROM TAX AND REGULATORY MEASURES

The tax and regulatory measures in Tab B would reinforce the voluntary program. A gasoline fee would be accompanied by a reduction in withholding taxes to offset the bulk of the fee. This refundable feature increases the progressivity of the tax structure because lower income people who drive less or not at all would get a refund. The overall program would achieve savings of between 1 and 2 million barrels per day during 1975.

INCREASED ENERGY SUPPLY

Currently the Administration is taking the following actions to increase energy supply:

- (1) OCS leasing of 3 million acres in 1974, planning 10 million acres in 1975
- (2) Constructing Alaskan pipeline
- (3) Leased 18 tracts in known geothermal resource areas
- (4) Leased 4 oil shale tracts
- (5) Initiated President Nixon's 5-year \$10 billion R&D program; 2.3 billion in FY 1975

Your speech could include the following additional actions:

- (1) Continue OCS leasing momentum and lease in the coastal areas and the arctic
- (2) Plan to actively lease coal from Federal lands next year
- (3) Expand R&D effort to insure all viable technologies are being developed -- probably mean expansion for solar, geothermal, and oil & gas recovery techniques

- (4) Call for a 7-year \$20 billion R&D program -- accelerate on-going efforts and find a wider range of opportunities
- (5) Call for exploitation of Elk Hills (Calif.) oil reserve
- (6) Explore and evaluate Northwest Alaska oil reserve (Pet IV)

OVERALL RECOMMENDATIONS

1. Announce a major voluntary conservation program including 1.5 million BPD savings target, specific targets for each sector, goals for improvement in automobile efficiency and periodic reports to the American people.

2. Consider tax and regulatory approaches at the time Project Independence options are discussed with Congress in November and December.

3. Announce continued pace of OCS leasing program and new coal leasing program and that you will be making a major energy policy statement early next year based on the Project Independence Blueprint to be submitted in November.

4. Direct Secretary Morton to consider adequacy of R&D program, particularly involving solar, geothermal energy and secondary recovery of oil and gas.

5. Reinforce your earlier request for key energy legislation -- energy tax package, natural gas deregulation, deepwater ports, ERDA. Surface Mine Reclamation likely to be out of Conference today; Defense Production Act already passed, Elk Hills and Pet IV need more spade work.

TAB
A

VOLUNTARY ENERGY CONSERVATION PROGRAM

Sector	Selected 1973 Petroleum Con- sumption MB/D	Goal % Reduction	Direct Petroleum Savings Goal	Suggested Voluntary Actions
<u>Consumer</u> Auto	5.4	10%	540,000 BPD	<ul style="list-style-type: none"> . tune car . car pool . cut out unnecessary trips . use public transportation . buy fuel efficient car
Home	1.3	15%	450,000 BPD	<ul style="list-style-type: none"> . reduce temp. to 68° during day; 60° at night . install insulation & storm windows . cut down hot water use
<u>Business</u> Commercial	.8	15%	100,000 BPD	<ul style="list-style-type: none"> . reduce temp. to 68° . cut interior lighting levels
Manufacturing	.7	10%	70,000 BPD	<ul style="list-style-type: none"> . reduce space heating to 60° . increase process efficiency . install insulation
Transportation	4.7	10%	470,000 BPD	<ul style="list-style-type: none"> . tune up vehicle . more efficient scheduling . reduce business travel
TOTAL			1,530,000 BPD	

TAB
B



MANDATORY ENERGY CONSERVATION PROGRAM

<u>Conservation Measure</u>	<u>Immediate Import Savings Estimates (In equivalent barrels/day)</u>
(1) Refundable Conservation Fee on Gasoline of <u>30¢ (10¢)</u> per gallon	450 - 750 (150 - 250)
(2) Excess Usage Surcharge on Natural Gas and Electricity	200 - 400
(3) Mandatory Petroleum Allocation for Space Heating	250 - 350
(4) 25% Tax Credit on Insulation, etc., of Existing Homes	50 - 100
(5) Mandatory Industrial Conservation	0 - 300
Total Immediate Savings	950 - 1900

Energy Savings

Embry