

**The original documents are located in Box C6, folder “Presidential Handwriting, 11/13/74” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

11/13/74

OFFICE OF THE PRESIDENT  
WASHINGTON, D.C.

From the President:

To: \_\_\_\_\_

Date: \_\_\_\_\_ Time \_\_\_\_\_ a.m.  
p.m.

Order Continental shelf oil + gas  
Zero damage to Environment.  
Lower cost.

- Q - 10 million acres -
- ① Sale of leases at bargain prices?  
     Manpower } ?  
     Equipment } ?
- ② Coastal states prepared?  
     Delay - prove reserves.  
     Local participation  
     \$ 3 million - <sup>coastal</sup> zone mgt.

OFFICE OF THE PRESIDENT  
WASHINGTON, D.C.

From the President:

To: \_\_\_\_\_

Date: \_\_\_\_\_ Time \_\_\_\_\_ a.m.  
p.m.

Imbalance -  $\frac{\text{demand}}{\text{supply}}$

Energy costs - inflation impact.

Problem - 11 MBD - 2.5 production  
17 " - " consumption

Demand increasing

U.S. supply decreasing

"onshore fields depleted"

Conservation - MUST

Must increase production  
domestically

OFFICE OF THE PRESIDENT

WASHINGTON, D.C.

From the President:

To: \_\_\_\_\_

Date: \_\_\_\_\_ Time \_\_\_\_\_ a.m.  
p.m.

Risks To Environment  
"unacceptable risks"

re-allocate funds  
to strengthen environmental  
assessments + monitoring.

Oil Spills

Greater danger from  
increasing Imports.  
Liability Statute

THE WHITE HOUSE

WASHINGTON

November 13, 1974

MEETING WITH COASTAL STATE GOVERNORS

Wednesday, November 13, 1974

5:00 p.m. (1 hour)

The Cabinet Room

From: Kenneth R. Cole, Jr. *KRC*

I. PURPOSE

To inform a group of Coastal State Governors of the importance of outer continental shelf (OCS) development in solving the Nation's energy problems in terms they could use to support the Administration's efforts.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

- . The meeting with a group of 17 Coastal State Governors, Governors-Elect, and Lieutenant Governors has been arranged at the request of Secretary Morton. Those attending are from the East and Gulf Coasts. A later meeting will be held with West Coast Governors. Secretary Morton will host an informal dinner for Governors at the State Department following your meeting. He will also host a larger meeting tomorrow at Interior Department to provide details on the OCS program to Governors' staffs.
  
- . Secretary Morton believes that support from the Governors is critical to the planned leasing program and that Governors will be supportive if provided the national interest rationale for the program. He believes that the meeting--with your strong statement of the need for OCS leasing and development and descriptions of the international and economic situation by Secretary Simon will provide the basis for obtaining support. Secretary Morton's objective is also to assure the Governors, and other

opponents to leasing that all the necessary assessments and statements of environmental impact will be completed--with ample opportunity for public participation--before decisions are made to hold lease sales.

- . The planned agenda for the meeting is attached at Tab A.
  - . A Presidential statement to be released to the press is being reviewed by senior staff and will be forwarded under separate cover.
- B. Participants See Tab B.
- C. Press Plan: Press Photo opportunity. Secretary Morton and 2 Governors will brief the press corps following the meeting.

### III. TALKING POINTS

- A. Points in summary form from prepared Presidential Statement are set forth at Tab C.
- B. Points likely to be raised by Participants are set forth at Tab D.



## AGENDA

### Meeting With The Governors On The Outer Continental Shelf Leasing Program

- |   |   |
|---|---|
| The President                                   | Welcome; statement on the importance of the OCS program and steps planned to deal with major concerns. (About 10 minutes)           |
| Secretary Morton                                | Summary of the leasing program. (5 minutes)   |
| Secretary Kissinger<br>(if present)             | Impact of our energy situation upon our foreign relations. (6 minutes)  |
| Secretary Simon                                 | Impact of our energy situation on the economy. (6 minutes)<br>(plus the international impact in the absence of Secretary Kissinger) |
| Chairman Peterson                               | Environmental aspects of OCS leasing. (3 minutes)   |
| Open discussion with the Governors (30 minutes) |   |





## PARTICIPANTS

### Incumbent Governors

George Wallace (D) Alabama  
Thomas Meskill (R) Connecticut  
Sherman Tribbitt (D) Delaware  
Edwin Edwards (D) Louisiana  
Kenneth Curtis (D) Maine  
Francis Sargent (R) Massachusetts  
William Waller (D) Mississippi  
Meldrim Thomson (R) New Hampshire  
Brendan Byrne (D) New Jersey

### Governors-Elect

George Busbee (D) Georgia  
James Longley (D) Maine  
Hugh Carey (D) New York

### Lieutenant Governors (and-Elect)

Blair Lee (D) Maryland  
J. Joseph Garrahy (D) Rhode Island  
Lowell Thomas, Jr. (D-Elect) Alaska  
Robert Killian (D-Elect) Connecticut  
Thomas P. O'Neill (D-Elect) Massachusetts (Tip O'Neill's son)  
Brantley Harvey (D-Elect) South Carolina

### Cabinet Members

Secretary of State, Henry Kissinger (if possible)  
Secretary of Treasury, William Simon  
Secretary of Interior, Rogers Morton  
Secretary of Commerce, Frederick Dent

### Administration

Undersecretary of Interior, John Whitaker  
Deputy Undersecretary of Interior, Jared Carter  
Frank Zarb, Energy Resources Council  
Russell Peterson, C.E.Q.  
Robert White, N.O.A.A.  
Kenneth R. Cole, Jr., Director, Domestic Council  
James H. Falk, Associate Director, Domestic Council  
Michael Duval, Associate Director, Domestic Council



TALKING POINTS  
(Summary of Prepared Statement)

- A. The rapid increase in energy costs is a driving force behind inflation.
- B. Domestic petroleum production is about 11 million barrels per day and declining. We are consuming about 17 million.
- C. Conservation measures will help but conservation cannot obviate the need for increased domestic energy production. OCS development is the prime source for increased production.
- D. I recognize there is concern about industry's ability to handle leases of 10 million acres or that prices for leases will be a giveaway. Our objective will be to produce oil and gas safely -- rather than to lease a specific number of acres. We will not accept less than fair prices.
- E. States will be fully involved in preparations leading up to decisions on whether or not to lease in a particular area. I have directed that an additional \$3 million in FY 75 be requested for the coastal zone program to assist coastal states in planning.
- F. Interior will be proceeding with detailed environmental impact statements before decisions are made to lease in a particular area.
- G. I have directed Secretary Morton and Chairman Peterson to prepare comprehensive oil spill liability legislation for submission to Congress early next year.
- H. I am confident that we can deal with concerns about OCS development openly and fairly in close consultation with the Coastal State Governors.
- I. I'd like to have Rog Morton summarize very briefly the plans for the program before turning to Henry Kissinger, Bill Simon, and Russ Peterson. We want to save as much time as possible to hear from the Governors.



## Potential for OCS Oil Production

- . We now import about 6.4 million barrels of oil per day at an annual cost of \$23 million. The OCS offers the best prospect of increasing our domestic petroleum supplies.
- . Interior has conducted an OCS leasing program in the Gulf of Mexico for 20 years. The only other areas of Federal leasing has been off Washington and Oregon in 1964 and Santa Barbara Channel in 1968 (site of the 1969 oil spill). About 1.2 million barrels per day are produced from the Federal OCS areas and .8 million from State-owned offshore areas. The potential for greatly increased production in the Gulf of Mexico is very small. (The greatest potential is in the Gulf of Alaska, the Mid-Atlantic, Southern California, Bering Sea, and North Alaska.) Interior believes that prompt leasing of other OCS areas could produce an additional 3.5 million barrels per day by 1985.

## Interior's Leasing Plans

- . In January 1974, President Nixon directed Interior to lease 10 million acres of the OCS in 1975 (as much as had been leased in the previous 20 years). Sales have been tentatively scheduled in 1975 for South Texas (January), East Texas-Louisiana (May), Southern California (July), Lower Cook Inlet, Alaska (August, conducted by State under an escrow agreement), Mid-Atlantic (November), and Gulf of Alaska (December).

## Opposition to Leasing

- . The Southern California, Mid-Atlantic and Gulf of Alaska sales are in areas where there has been little or no previous leasing. Opposition to sales in these areas exists because of concerns over possible impact on fisheries and the coastal zone and environmental protection. The State of California has sued under NEPA.
- . Litigation pending in the Supreme Court over OCS ownership precludes Atlantic Coast leasing until the case is resolved, probably this term or an agreement made with the coastal states.
- . Some critics doubt that industry can handle 10 million acres in one year. They fear Interior will not obtain a fair price for this national resource.
- . Senator Tunney and 23 others have introduced a Senate resolution (opposed by the Administration) calling for a delay in leasing until environmental issues are answered.

- . Coastal states want to share in Federal OCS revenues. The Senate has passed a bill, sponsored by Jackson and opposed by the Administration, which would provide OCS revenues to the coastal states and require implementation of a government data collection effort. Opponents of increased OCS leasing want stepped-up leasing deferred until the House considers this bill next year.

#### Concessions Likely to be Sought by Governors

- . The Governors can be expected to seek a variety of concessions in return for their support for the program. Their most difficult positions and our suggested responses are as follows:
  1. Governors will be seeking a percentage of the revenue the Federal Government gets from the OCS or a separate fund to compensate for shoreside impact. Our response is that the OCS is a national resource owned by all the people, that revenue given to the states would have to be replaced with taxes, that shoreside development will have beneficial economic impact, that planning assistance is being provided through the coastal zone program, and a liability statute will be proposed to compensate for damages suffered from a spill.
  2. Some governors will ask for a right to veto development off their coasts. Our response should be that development of the OCS affects vital interests throughout the nation, and that coastal states will have full opportunity to participate in planning leading up to decisions to lease.
  3. East Coast governors may seek price controls on OCS oil off their coasts or, alternatively, relief from the high costs of imports in the proposed FEA equalization program. Our response should be that other areas of the nation will object strongly to subsidies to some areas, that the FEA equalization proposals have been published for comment and their views will be considered, and that increasing domestic oil production will help restore market forces.

MEETING WITH GOVERNORS ON OUTER CONTINENTAL  
SHELF OIL AND GAS DEVELOPMENT  
WEDNESDAY, NOVEMBER 13, 1974

THE IMBALANCE BETWEEN OUR NATION'S DEMAND FOR OIL  
AND GAS AND OUR DOMESTIC PRODUCTION OF THESE RESOURCES IS  
ONE OF THE MOST SERIOUS PROBLEMS WE FACE. THE RAPID INCREASE  
IN ENERGY COSTS IN THE PAST YEAR HAS BEEN A MAJOR DRIVING FORCE  
BEHIND TODAY'S INFLATION.



THE ESSENCE OF THIS PROBLEM IS THAT WHILE WE  
PRODUCE ABOUT ELEVEN MILLION BARRELS PER DAY, WE CONSUME  
ABOUT SEVENTEEN MILLION. DOMESTIC DEMAND IS INCREASING  
BUT DOMESTIC PRODUCTION IS DROPPING BECAUSE MOST OF OUR  
ONSHORE OIL FIELDS ARE BEING DEPLETED.

WE MUST ADOPT RIGOROUS CONSERVATION MEASURES,  
BUT IT IS CLEAR THAT REGARDLESS OF WHAT CONSERVATION STEPS  
WE TAKE AND WHAT EVENTUAL LONG-RANGE ENERGY POLICY WE ADOPT,  
IN THE NEAR TERM WE MUST INCREASE OUR DOMESTIC PRODUCTION  
OF OIL AND GAS.

I BELIEVE THAT THE OUTER CONTINENTAL SHELF OIL AND GAS DEPOSITS CAN PROVIDE THE LARGEST SINGLE SOURCE OF INCREASED DOMESTIC ENERGY DURING THE YEARS WHEN WE NEED IT MOST. THE O.C.S. CAN SUPPLY THIS ENERGY WITH LESS DAMAGE TO THE ENVIRONMENT AND AT A LOWER COST TO THE U.S. ECONOMY THAN ANY OTHER ALTERNATIVE. WE MUST PROCEED WITH A PROGRAM THAT IS DESIGNED TO DEVELOP THESE RESOURCES.

LEGITIMATE CONCERNS HAVE BEEN EXPRESSED ABOUT  
O.C.S. LEASING AND DEVELOPMENT. LET ME BRIEFLY ADDRESS  
MYSELF TO THESE CONCERNS.

FIRST, CONCERN HAS BEEN EXPRESSED THAT INDUSTRY DOES  
NOT HAVE THE MANPOWER AND EQUIPMENT NECESSARY FOR EXPLORATION  
AND DEVELOPMENT OF TEN MILLION ACRES OF O.C.S. LANDS AND THAT  
THIS COULD LEAD TO THE SALE OF LEASES AT BARGAIN PRICES.

WE BELIEVE THAT INDUSTRY CAN MAKE THE MANPOWER AND EQUIPMENT AVAILABLE. AND I MIGHT NOTE THAT ALTHOUGH THE TEN MILLION ACRES HAS BEEN A USEFUL PLANNING OBJECTIVE, WE ARE NOT WEDDED TO THIS PARTICULAR GOAL. OUR PRIMARY OBJECTIVE IS TO PRODUCE OIL AND GAS WHERE WE CAN DO SO SAFELY. BUT, IN ANY CASE, WE WILL INSURE THAT LEASES ARE NOT SOLD BELOW FAIR MARKET VALUES.

I HAVE DIRECTED SECRETARY MORTON TO INSURE THAT THESE OBJECTIVES ARE ATTAINED.

SECOND, CONCERN HAS BEEN EXPRESSED THAT WE

SHOULD NOT LEASE ANY NEW AREAS OF THE U.S. CONTINENTAL SHELF

UNTIL THE COASTAL STATES HAVE COMPLETED DETAILED PLANS TO A

ACCOMMODATE THE ONSHORE IMPACT OF OFFSHORE PRODUCTION.

COASTAL STATES HAVE ONLY BEGUN TO ESTABLISH THE MECHANISMS FOR COASTAL ZONE PLANNING AND THAT ACTIVITY MUST PROCEED RAPIDLY. BUT THE STEPS NEEDED NOW TO PREPARE FOR A LEASING PROGRAM NEED NOT AWAIT COMPLETION OF THESE DETAILED PLANS BY THE STATES. THE PROLONGED DELAY WOULD ONLY POSTPONE THE DATE WHEN WE WILL LEARN WHETHER SUBSTANTIAL RESERVES CAN, IN FACT, BE PRODUCED FROM OUR O.C.S. AND WOULD LENGTHEN THE TIME THAT WE WILL HAVE TO RELY ON COSTLY IMPORTED OIL.

FURTHERMORE, THE SHORESIDE IMPACT WILL NOT OCCUR FOR SEVERAL YEARS FOLLOWING INSTITUTION OF A LEASING PROGRAM. THAT PERIOD WILL ENABLE STATE AND LOCAL GOVERNMENTS TO PREPARE FOR THE SHORESIDE IMPACT. TO HELP INSURE EFFECTIVE, COOPERATIVE ACTION, STATE AND LOCAL OFFICIALS WILL BE ASKED TO PARTICIPATE IN THE PROCESS OF SELECTING TRACTS TO BE CONSIDERED FOR DETAILED ENVIRONMENTAL AND RESOURCE STUDY.



IN ORDER TO FACILITATE COASTAL STATE PARTICIPATION IN THIS EFFORT, I PLAN TO REQUEST AN ADDITIONAL THREE MILLION DOLLARS IN THE CURRENT FISCAL YEAR FOR THE COASTAL ZONE MANAGEMENT PROGRAM TO ACCELERATE STATE PLANNING EFFORTS. I HAVE ALSO DIRECTED SECRETARY MORTON AND SECRETARY DENT TO CONSULT WITH COASTAL GOVERNORS REGARDING ANY ADDITIONAL STEPS THAT MIGHT BE REQUIRED TO PLAN ADEQUATELY FOR ONSHORE DEVELOPMENT ASSOCIATED WITH OFFSHORE LEASES THAT ARE ACTUALLY ISSUED.

THIRD, CONCERN HAS ALSO BEEN EXPRESSED THAT OUR PROPOSED LEASING PROGRAM CANNOT BE CONDUCTED WITHOUT UNACCEPTABLE RISKS TO THE ENVIRONMENT. WE ARE TAKING THE STEPS NECESSARY TO REALLOCATE ADDITIONAL FUNDS DURING THE CURRENT FISCAL YEAR TO STRENGTHEN OUR PRE-LEASING ENVIRONMENTAL ASSESSMENT AND MONITORING ACTIVITIES.

IF OUR STUDIES SHOW THAT DEVELOPMENT CANNOT  
OCCUR IN A PARTICULAR AREA WITHOUT UNACCEPTABLE RISK,  
THEN WE WILL NOT HOLD A LEASE SALE. THE STEP THAT MUST  
NOW BE TAKEN IS TO BEGIN THE DETAILED STUDIES TO IDENTIFY  
RISKS IN SPECIFIC AREAS TO BE CONSIDERED FOR LEASING.

WE HAVE MADE GREAT STRIDES IN OUR O.C.S. SAFETY PROGRAM THUS FAR, AND WE WILL WORK CLOSELY WITH THE COASTAL STATES SO THAT THEY UNDERSTAND AND HAVE A PART IN THE FURTHER DEVELOPMENT OF REGULATIONS THAT GOVERN THESE OPERATIONS OFF THEIR COAST.

I ALSO RECOGNIZE THE CONCERN ABOUT OIL SPILLS.

OUR ENERGY AND ENVIRONMENTAL EXPERTS HAVE CONCLUDED THAT THE  
GREATEST DANGER TO OUR COASTS FROM OIL SPILLS IS NOT FROM  
OFF SHORE PRODUCTION BUT, INSTEAD, FROM THE GREATLY EXPANDED  
TANKER TRAFFIC THAT WOULD RESULT FROM INCREASING IMPORTS.

TO ASSURE THAT ANY SPILLS THAT MIGHT OCCUR DO NOT CAUSE

UNCOMPENSATED HARM, HOWEVER, I HAVE ALSO ASKED

SECRETARY MORTON AND CHAIRMAN PETERSON TO PREPARE A

PROPOSED COMPREHENSIVE LIABILITY STATUTE GOVERNING OIL

SPILLS. THIS BILL WILL BE READY FOR INTRODUCTION IN THE

NEXT CONGRESS.

IN SUMMARY, THE RESOURCES OF THE OUTER CONTINENTAL SHELF REPRESENT A POTENTIAL CONTRIBUTION OF MAJOR PROPORTIONS TO THE SOLUTION OF OUR ENERGY PROBLEM. I AM CONFIDENT THAT CONCERNS ABOUT LEASING, EXPLORATION AND DEVELOPMENT OF THE OUTER CONTINENTAL SHELF CAN BE ADDRESSED OPENLY AND FAIRLY, THAT PLANNING CAN PROCEED IN AN ORDERLY, COOPERATIVE WAY AND THE PROBLEMS CONFRONTING US IN OPENING NEW AREAS CAN BE RESOLVED.

I PLEDGE THE COOPERATION OF MY ADMINISTRATION IN THIS TASK.

# # #