

2-13-75

THE WHITE HOUSE  
WASHINGTON

To whom 2/M/C

Excellent.  
Make certain I see  
weekly.  
I didn't see any  
report on Elk Hills  
et cetera.

**The original documents are located in Box C13, folder “Presidential Handwriting, 2/13/1975” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.**

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**Biweekly  
Progress  
Report**

**PRESIDENT'S ENERGY PROGRAM**



**February 3, 1975**

**Energy  
Resources  
Council**

THE WHITE HOUSE  
WASHINGTON

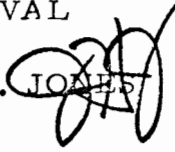
February 13, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

MIKE DUVAL

FROM:

JERRY H. JONES 

The biweekly status report from Secretary Morton and Frank Zarb was returned in the President's outbox with the following notation:

-- Excellent. Make certain I see weekly.  
I didn't see any report on Elk Hills, etc.

Please follow-up with the appropriate action.

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Thank you.

cc: Don Rumsfeld

RS 3-2 \*

PR 5-2

\* Elk Hills



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

February 7, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT  
FROM: Frank G. Zarb *Frank G. Zarb*  
THROUGH: Rogers C.B. Morton  
SUBJECT: Biweekly Status Report

Legislative Status

Your omnibus energy legislative proposal, the Energy Independence Act of 1975, was submitted to both the House and the Senate on January 29, 1975. This bill contained the entire set of legislation required to implement the supply enhancement, demand restraint and emergency preparedness measures contained in the State of the Union message with the exception of three supply bills (the Surface Mining Bill, the Nuclear Licensing and Siting Bill and the Nuclear Insurance Bill) and all tax proposals. The chart shown in Tab A will be used to indicate progress on all your legislative initiatives.

Status of Administrative Actions

A number of studies and other administrative implementing actions were also included in your proposals. The status of each of these actions is summarized in Tab B.

Status of One Million Barrel Savings Program

A monitoring system has been developed for periodic assessment of your one million barrels per day goal by the end of 1975. Charts indicating changes in import levels, consumption and production are shown in Tab C. The following trends are significant:

- ° Total petroleum imports for the four weeks ending January 17, 1975, were approximately 450,000 barrels per day less than your goals, although substantially above the volume for the corresponding period during the embargo of last year.
- ° Total domestic demand for petroleum products declined significantly in early January as compared to December. Actual apparent demand through January 17, 1975, was about 800,000 barrels per day less than your goal.
- ° The lower than expected demand is probably due to sharper than expected reductions in demand due to the economic slowdown and unusually warm weather.
- ° In December of 1974, the weather throughout the country was 10 percent warmer than normal. In the first three weeks of January, the observed weather was 14 percent warmer than normal. As a result, the U.S. has consumed an estimated 400,000 barrels per day less heating oil than forecasted since the start of the heating season.
- ° While demand was substantially below the goals set in your program, the goals should not be revised because an upturn in the economy and more normal weather will cause greater consumption again and increasing reliance on insecure foreign oil.

#### International Situation

There is a continuing downward trend in the production of crude oil by the OPEC countries. During 1974, OPEC produced 5.3 percent less crude oil than during all of 1973. A greater share of the decline (7 percent) was contributed by non-Arab producers; Arab members of OPEC decreased production by only 3.8 percent. Additional details are shown in Tab D.

This report will be transmitted to you on a biweekly basis in order to insure that you and the White House staff are fully informed on the progress in implementing the energy program.

TAB A - Progress in Obtaining Implementing Legislation

PROGRESS IN OBTAINING IMPLEMENTING LEGISLATION



TAB A - Progress in Obtaining Implementing Legislation

1. President's Legislative Proposals

- o With the exception of Surface Mining, Nuclear Licensing and Siting and Nuclear Insurance bills, all legislative proposals required to implement the President's program were prepared and submitted to Congress during the reporting period.
- o The Nuclear Regulatory Commission expects to complete preparation of the Nuclear Licensing and Siting Bill and the Nuclear Insurance Bill during the next reporting period.

2. Trends in Congress

- o Continued strong Northeast opposition to import tariffs.
- o Significant efforts to prevent decontrol of old oil and deregulation of new gas.
- o Efforts on the part of oil producing states to modify the wind-fall profits tax to exempt new oil and provide greater relief to independent producers.





TAB B - Progress Report on Administrative Actions  
Within the President's Energy Program

PROGRESS REPORT ON ADMINISTRATIVE ACTIONS

WITHIN THE PRESIDENT'S ENERGY PROGRAM

TAB B - Progress Report on Administrative Actions  
Within the President's Energy Program

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
<u>Near Term Program</u>			
1. Crude Oil Decontrol	FEA	Deregulation plan being prepared to achieve crude oil price decontrol by April 1 using Administrative procedures consistent with the Emergency Petroleum Act of 1974.	The program for decontrolling crude oil prices will be announced in the Federal Register by the third week in February.
2. Energy Conservation	FEA	Budget supplemental to increase from \$1 to \$5 million for conservation education submitted; conservation education program plan drafted.	Conservation Education Program Plan to be coordinated with other participating agencies and modified as necessary within next reporting period.
3. Coal Conversion	FEA	In process: an analysis of 78 plants and a draft of a Program level Environmental Impact Statement. Draft regulations prepared for Federal Register. Completed 90-day study on conversion program through 1980.	Draft regulations will be announced in Federal Register on February 3. First orders for mandatory conversion of utilities due in June, 1975.
4. Import Fee Implementation	FEA	Proposed amendment to entitlements program regarding products announced in the Federal Register last week; implementing regulations sent to Federal Register on 1/31 for the three one dollar fee increases.	Hearing to be held on 2/27 on import fee regulations, although they went into effect immediately upon announcement. Hearings on Feb 6 on products entitlements elimination; decision before end of Feb.

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
<u>Mid Term Program</u>			
1. OCS Leasing	Interior	Environmental Impact Statement for program to accelerate leasing is in preparation. Sec. Interior delayed Dec 1975 sale of Atlantic site at request of Eastern Coastal Governors. A meeting was held on 1/31 to discuss their obligations.	First, OCS lease in 1975 consisting of 2.9 million acres expected during week of 2/7/75.
2. Hearings on Emission Controls	EPA	Hearings commenced on Jan 29, 1975 and are in progress.	Testimony will be reviewed through week of 2/7/75 and will be analyzed prior to a decision targeted for March 2, 1975.
3. Auto-Efficiency Agreements	DOT	Agreements to obtain 40% increases in auto efficiency in 1980 obtained from "big 3" auto manufacturers; monitoring process being developed.	Plans for the monitoring process will be developed by the end of February.
4. Appliance Standards	NBS	Meeting held with appliance manufacturers on 1/29 to brief them on the goals and program envisioned by the government.	No signed agreements expected until this summer. Proposed program will be published in Federal Register for comment within next reporting period.
5. Emergency Storage	FEA	Concept paper developed; preliminary schedule prepared calling for 3 to 4 month initial study to determine the feasibility of various sites on storage modes.	Initial Planning Study will commence during next reporting period.

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
6. Utility Study	FEA	Analytical effort has been organized within FEA and commenced.	Initial report not due until April 1, 1975. During the next reporting period, interagency coordination will be effected with OMB, DOD, GSA and EPA to determine and assign responsibilities.
7. Price Floor on Petroleum Imports	FEA	Decision paper presenting alternative price floor levels and associated economic impacts completed.	Decision paper will be submitted to ERC and reviewed during next reporting period.



TAB C - Progress in Meeting Goal of One Million  
Barrels Savings in 1975

TAB  
C

PROGRESS IN MEETING GOAL OF ONE MILLION

BARRELS SAVINGS IN 1975

TAB C - Progress in Meeting Goal of One Million  
Barrels Savings in 1975

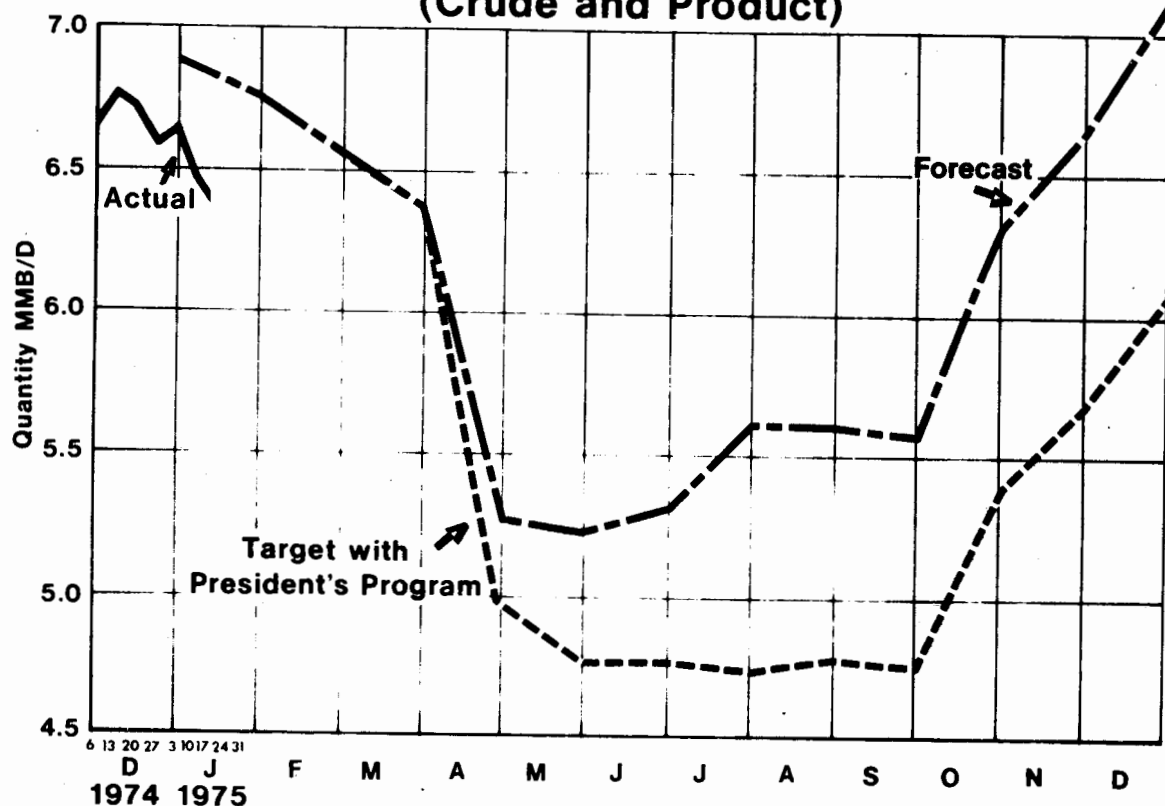
DEFINITIONS

- Apparent Demand -- Demand for products, in terms of real consumption, is not available; primary supply decreases are used as a proxy for demand (consumption).
- Actuals -- The four-week moving averages computed from the Weekly Petroleum Reporting System.
- Forecast in  
Absence of  
President's  
Energy Program -- A petroleum product demand forecast is simulated to obtain a Base Case. The forecast reflects the behavior of the economy which would occur without the President's program.
- Target With  
President's  
Program -- The Target differs from the Base Case through the incorporation of the President's energy policy as given in the State of the Union Message.

The price assumptions occasioned by the imposition of import fees and deregulation are given below in the section on prices. In addition it was assumed that:

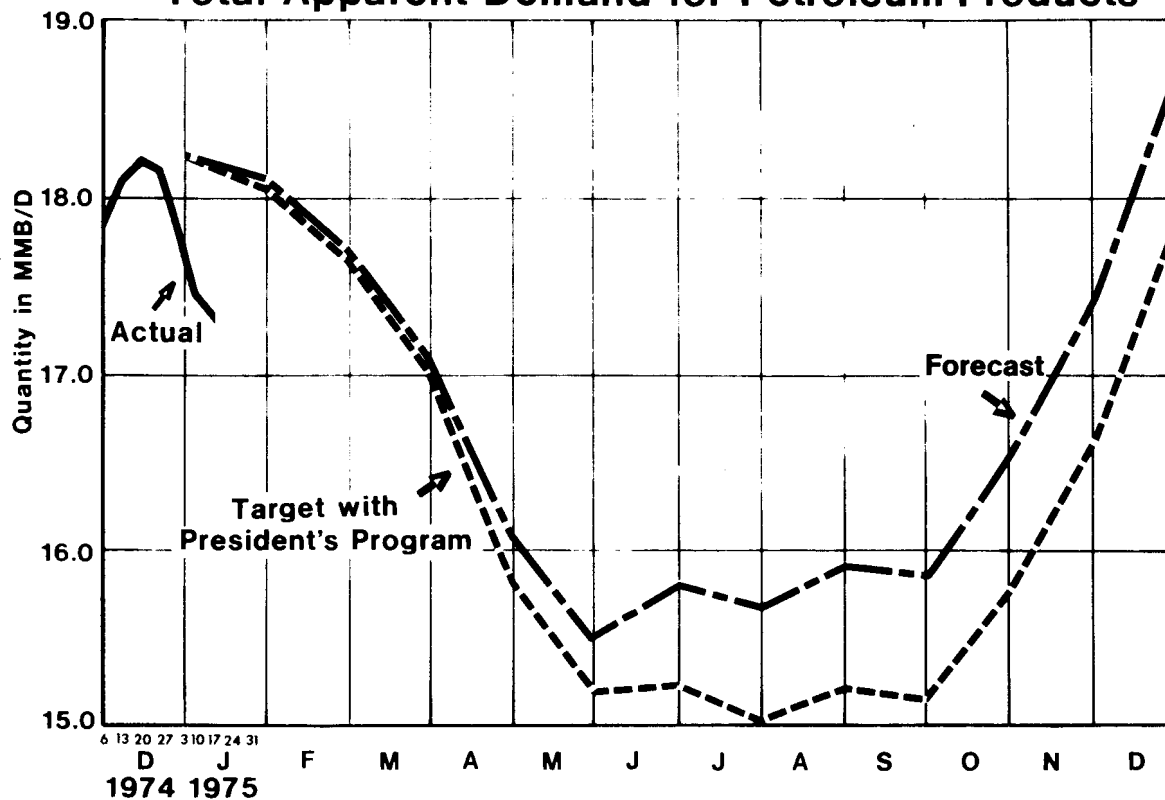
- domestic production increases by 160 MBD by the end of 1975 due to the development of Elk Hills.
- petroleum demand is reduced by 98 MBD due to switching from oil to coal.
- petroleum demand due to natural gas curtailments ceases after May 1, 1975, due to the deregulation of new natural gas at the wellhead.
- price changes due to the President's policies are held constant in real terms at their May 1975 levels.

Table 1  
**Total U.S. Petroleum Imports  
 (Crude and Product)**



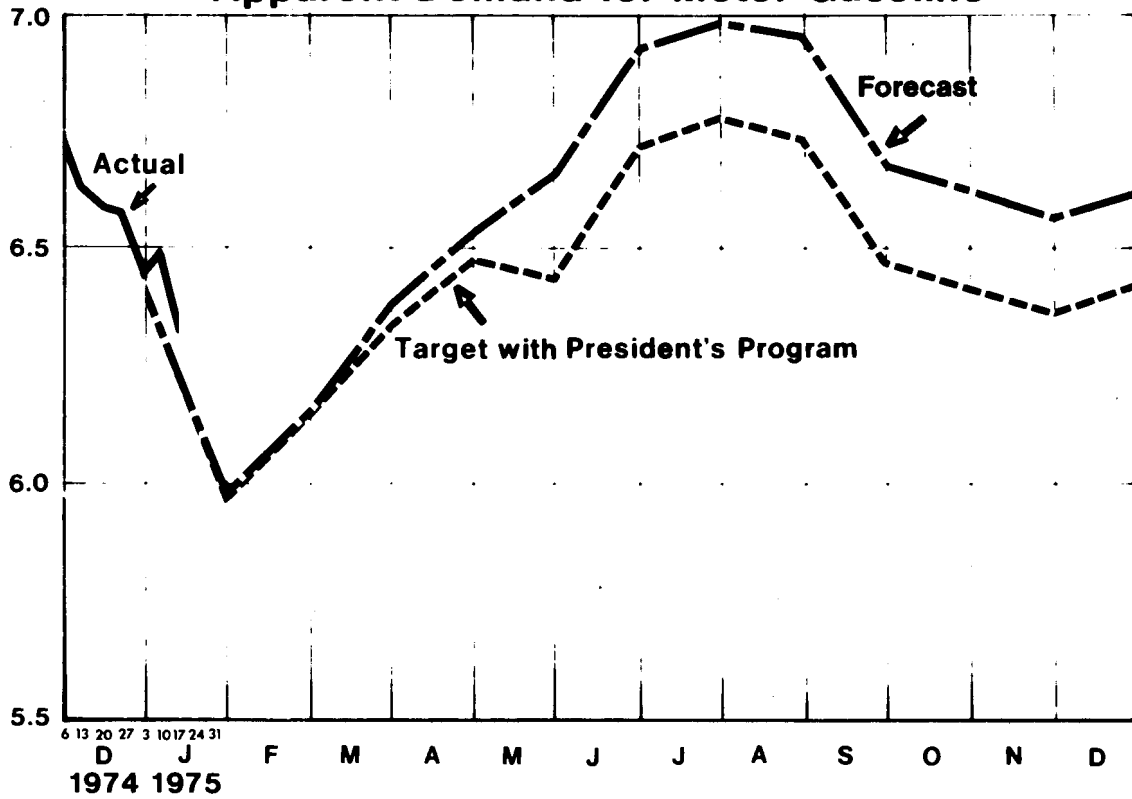
- o Total U.S. petroleum imports for the 4-week reporting period ending Jan 17 were 6.41 million barrels per day, 400,000 barrels per day below the target level of 6.81 million barrels per day and 6.6 percent below the projected level of 6.86 million barrels per day if there were no new programs.
- o Total oil imports in the four weeks ending January 17 were 20 percent higher than in the same period last year; average daily imports during January 1974 were unusually low due to the Arab oil embargo.
- o Sources of crude oil imports shifted in 1974: Arab sources decreased from 25.3 percent to 18.7 percent, Canada decreased from 30.9 percent to 24.1 percent while other Eastern hemisphere countries increased from 25.0 percent to 44.8 percent with most of the increases coming from Iran and Nigeria.

**Table 2**  
**Total Apparent Demand for Petroleum Products**



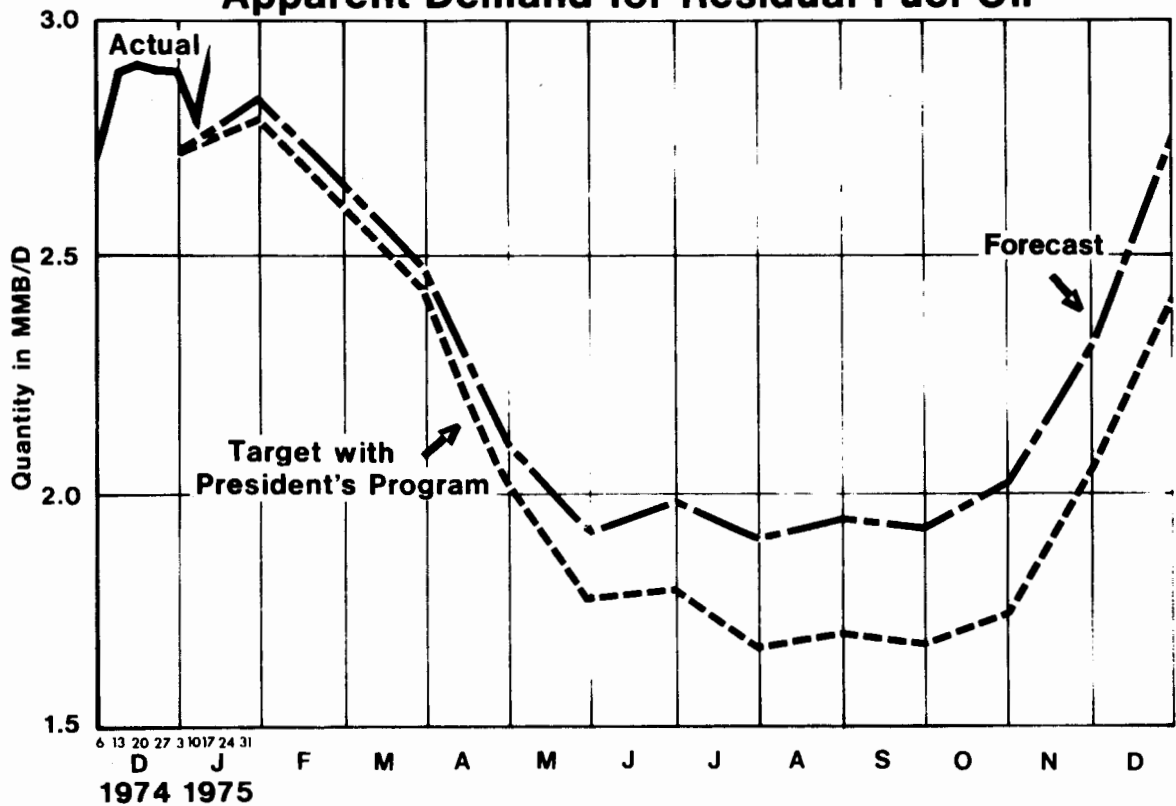
- o Total apparent demand during the four weeks ending January 17, 1975 was 17.36 MMB/D which is .79 MMB/D below the target and .84 MMB/D below the forecast.
- o Adjustment of the forecast for the warmer-than-normal weather in January would reduce the difference between the actual apparent demand and the forecast. Furthermore, actual demand, which is a 4-week moving average, will increase next week when the unusually low figure for December 27 is dropped.
- o Total apparent demand in the week ending January 17 was 130,000 barrels per day above total demand a year ago.

**Table 3**  
**Apparent Demand for Motor Gasoline**



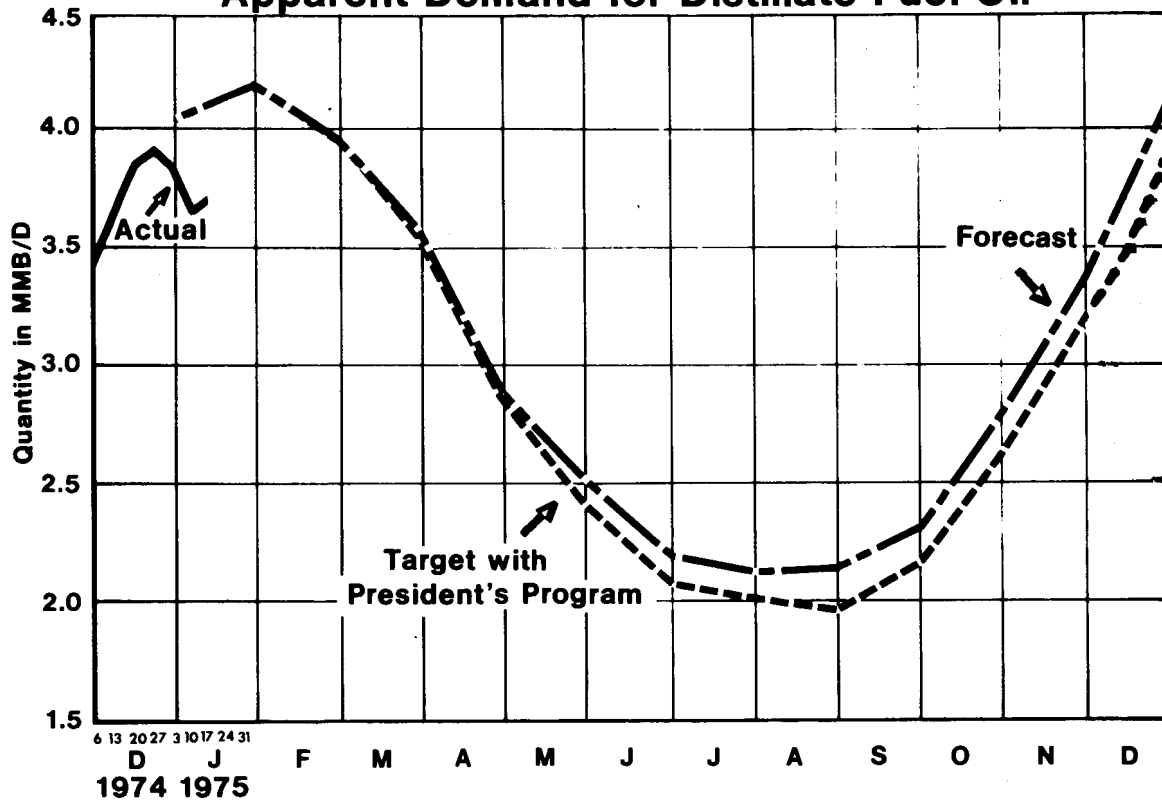
- o Apparent demand for the four weeks ending January 17 was 6.34 MMB/D which was 3.6 percent above the targeted level of 6.12 MMB/D.

**Table 4**  
**Apparent Demand for Residual Fuel Oil**



- o Apparent demand for the four weeks ending January 17, was 2.96 MMB/D which was 6.9 percent above the targeted level and 2.5 percent below the corresponding volume for January 1974.

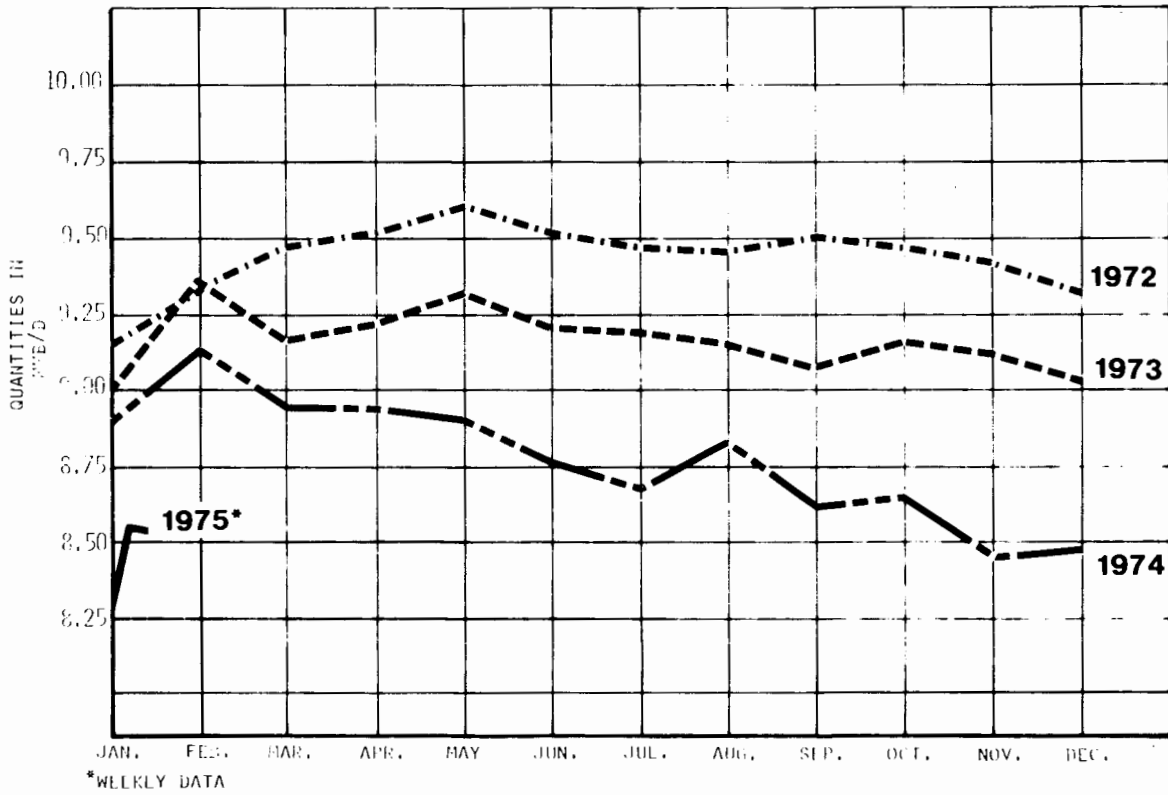
**Table 5**  
**Apparent Demand for Distillate Fuel Oil**



- o Higher prices, the economic slump, warmer weather and voluntary conservation have contributed to the reduction in consumption of distillate fuel oil to 3.73 MMB/D, a level 11.2 percent below the target and the forecast, and 2.4 percent below the level of January 1974.

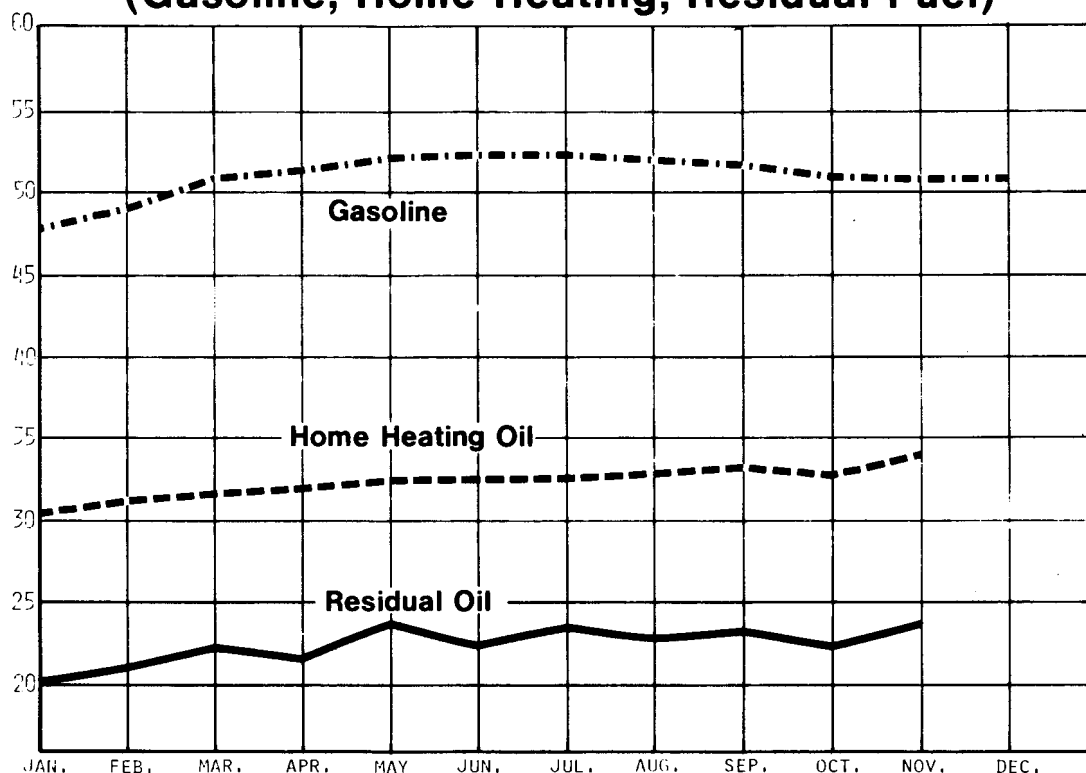


**Table 6**  
**Domestic Crude Oil Production**



- o Production of crude oil for the four weeks ending January 17 is 7.3 percent below the same period of 1974 and 9.4 percent below the same period in 1973.

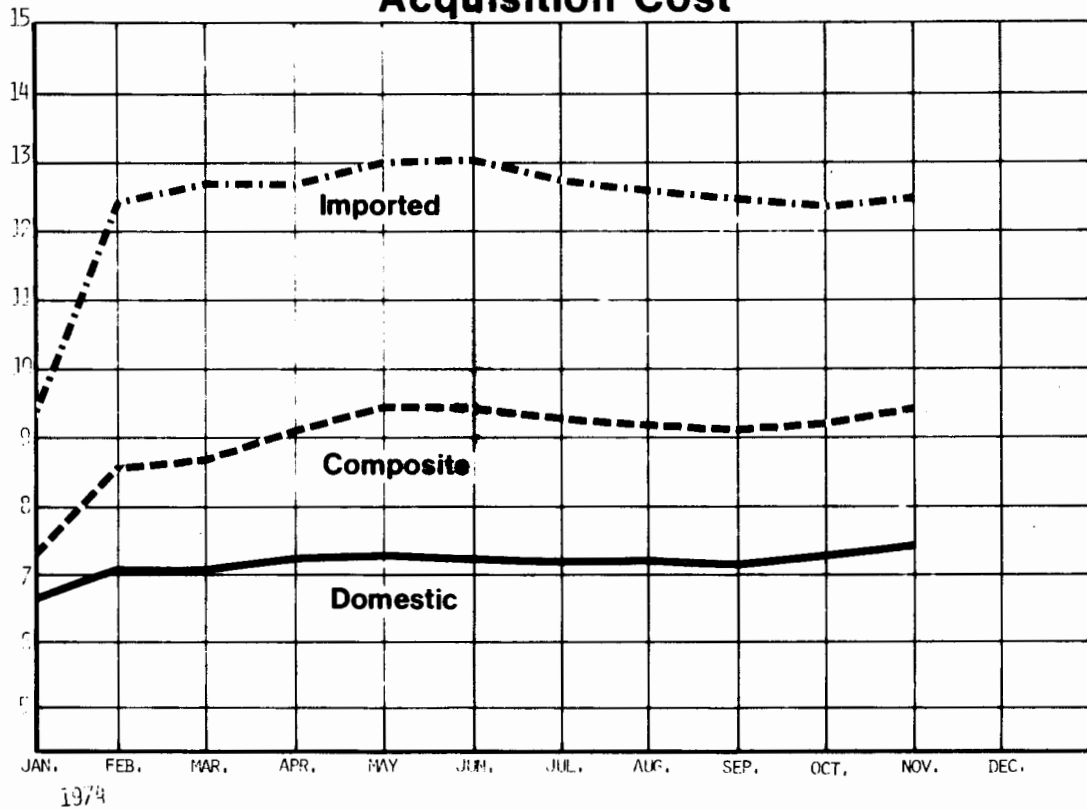
**Table 7**  
**Retail Prices**  
**(Gasoline, Home Heating, Residual Fuel)**



1974

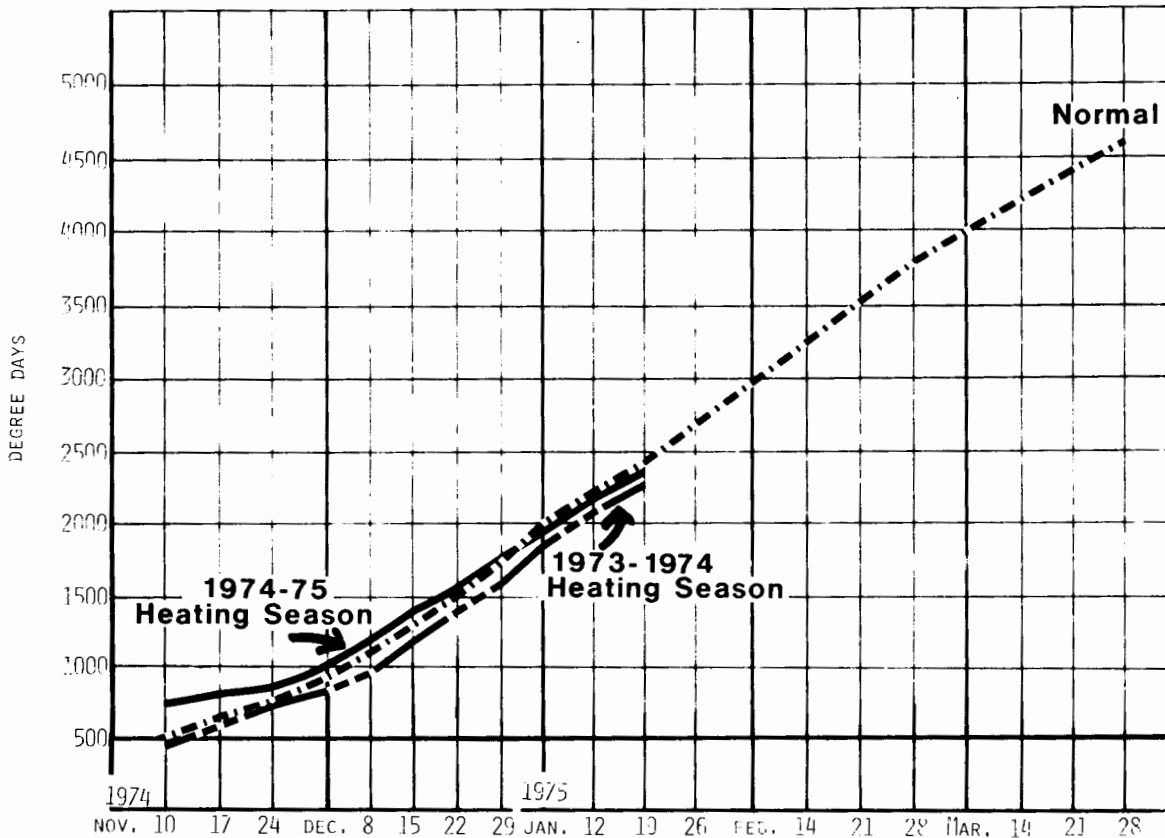
- o Retail gasoline prices, which have been declining since their peak in July, have stabilized at about 52¢ per gallon for regular. Most of the decline was due to a reduction in the retailer margin.
- o Home heating oil prices, which have been relatively stable since last winter, increased in November. Almost all of the increase was due to an increase in the margin of the heating oil distributor.

**Table 8  
Crude Oil  
Acquisition Cost**



- o The composite is a weighted average of domestic and imported prices.
- o Approximately 66 percent of domestic crude oil is controlled; 34 percent is uncontrolled.
- o The average acquisition cost per barrel of domestic crude (controlled and uncontrolled) was \$7.46 in November 1974 versus \$5.00 in November 1973.

**Table 9**  
**Distillate Heating Oil Degree-Days**  
**Total U.S.**



- o In December of 1974, the weather throughout the country was 10 percent warmer than normal. In the first three weeks of January, the observed weather was 14 percent warmer than normal. Since the start of the heating season, the U.S. has consumed an estimated 400,000 barrels per day less heating oil than forecasted, due probably to warmer than normal weather conditions.
- o The current heating season had been colder than normal, 4.5% thru December 15. In January the U.S. moved below normal degree days (warmer weather) but still remains 3.8 percent above the 1973-74 heating season normal degree days.

The number of degree-days in one day is the number of degrees by which the mean temperature for the day is below 65° F. Statewide averages for degree-days are based on population weights. These statewide averages are then aggregated into P.A.D. Districts and the national average using a weighting scheme based on each State's consumption of fuel oil per degree-day, thereby relating the impact of the weather to distillate heating oil demand. Note that above normal degree-days correspond to below normal temperatures.

TAB D - Major International Events

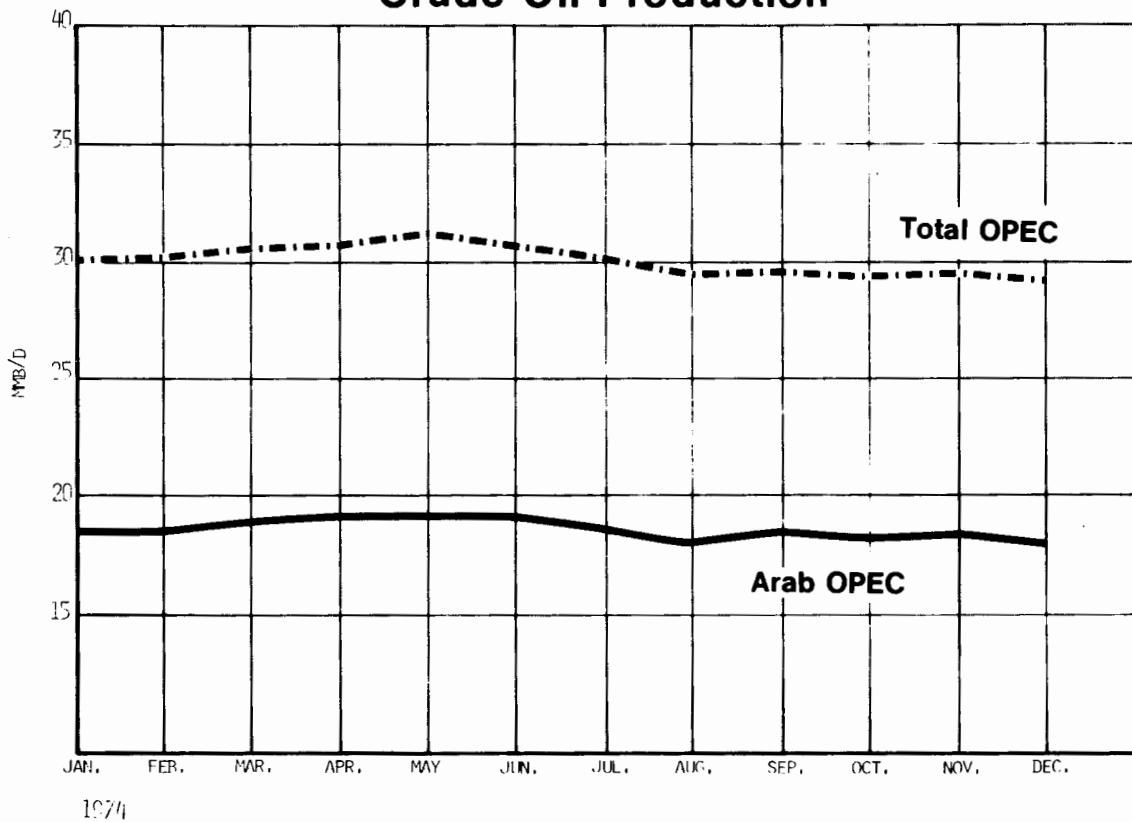
TAB D

MAJOR INTERNATIONAL EVENTS

TAB D - Major International Events

- o Iraq has revised downward its production goals. Iraq reports it will now raise its production from a current level of 1.8 million barrels per day to 4 million barrels per day by 1980-1981, rather than the previous target of 5.6-6 million barrels per day by 1980-1981.
- o The "Group of Ten," at German initiative, rejected a U.S. proposal for a "safety-net" of \$25 billion to lessen the damaging effects of high oil prices. The group recommends the expansion of IMF facilities to handle recycling problems.
- o At Algiers, on January 25, OPEC agreed to a meeting of consumers and producers, but only if the meeting considered broader aspects of the relationships between developed and underdeveloped countries and not merely petroleum problems.
- o The meeting of Western Hemisphere foreign ministers scheduled for Buenos Aires was cancelled largely as a response to Venezuelan and Ecuadorian protests over the OPEC exclusion provision of the Trade Reform Act.

Table  
**OPEC Countries  
 Crude Oil Production**



- o A decrease in production of 5.3 percent for OPEC countries occurred during 1974. Non-Arab producers decreased by 7 percent while Arab producers were 3.8 percent lower at the end of 1974.