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THE WHITE HOUSE
WASHINGTON

May 28, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

FRANK ZARB

FROM:

JIM CONNOR *JEC*

SUBJECT:

CANADIAN NATURAL GAS
PRICE INCREASES

The President reviewed your memorandum of May 24, 1976 on the above subject and made the following notation:

"I don't like this. Check with Brent Scowcroft and me.

Why should U.S. ask Canada to R. II if they act like this?"

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

Frank J

I don't like this.
Check with Brent Scowcroft
& me.

Why should U.S. ask
Canada to R. II if they
act like this?

LIMITED OFFICIAL USE



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

MAY 24 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *Z*

SUBJECT: CANADIAN NATURAL GAS PRICE INCREASES

The Canadian Government will soon announce an increase, probably effective in July, in the price of natural gas sold to US distributing companies. The present virtually uniform export price of \$1.60 per thousand cubic feet (MCF), may rise an average of 24%, to \$1.98 per MCF, with regional increases ranging from 12% to 31%. More than two-thirds of the gas affected is consumed in Northern California and the Pacific Northwest. Expected increases by area are as follows:

Northern California	Up 31%
Oregon and Washington	Up 15%
Montana	Up 12%
Minnesota, Wisconsin, North Dakota	Up 25%
Northern Minnesota (border)	Up 23%
Northern New York	Up 12%
Vermont	Up 12%

Canada has based its new prices on the cost of alternative energy in each area, with an adjustment, generally upward, for what each market will bear. This will be the fourth increase since 1973, and will result in an average price more than triple that of July 1974.

On May 18, Canada announced future increases in domestic gas prices of 12.4% in July, and an additional 7% in January 1977. This will bring Canadian gas to \$1.50 per MCF next January, as compared to the proposed average export price of \$1.98 per MCF this July. Canada also announced oil price increases to \$9.75 per barrel by next January from the present \$8.00.

Canada's domestic policy is gradually to raise domestic gas prices to the energy-equivalent value of oil; we can expect future annual increases in export prices as well.

Canadian energy officials offered to consult with us before announcing the proposed increases, and we are doing so, together with the State Department.

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