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September 21, 1976

SUBJECT:

ALASKA PIPELINE

SITUATION: There is now a surplus of oil on the West Coast, which is affecting plans for use of oil supplies created by the discovery of oil reserves at Prudhoe Bay and the construction of the Alaska oil pipeline.

The surplus is due to higher prices for oil, which have encouraged California oil companies to further exploit existing oil fields, and led to a drop in oil consumption, and to the opening of the Naval Petroleum Reserve 1 (Elk Hills) oil fields.

Several alternatives have been proposed to use this surplus oil. They include a proposal for off-loading at Los Angeles and shipment by SOHIO pipeline to Midland, Texas, for further distribution. The state of California opposes this proposal because it would add hydrocarbons to the already excessively polluted air in the Los Angeles Basin. Other alternatives are off-loading at other sites in California, and shipment by tanker through the Panama Canal.

QUESTION: What is the President's position on disposal of the Alaska pipeline surplus?

GUIDANCE: We are looking into the alternatives and working with the state of California to find the least expensive and most practical method of using the Alaskan oil.

JBS