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February 26, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

A little over two years ago, the Arab embargo proved that our Nation had become excessively dependent upon others for our oil supplies. We now realize how critical energy is to the defense of our country, to the strength of our economy, and to the quality of our lives.

We must reduce our vulnerability to the economic disruption which a few foreign countries can cause by cutting off our energy supplies or by arbitrarily raising prices. We must regain our energy independence.

During the past year, we have made some progress toward achieving our energy independence goals, but the fact remains that we have a long way to go. However, we cannot take the steps required to solve our energy problems until the Congress provides the necessary additional authority that I have requested. If we do not take these steps, our vulnerability will increase dramatically.

In my first State of the Union Address last year, I pointed out that our vulnerability would continue to grow unless a comprehensive energy policy and program were implemented. I outlined these goals for regaining our energy independence:

- First, to halt our growing dependence on imported oil during the next few critical years.
- Second, to attain energy independence by 1985 by achieving invulnerability to disruptions caused by oil import embargoes. Specifically, we must reduce oil imports to between 3 and 5 million barrels a day, with an accompanying ability to offset any future embargo with stored petroleum reserves and emergency standby measures.
- Third, to mobilize our technology and resources to supply a significant share of the free world's energy needs beyond 1985.

In pursuing these goals, we have sought to provide energy at the lowest cost consistent with our need for adequate and secure supplies. We should rely upon the private sector and market forces since it is the most efficient means of achieving these goals. We must also achieve a balance between our environmental and energy objectives.

These goals were reasonable and sound a year ago and they remain so today.

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Since January of 1975, this Administration has initiated the most comprehensive set of energy programs possible under current authority. This includes actions to conserve energy, to increase the production of domestic energy resources, and to develop technology necessary to produce energy from newer sources.

During this time, I have also placed before the Congress a major set of legislative proposals that would provide the additional authority that is needed to achieve our energy independence goals.

Thus far, the Congress has completed action on only one major piece of energy legislation -- the Energy Policy and Conservation Act -- which I signed into law on December 22, 1975. That law includes four of the original proposals I submitted to the Congress over a year ago. Eighteen other major legislative proposals still await final action by the Congress.

### Natural Gas

The need for Congressional action is most critical in the area of natural gas. We must reverse the decline in natural gas production and deal effectively with the growing shortages that face us each winter.

Deregulating the price of new natural gas remains the most important action that can be taken by the Congress to improve our future gas supply situation. If the price of natural gas remains under current regulation, total domestic production will decline to less than 18 trillion cubic feet in 1985. However, if deregulation is enacted, production would be about 25 percent higher by 1985. Natural gas shortages mean higher costs for consumers who are forced to switch to more expensive alternative fuels and mean, inevitably, an increasing dependence on imported oil. Curtailment of natural gas to industrial users in the winters ahead means more unemployment and further economic hardships.

Therefore, I again urge the Congress to approve legislation that will remove Federal price regulation from new natural gas supplies and will provide the added short-term authorities needed to deal with any severe shortages forecast for next winter.

I also urge prompt action by the Congress on a bill I will be submitting shortly which is designed to expedite the selection of a route and the construction of a transportation system to bring the vast supplies of natural gas from the north slope of Alaska to the "lower 48" markets. This legislation would make possible production of about 1 trillion cubic feet of additional natural gas each year by the early 1980s.

We expect imports of liquefied natural gas (LNG) to grow in the next several years to supplement our declining domestic supply of natural gas. We must balance these supply needs against the risk of becoming overly dependent on any particular source of supply.

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Recognizing these concerns, I have directed the Energy Resources Council to establish procedures for reviewing proposed contracts within the Executive Branch, balancing the need for supplies with the need to avoid excessive dependence, and encouraging new imports where this is appropriate. By 1985, we should be able to import 1 trillion cubic feet of LNG to help meet our needs without becoming overly dependent upon foreign sources.

### Nuclear Power

Greater utilization must be made of nuclear energy in order to achieve energy independence and maintain a strong economy. It is likewise vital that we continue our world leadership as a reliable supplier of nuclear technology in order to assure that worldwide growth in nuclear power is achieved with responsible and effective controls.

At present 57 commercial nuclear power plants are on line, providing more than 9 percent of our electrical requirements, and a total of 179 additional plants are planned or committed. If the electrical power supplied by the 57 existing nuclear power plants were supplied by oil-fired plants, an additional one million barrels of oil would be consumed each day.

On January 19, 1975, I activated the independent Nuclear Regulatory Commission (NRC) which has the responsibility for assuring the safety, reliability, and environmental acceptability of commercial nuclear power. The safety record for nuclear power plants is outstanding. Nevertheless, we must continue our efforts to assure that it will remain so in the years ahead. The NRC has taken a number of steps to reduce unnecessary regulatory delays and is continually alert to the need to review its policies and procedures for carrying out its assigned responsibilities.

I have requested greatly increased funding in my 1977 budget to accelerate research and development efforts that will meet our short-term needs to:

- . make the safety of commercial nuclear power plants even more certain,
- . develop further domestic safeguards technologies to assure against the theft and misuse of nuclear materials as the use of nuclear-generated electric power grows;
- . provide for safe and secure long-term storage of radioactive wastes;
- . and encourage industry to improve the reliability and reduce the construction time of commercial nuclear power plants.

I have also requested additional funds to identify new uranium resources and have directed ERDA to work with private industry to determine what additional actions are needed to bring capacity on-line to reprocess and recycle nuclear fuels.

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Internationally, the United States in consultation with other nations which supply nuclear technology has decided to follow stringent export principles to ensure that international sharing of the benefits of nuclear energy does not lead to the proliferation of nuclear weapons. I have also decided that the U.S. should make a special contribution of up to \$5 million in the next five years to strengthen the safeguards program of the International Atomic Energy Agency.

It is essential that the Congress act if we are to take timely advantage of our nuclear energy potential. I urge enactment of the Nuclear Licensing Act to streamline the licensing procedures for the construction of new power plants.

I again strongly urge the Congress to give high priority to my Nuclear Fuel Assurance Act to provide enriched uranium needed for commercial nuclear power plants here and abroad. This proposed legislation which I submitted in June 1975, would provide the basis for transition to a private competitive uranium enrichment industry and prevent the heavy drain on the Federal budget. If the Federal Government were required to finance the necessary additional uranium enrichment capacity, it would have to commit more than \$8 billion over the next 2 to 3 years and \$2 billion annually thereafter. The taxpayers would eventually be repaid for these expenditures but not until sometime in the 1990's. Federal expenditures are not necessary under the provisions of this Act since industry is prepared to assume this responsibility with limited government cooperation and some temporary assurances. Furthermore, a commitment to new Federal expenditures for uranium enrichment could interfere with efforts to increase funding for other critical energy programs.

### Coal

Coal is the most abundant energy resource available in the United States, yet production is at the same level as in the 1920's and accounts for only about 17 percent of the Nation's energy consumption. Coal must be used increasingly as an alternative to scarce, expensive or insecure oil and natural gas supplies. We must act to remove unnecessary constraints on coal so that production can grow from the 1975 level of 640 million tons to over 1 billion tons by 1985 in order to help achieve energy independence.

We are moving ahead where legislative authority is available.

The Secretary of the Interior has recently adopted a new coal leasing policy for the leasing and development of more coal on Federal lands. To implement this policy, regulations will be issued governing coal mining operations on Federal lands, providing for timely development, and requiring effective surface mining controls which will minimize adverse environmental impacts and require that mined lands be reclaimed. As a reflection of the States' interests, the Department proposes to allow application on Federal lands of State coal mine reclamation standards which are more stringent than Federal standards, unless overriding National interests are involved.

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I have directed the Federal Energy Administration and the Environmental Protection Agency to work toward the conversion of the maximum number of utilities and major industrial facilities from gas or oil to coal as permitted under recently extended authorities.

We are also stepping up research and development efforts to find better ways of extracting, producing and using coal.

Again, however, the actions we can take are not enough to meet our goals. Action by the Congress is essential.

I urge the Congress to enact the Clean Air Act amendments I proposed which will provide the balance we need between air quality and energy goals. These amendments would permit greater use of coal without sacrificing the air quality standards necessary to protect public health.

### Oil

We must reverse the decline in the Nation's oil production. I intend to implement the maximum production incentives that can be justified under the new Energy Policy and Conservation Act. In addition, the Department of the Interior will continue its aggressive Outer Continental Shelf development program while giving careful attention to environmental considerations.

But these actions are not enough. We need prompt action by the Congress on my proposals to allow production from the Naval Petroleum Reserves. This legislation is now awaiting action by a House-Senate Conference Committee.

Production from the Reserves could provide almost one million barrels of oil per day by 1985 and will provide both the funding and the oil for our strategic oil reserves.

I also urge the Congress to act quickly on amending the Clean Air Act auto emission standards that I proposed last June to achieve a balance between objectives for improving air quality, increasing gasoline mileage, and avoiding unnecessary increases in costs to consumers.

### Building Energy Facilities

In order to attain energy independence for the United States, the construction of numerous nuclear power plants, coal-fired power plants, oil refineries, synthetic fuel plants, and other facilities will be required over the next two decades.

Again, action by the Congress is needed.

I urge Congress to approve my October, 1975 proposal to create an Energy Independence Authority, a new government corporation to assist private sector financing of new energy facilities.

This legislation will help assure that capital is available for the massive investment that must be made over the next few years in energy facilities, but will not be forthcoming otherwise. The legislation also provides for expediting the regulatory process at the Federal level for critical energy projects.

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I also urge Congressional action on legislation needed to authorize loan guarantees to aid in the construction of commercial facilities to produce synthetic fuels so that they may make a significant contribution by 1985.

Commercial facilities eligible for funding under this program include those for synthetic gas, coal liquefaction and oil shale, which are not now economically competitive. Management of this program would initially reside with the Energy Research and Development Administration but would be transferred to the proposed Energy Independence Authority.

My proposed energy facilities siting legislation and utility rate reform legislation, as well as the Electric Utilities Construction Incentives Act complete the legislation which would provide the incentives, assistance and new procedures needed to assure that facilities are available to provide additional domestic energy supplies.

#### Energy Development Impact Assistance

Some areas of the country will experience rapid growth and change because of the development of Federally-owned energy resources. We must provide special help to heavily impacted areas where this development will occur.

I urge the Congress to act quickly on my proposed new, comprehensive, Federal Energy Impact Assistance Act which was submitted to the Congress on February 4, 1976.

This legislation would establish a \$1 billion program of financial assistance to areas affected by new Federal energy resource development over the next 15 years. It would provide loans, loan guarantees and planning grants for energy-related public facilities. Funds would be repaid from future energy development. Repayment of loans could be forgiven if development did not occur as expected.

This legislation is the only approach which assures that communities that need assistance will get it where it is needed, when it is needed.

#### Energy Conservation

The Nation has made major progress in reducing energy consumption in the last two years but greatly increased savings can yet be realized in all sectors.

I have directed that the Executive Branch continue a strong energy management program. This program has already reduced energy consumption by 24 percent in the past two years, saving the equivalent of over 250,000 barrels of oil per day.

We are moving to implement the conservation authorities of the new Energy Policy and Conservation Act, including those calling for State energy conservation programs, and labeling of appliances to provide consumers with energy efficiency information.

I have asked for a 63 percent increase in funding for energy conservation research and development in my 1977 budget.

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If the Congress will provide needed legislation, we will make more progress. I urge the Congress to pass legislation to provide for thermal efficiency standards for new buildings, to enact my proposed \$55 million weatherization assistance program for low-income and elderly persons, and to provide a 15 percent tax credit for energy conservation improvements in existing residential buildings. Together, these conservation proposals can save 450,000 barrels of oil per day by 1985.

### International Energy Activities

We have also made significant progress in establishing an international energy policy. The U.S. and other major oil consuming nations have established a comprehensive long-term energy program through the International Energy Agency (IEA), committing ourselves to continuing cooperation to reduce dependence on imported oil. By reducing demand for imported oil, consuming nations can, over time, regain their influence over oil prices and end vulnerability to abrupt supply cut-offs and unilateral price increases.

The International Energy Agency has established a framework for cooperative efforts to accelerate the development of alternative energy sources. The Department of State, in cooperation with FEA, ERDA, and other Federal agencies, will continue to work closely with the IEA.

While domestic energy independence is an essential and attainable goal, we must recognize that this is an interdependent world. There is a link between economic growth and the availability of energy at reasonable prices. The U.S. will need some energy imports in the years ahead. Many of the other consuming nations will not be energy independent. Therefore, we must continue to search for solutions to the problems of both the world's energy producers and consumers.

The U.S. delegation to the new Energy Commission will pursue these solutions, including the U.S. proposal to create an International Energy Institute. This Institute will mobilize the technical and financial resources of the industrialized and oil producing countries to assist developing countries in meeting their energy problems.

### 1985 and Beyond

As our easily recoverable domestic fuel reserves are depleted, the need for advancing the technologies of nuclear energy, synthetic fuels, solar energy, and geothermal energy will become paramount to sustaining our energy achievements beyond 1985. I have therefore proposed an increase in the Federal budget for energy research and development from \$2.2 billion in 1976 to \$2.9 billion in the proposed 1977 budget. This 30 percent increase represents a major expansion of activities directed at accelerating programs for achieving long-term energy independence.

These funds are slated for increased work on nuclear fusion and fission power development, particularly for demonstrating the commercial viability of breeder reactors; new technology development for coal mining and coal use; enhanced recovery of oil from current reserves; advanced power conversion systems; solar and geothermal energy development; and conservation research and development.

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It is only through greater research and development efforts today that we will be in a position beyond 1985 to supply a significant share of the free world's energy needs and technology.

Summary

I envision an energy future for the United States free of the threat of embargoes and arbitrary price increases by foreign governments. I see a world in which all nations strengthen their cooperative efforts to solve critical energy problems. I envision a major expansion in the production and use of coal, aggressive exploration for domestic oil and gas, a strong commitment to nuclear power, significant technological breakthroughs in harnessing the unlimited potential of solar energy and fusion power, and a strengthened conservation ethic in our use of energy.

I am convinced that the United States has the ability to achieve energy independence.

I urge the Congress to provide the needed legislative authority without further delay.

GERALD R. FORD

THE WHITE HOUSE,

February 26, 1976.

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