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THE WHITE HOUSE  
PRESS CONFERENCE  
OF  
FRANK G. ZARB  
ADMINISTRATOR OF THE  
FEDERAL ENERGY ADMINISTRATION  
AND  
ERIC R. ZAUSNER  
DEPUTY ADMINISTRATOR OF THE  
FEDERAL ENERGY ADMINISTRATION  
  
THE BRIEFING ROOM

2:21 P.M. EST

MR. CARLSON: The President has just signed a message to the Congress summarizing our actions to date on energy. You should have a lengthy fact sheet and we also have a much shorter fact sheet and the message the President has signed.

Q When was the last time the President signed a message to Congress publicly?

MR. CARLSON: I think it was yesterday.

Q Does he do this usually publicly, with cameras and everything?

MR. CARLSON: Yes, ever since I can remember.

Here to take your questions -- do you have a short statement, Frank?

MR. ZARB: No.

MR. CARLSON: Here to take your questions is Mr. Frank Zarb.

MR. ZARB: Does everybody have a fact sheet and all the other paper?

Q Yes.

MR. ZARB: If there are no questions we can make this the shortest briefing on record.

Q I have a short question. What is new in here?

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MR. ZARB: I guess the two major areas that are new relate to natural gas. One is the gas pipeline, which was the first announcement of that legislation, which will be ready in a week or 10 days, and the second is a national policy on LNG imports which heretofore had not been announced.

Q What is that national policy?

MR. ZARB: In general scope it concludes that imports of LNG will be contained to a small enough percentage of total consumption so that our vulnerability in that sector does not become excessive. Each project applied for will be looked at very carefully from that standpoint, so there will be a contained policy with respect to LNG imports.

Q What is the level now?

MR. ZARB: The level is just about zero in LNG. The only natural gas that comes across the border that I am aware of is in Canada. But, as you know, there have been a number of proposals to export and import large quantities of LNG at rather high prices. The total quantity, probably, in terms of limits will be about one trillion cubic feet.

Q Mr. Zarb, is there any provision in the legislation to coordinate the pipeline decision with the Canadian Government?

MR. ZARB: The legislation doesn't spell out specific consultation with the Canadian Government but it is clear that the Canadian Government, going through a similar exercise at home, is going to want to talk to our people on this subject so there will be discussions and consultations as there always are on areas of mutual interest.

MR. ZAUSNER: I want to add one thing -- that is, the timing of the decision, which is roughly and slightly over a year, is timed so that we can get done with the negotiations we have to do with Canada before the President would actually have to make his decision on the route we could take account of where the status of those negotiations stood by the pipeline treaty and the other elements that have to be negotiated with the Canadians.

Q Won't they reach some kind of a tentative decision this fall?

MR. ZAUSNER: Yes.

MR. ZARB: That is tentative, however.

Q Frank, this legislation would take the decision out of the FPC and make it a Presidential decision about the route of the pipeline?

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MR. ZARB: I guess you could define it that way although I would say it would be in the hands of the President's last Congress. The legislation provides for the FPC to make its recommendation, other applicable Federal agencies to make theirs, the President to make his proposal in total and then the Congress to either turn it down or accept it within an approximately 60-day period. Thereafter, the mechanisms of that bill would be very similar to the Alaska pipeline whereby there will be a legislative time constraint with respect to completion of the line, the environmental impact, litigation and so on would be almost identical to the provisions of the Alaska pipeline.

Q How unusual is it to take that kind of a decision out of a regulatory agency and give it to Congress and the White House?

MR. ZARB: As you know, in this particular case there are joint responsibilities under law. The FPC will have responsibility; the Interior Department will have responsibility insofar as public lands are concerned. We have certain mandated responsibilities with respect to impact on energy and where it is delivered in the country.

So I don't know what precedents there are, in answer to your question. But in reality it is a management need in this case to be sure that we do coordinate within the Executive and lay before the Congress the best possible course we can construct and then get the Congress to approve within the confines of a total package which will allow us to get on with the construction which, hopefully, can begin in early 1978 and we can begin obtaining gas deliveries by the early 1980s.

Q Frank, on the liquified natural gas, the fact sheet here talks about procedures on pricing, Government financial assistance, regional dependence, source of supply, et cetera. I may have missed something but I am not aware the Government now has the authority to limit LNG imports and you are not suggesting legislation here. What is the Government authority here?

Q Question?

MR. ZARB: The question is, what is the Presidential authority that reaches into this LNG category and permits us to have a national policy which will limit the scope of imports?

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There are normally two direct circuits that work. One is the FPC judgment with respect to natural gas and prices, and distribution, and the use of interstate pipelines. This statement and policy has been carefully coordinated with the FPC.

Secondly, the Ex-Im Bank circuit, or the financing banks normally request from agencies such as our own, recommendations on projects that relate to the energy area.

In this case, there have been several proposals for Ex-Im Bank financing of American equipment to liquify natural gas and ship it here.

The tanker category becomes another circuit that oftentimes the Federal Government is asked to make a judgment. So, in total, we have more than, I think, enough opportunity to make sure that this policy is properly implemented.

Q Considering that the FPC said that they were going to get done with their Alaskan gas decision around December of 1976 and yet your proposed bill would make it February 1, 1977, in reality how much is your bill going to speed up the process?

MR. ZARB: In total it will speed the process up a great deal if Congress accepts it. As you know, there are two bills in the Congress right now and they move in different directions -- one mandates a trans-Canada line and the other mandates an all-American line.

If we head into that kind of debate, we can be doing it forever.

Now, the FPC is making its recommendation and findings between now and early 1977 and the rest of us have a good deal of work to do, including the Department of Interior. It ought to all come together and, thereafter, assuming the Congress agrees with the total package the President sends forward, it will move a lot more quickly than if we didn't have legislation of this variety.

I forgot to mention to you the Trade Expansion Act, which gives the President authorities in the area we just talked about.

Q Did you say the Congress only has 60 days to disapprove whatever recommendation he makes?

MR. ZARB: The final decision on that time has not been worked out. The bill will go up within a week or 10 days and it will be either 60 or 90 days.

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Q The President is again putting natural gas deregulation at the top of his priority list. A week or so ago you made comments indicating the outlook for an acceptable bill this session was pretty dim. I understand you took part in a meeting up on the Hill yesterday about this. Can you tell us where it now stands?

MR. ZARB: The question is, the President put emphasis on natural gas and my last statement on that subject indicated that the likelihood of an acceptable bill in this session seemed rather low.

There was a meeting on the Hill yesterday in Senator Long's office with a number of selected clientele, including myself, where the whole question was discussed. The question is, where do we stand?

The President has put emphasis on natural gas deregulation for a fairly simple reason -- it is worth 2 million barrels a day of imported oil by 1985. It has a real direct bearing on our goals for 1985.

I will answer your question in a minute, but it kind of gets back to Ed's original question, which is kind of pathetic -- you never had one of your questions characterized that way before, have you?

Q Nobody ever said that before. (Laughter)

MR. ZARB: What is new? The sad fact is that the President's proposals of a year ago and then supplemented during the course of the year after a lot of discussion with the Congress fill out a complete and comprehensive energy program, and the responsibility for having one or not having one now rests with the United States Congress -- natural gas being a darned good example.

Now, the Smith bill is not acceptable to the President. The likelihood of a conference between the Smith bill and Pearson-Bentsen bill to produce something that will be satisfactory in the opinion of the Members of the Senate and the House who are close to this issue is very low. Both Senator Pearson and Senator Bentsen have indicated such a conference would not yield good results.

Under those circumstances, it seems to me we have to find a way to get a different bill or perhaps Pearson-Bentsen on the Floor of the House for a vote.

Q As an amendment to some other pending legislation?

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MR. ZARB: The tactics and legislative strategy I would have to leave to those on the Hill who know the parliamentary procedures. But it would be awfully nice for the American people to have an opportunity to see their House of Representatives vote on Pearson-Bentsen.

Q Did you get any assurances at that meeting yesterday that an attempt would be made to get something to the Floor?

MR. ZARB: The question -- did I get any assurances -- keep in mind that the room was full of the Saved (Laughter) -- so if they could do it, they will. But the question is, can it be accomplished with all of the other interests in the subject?

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Q Who was representing the House there?

MR. ZARB: Bud Brown, Jim Broyhill, I guess John Rhodes was not there. I think just Bud Brown and Jim Broyhill, and Bob Krueger and Waggoner.

Q Have you had any indication from any of the House Members who voted for the Smith proposal that they have had a change of heart?

MR. ZARB: You know I am not sure how many, at the time of the vote, knew what the Smith proposal really was in substance. It came up, as you know, in 24 hours. We hadn't even seen it. It is clear to me that we came so close, within three votes, and a few absentees away, that the Pearson-Bentsen proposal, being a lot more moderate in terms of its decontrol effects surely should have a good majority.

As you recall, Pearson-Bentsen deregulates new gas only. The Krueger proposal deregulated both new gas and old contracts as they expired.

As we get back to Ed Cowan's original question, I would like to point out an old activity that is covered here. The Naval Petroleum Reserves, worth 300,000 a day, passed by both Houses of Congress last October and have not yet completed the details of a conference so that it could get to the President's desk.

That bill gets 300,000 barrels a day within 18 months, and then allows us to go to the North Slope of Alaska, Pet 4, and produce that particular sector.

Yes, sir?

Q Frank, could I follow up on this LNG question? You cited certain things the Federal Government could do, but both the FPC and the Ex-Im Bank are independent agencies in which the White House cannot call the policy or interfere with it.

I am not at all sure what the Administration really could do if a specific contract is proposed between private companies to import LNG. What does the Administration have to say about it if it decides this is not a very good idea?

MR. ZARB: You are assuming that there is a regulatory agency that has a different perspective in terms of policy and, as a result, will be so independent as to grant licenses over the objections of the Federal Energy Administration, the Secretary of the Interior and the President?

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Q No, I am not assuming that. What I am asking is, is there anything the Administration thinks it can do about LNG except to comment on proposals, which it does now all the time?

MR. ZARB: In my view -- and I would have to get a better legal opinion of the Trade Expansion Act -- there are a number of ends to that.

MR. ZAUSNER: It is very clear that the Trade Expansion Act gives the President the authority to set quotas on any imported product if it threatens the national security. So, while we think one TCF is a reasonable bound and would bring supply and demand into balance, if we found in fact that excessive dependence was occurring and the Secretary of the Treasury found that excessive import was either directly or threatened to be a hazard to national security, then we do have the authority.

It was the same authority used previously to impose direct restrictions on further imports.

Q But, since we are talking about a goal of one TCF by 1985, that authority presumably would not even come into question for quite some time?

MR. ZARB: It could come into question with the next project proposed.

Q Would you explain how you arrived at the figure of one trillion cubic feet and put it into perspective?

MR. ZAUSNER: It is not nearly as easy and simple as it is for oil. But, as you know, we expected to try to keep oil imports below three million barrels a day by 1985. One trillion cubic feet of gas would be about 5 percent of total natural gas used by 1985. That number, in the abstract, is not large but, when you take account of the fact it would be concentrated primarily in the East Coast and also some on the West Coast, and the fact it would be from the same suppliers we get into secure oil from, it seems to us that is a reasonable ground.

It is not a precise science to set that number at .8 or 1.2, but 1.0 seems to us a reasonable balance between meeting supplies and not excessive imports.

Q One more related fact. There is one major importation project, the El Paso project, that has been approved. Can you tell us how much of the one trillion that would account for?

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MR. ZAUSNER: I think there is more than one. It is my understanding that projects already approved by the FPC would total about four-tenths of a trillion cubic feet by 1985, and ones they now have pending, but they themselves have reached no decision on would bring it up to slightly over one, and we know of other projects that have not yet been formally submitted that could in theory bring the total closer to two trillion feet if all were approved and came on line expeditiously.

MR. ZARB: The probability question here is a little more serious in oil. There are only two countries I am aware of who have made proposals to import large amounts of LNG and, if you get yourself into that position with a large percentage, you can really be in trouble with only a few sources around the world.

Q Who are those?

MR. ZARB: Nigeria and Algeria.

Q What would this mean for the LNG thing that has been proposed for Raccoon Island in New Jersey?

MR. ZARB: Would you say that again?

Q The El Paso Natural Gas Company proposes an enormous thing in New Jersey on Raccoon Island.

MR. ZARB: The one approved by FPC already?

Q I never did know the effect of it.

MR. ZARB: That falls within the four-tenths Eric just described.

Indonesia was another country. There are three.

Q Along the same line, Frank, when you say that a major factor in reviewing proposed projects will be diversification of sources, I was going to bring up the point you brought up about the few places you could get it from.

I am wondering if some of these projects that have been pending before the FPC for some time now aren't going to be in trouble in terms of pressure from the White House saying we can't approve these because we will have too much gas coming from Algeria, which is really where most of it is coming from, under these proposals now before the agency?

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MR. ZARB: I can't comment on the specific proposals, but it is clear from our perspective that we should not have a public policy that on the one hand precludes the development of natural gas and on the other hand increases the dependency on imported gas from very few sources.

It is kind of interesting that the contract terms being talked about in some of these LNG contracts are up in the \$3.50 to \$5.00 per MCF range. When we talk about deregulating natural gas in this country, we are talking about getting as high as \$1.70 and perhaps \$2.00 at some point. But, here we are talking about importing this product at a much higher rate.

Q Aren't you in fact trying to discourage the approval of some of these proposals?

MR. ZARB: We look at them individually.

Q Sure.

MR. ZARB: It is a possibility, but the one TCF is, we think, a healthy balance. We are not going to discourage that.

Q Frank, how do these three handouts today fit in with the goals of the National Commission on Paperwork? (Laughter) They total 35 pages. (Laughter)

MR. ZARB: We will classify that question along with Ed Cowan's.

THE PRESS: Thank you.

END (AT 2:41 P.M. EST)