The original documents are located in Box 12, folder "Energy (3)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

File

Energy

THE WHITE HOUSE

WASHINGTON

July 1, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM CANNON

SUBJECT: PROPOSED PRESIDENTIAL STATEMENT ON REMOVAL OF MIDDLE DISTILLATE CONTROLS

The failure of the Congress yesterday to disapprove the plan for removing controls on middle distillates provides a good opportunity for a statement. A draft statement is attached for your consideration.

Recommendation

That you approve the attached statement which has been cleared with and recommended by Frank Zarb.

DRAFT STATEMENT

Today we are taking another important step forward in removing unnecessary Federal regulations and controls.

Allocation and price controls on heating oil, diesel fuel and kerosene are being ended. These controls have been limiting competition, working against the best interests of consumers, and hurting small business.

The proposals to remove the controls were submitted to the Congress on June 15, 1976, and yesterday both the House and the Senate allowed the proposals to go into effect.

The Federal Energy Administration has concluded that supplies of middle distillates petroleum products are fully adequate to meet expected needs and that there should be no price increase as a result of removing the controls. If unexpected problems affecting supplies or prices were to occur, the controls could be reimposed.

Energy

ACTION

THE WHITE HOUSE

WASHINGTON

July 2, 1976

TO: JIM CANNON

FROM: GLENN SCHLEEDE

SUBJECT: DISPUTE OVER THE EXTRA-TERRITORIAL APPLICATION OF ENVIRONMENTAL IMPACT STATEMENT REQUIREMENTS

This is to warn you that Russ Peterson will soon be contacting you with respect to the dispute between CEQ and ERDA on this subject. He probably will indicate that he and Bob Seamans have reached agreement.

This is to request that you not let them go ahead until (a) we see the details of the proposed agreement, and (b) I have a chance to try to convince you it is unacceptable!

I've seen a recent draft of the proposed CEQ letter on this, and I believe it is full of traps.

Glenn

O.K.

STATEMENT BY THE PRESIDENT

Energy
July 1976?

I am pleased to sign into law today S. 586, the Coastal Zone Management Act Amendments of 1976. This legislation fills a critical need in the development of our domestic energy resources and the improved management of the Nation's valuable coastal zones.

The bill recognizes a national responsibility to assist coastal states and communities that will be affected by the accelerated exploration and production of oil and gas from the Federal outer continental shelf. It creates a Coastal Energy Impact Program with an authorization level of $1.2 billion over the next ten years. The principal form of the assistance will be loans and loan guarantees to assist communities in developing the additional public facilities needed to cope with the expanding population associated with new OCS and coastal dependent energy activities. In addition, Federal grants are authorized to assist states and communities in planning for these impacts, in ameliorating unavoidable environmental losses, and in providing public facilities and public services for limited time periods to the extend adequate credit under the bill is available.

The legislation has been carefully designed to insure that Federal assistance is limited to those situations where the assistance is needed and only for those specified projects or activities directly related to increased coastal energy activity. Clearly, the national taxpayer should not be asked

to underwrite costs normally covered by ordinary state and local taxes; similarly, the energy industry should bear its normal tax load and the usual costs of doing business.

Under the bill, loans and loan guarantees will be provided for public facilities needed because of new or expanded coastal energy activity in recognition that such facilities would normally be financed through State and local bonding. Grants for public facilities can only be used if the Secretary of Commerce finds that the loans and loan guarantees are not available. Grants may also be used for planning and for the prevention, reduction, or amelioration of unavoidable environmental losses if the Secretary determines that the loss is not attributable to, or assessable against, any specific person and cannot be paid for through other Federal programs.

The bill also appropriately limits the extent to which the Federal Government will become involved in decisions that should be made at State and local levels. The individual states and localities will determine whether their principal need is for schools, roads, hospitals, new parks or other similar facilities. The Secretary of Commerce will have responsibilities which are limited to those areas where Federal involvement is necessary.

Prior to the disbursement of funds, the Secretary of Commerce must make certain that States which are entitled to receive loans or grants will expend or commit the proceeds in accordance with authorized purposes, and that Federal loans grants will not subsidize public services for an unreasonable

length of time. The Secretary must also determine prior to the disbursement of funds that particular environmental losses cannot be attributed to identifiable persons, and that grants for public facilities are used only to the extend that loan or loan guarantee assistance is not available.

The Secretary of Commerce will act expeditiously to implement the energy development impact provisions so that we can accelerate OCS energy development to meet our Nation's energy needs in an environmentally responsible manner and to work closely with the thirty coastal States which are now participating in the Coastal Zone Management Program.

It is appropriate that this new program, established by this major innovative piece of legislation, is being signed in the first year of our Nation's Third Century. The issues of energy and our environment -- to which this bill is directed -- will surely be high on our Nation's list of priority concerns throughout the decades ahead.

THE WHITE HOUSE

WASHINGTON

July 10, 1976

MEMORANDUM FOR: GEORGE HUMPHREYS
JUDY HOPE
PAUL LEACH

FROM: GLENN SCHLEEDE

SUBJECT: STUDY OF ENERGY AND NATURAL RESOURCE ORGANIZATION

Attached is a copy of the interim report of the ERC-OMB task group that is looking at various options for reorganizing energy and natural resource functions of the Federal Government.

The group, which is headed by Jim Mitchell of OMB and Joe Kasputys of Commerce, wants to send the report out to affected agencies for comment but is giving Domestic Council, ERC and ERC (Richardson & Zarb) a preview and chance for comment.

All or part of the following agencies are considered in some way under one or more of the alternatives:

- FEA
- ERDA
- NRC
- FPC
- TVA
- EPA
- Interior
- Water Resources Council
- Agriculture
- Corps of Engineers
- DOD-Naval Petroleum Reserves
- Commerce - NOAA
- DOT - Office of Pipeline Safety & Auto Fuel Economy and Safety functions.

Comments have been requested by Noon, Tuesday. I'll try to get an extension until noon, Wednesday but I'll need your comments by COB Tuesday (July 13) to make it.

I'm sure that this interim report will not be the last word but it is a chance to have an impact if you think things are going in the wrong direction.

Thanks.

CC: JIM CANNON ✓
JIM CAVANAUGH
ART QUERN

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington, D.C. 20230

July 9, 1976

MEMORANDUM FOR: SECRETARY RICHARDSON
ALAN GREENSPAN
FRANK ZARB
GLENN SCHLEEDE

SUBJECT: ERC/OMB Energy Organization Study

Attached is a copy of the proposed Interim Report to the ERC on the study of organization for energy and energy-related functions. It is provided for your advance information, review and comment. In order to meet the overall deadline, Jim Mitchell and I, as Co-Directors of this project, plan to send this report to the affected agencies as soon as possible in the week of July 12 in anticipation of acting on it at an ERC meeting during the early part of the week of July 19. To meet this schedule, we would very much appreciate any suggestions you may have on the report by noon July 13, so we can turn it around for release to the agencies as early as possible before the ERC meeting.

This Interim Report is not intended to represent final action on the overall energy organization study. Its key purpose is to present to the ERC a set of reasonable alternative organizational plans which have some merit, and, by evaluating each, to recommend those which should be dropped from further consideration, and those which should be kept for study in closer detail during the remainder of the study. The objective for the ERC meeting during the week of July 19 is to get agreement on the recommended cut in the field of candidates.

The report, as it goes to the agencies, will have an Executive Summary of about four pages. For immediate purposes, there are seven major alternatives; we recommend dropping four and giving further study to three, as follows:

	Alternative	Recommendation
1.	Extensive Consolidation	Drop for further

Alternative	Recommendation
of Energy and Natural Resource Functions to form a large multi-purpose Department. Components would include resource management functions of Interior, Agriculture, Corps of Engineers; plus FEA and ERDA as well as the NRC and FPC.	study. Too wide a span and politically unattainable.
2. Limited Consolidation of Energy and Natural Resource Function to form a multi-purpose Department. Essential components: Interior, FEA and ERDA. Some others possible.	Keep for further study. Reasonable span of related programs. Attainable.
3. Consolidate Energy Functions not in Regulatory Commissions or too integral to other missions to form an Energy Department or Agency. Essential components: FEA and ERDA. Others possible, subject to study, including energy functions of Interior.	Keep for further study. Major focus on energy. Attainable.
4. Consolidate Natural Resource Functions to form a Natural Resources Department. (This alternative to be considered only as a possible companionpiece to number 3).	Drop from further study. Has real merit, but politically difficult to move Corps, Forest Service et al. Also not relevant to energy reorganization priority.
5. Consolidate Energy and Environmental Functions to form a Department	Drop from further study. A difficult combination to manage or win enactment.

Alternative	Recommendation
of Energy and the Environment. Essential components: FEA, ERDA and EPA. Others likely including NOAA from Commerce.	
6. Abolish FEA and reassign its functions to Interior and to ERC or possibly elsewhere. Attempt to improve interagency coordination by strengthened ERC and clarified jurisdictions.	Drop from further study. Assuming no major consolidation, better to retain a general purpose energy agency such as FEA. (See Alternative 7)
7. Retain present organizational structure, including FEA, but effect improvements such as stronger ERC and clarified jurisdictions.	Keep for further study. Provide base line for comparison and is at least workable.

Further description of these options is contained in Section IV of the attached report together with more complete evaluations of each.

At the outset of Section IV there is also a listing of criteria which are pertinent in judging the alternatives Section II of the report itemizes problems which have been identified in connection with the present organizational arrangement.

Any comments that you have can be given either to me (377-4951) or to Bill Dinsmore (395-3716) by Tuesday noon.

Joseph E. Kasputys

Joseph E. Kasputys
Assistant Secretary for
Administration

Attachment

cc: Jim Mitchell
Jim Lynn

INTERIM PROGRESS REPORT
TO THE
ENERGY RESOURCES COUNCIL

On the Study of

ORGANIZATION OF THE EXECUTIVE BRANCH
for
ENERGY AND ENERGY-RELATED FUNCTIONS

Joseph Kasputys
Project Co-Director, and
Assistant Secretary for
Administration
Department of Commerce

James L. Mitchell
Project Co-Director, an
Program Associate Direc
for Natural Resources,
Energy, and Science
Office of Management &

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I. PURPOSE OF INTERIM REPORT

This report, at an interim stage of study, is to indicate the range of alternative organizational arrangements which merit some consideration, and to obtain an ERC decision within that range as to the two or three alternatives that are to be the subject of further, more intensive analysis. In short, this interim report proposes how the field of feasible possibilities should be cut to the few strongest and most desirable candidates which would then be analyzed more deeply for final selection by the President.

This report also indicates, in brief, the concerns which have been expressed from various quarters as to the effectiveness of present organization. Finally, this interim report projects the approach to be followed in Phase II of the study leading to a definitive basis for selection of an energy organization position by the President.

Conc
w
Pres
Orga

II. Concerns with Present Organization for Energy and Energy-Related Functions

Any effort to identify and develop organizational improvements should rest on an evaluation of the present structure and an underlying conclusion that significant improvements are, indeed, possible and needed. This study of energy and energy-related organization is no exception. An organization chart of the present arrangement is furnished on the next page as a point of reference.

Concerns of various sorts have been expressed about the current organization for energy and related functions from the point of view of:

- Congress which has proposed a number of organizational proposals reflecting general dissatisfaction with the present arrangement. The Senate, in particular, has persistently called for comprehensive organizational study and proposal by the President, and continues to do so in pending bills.

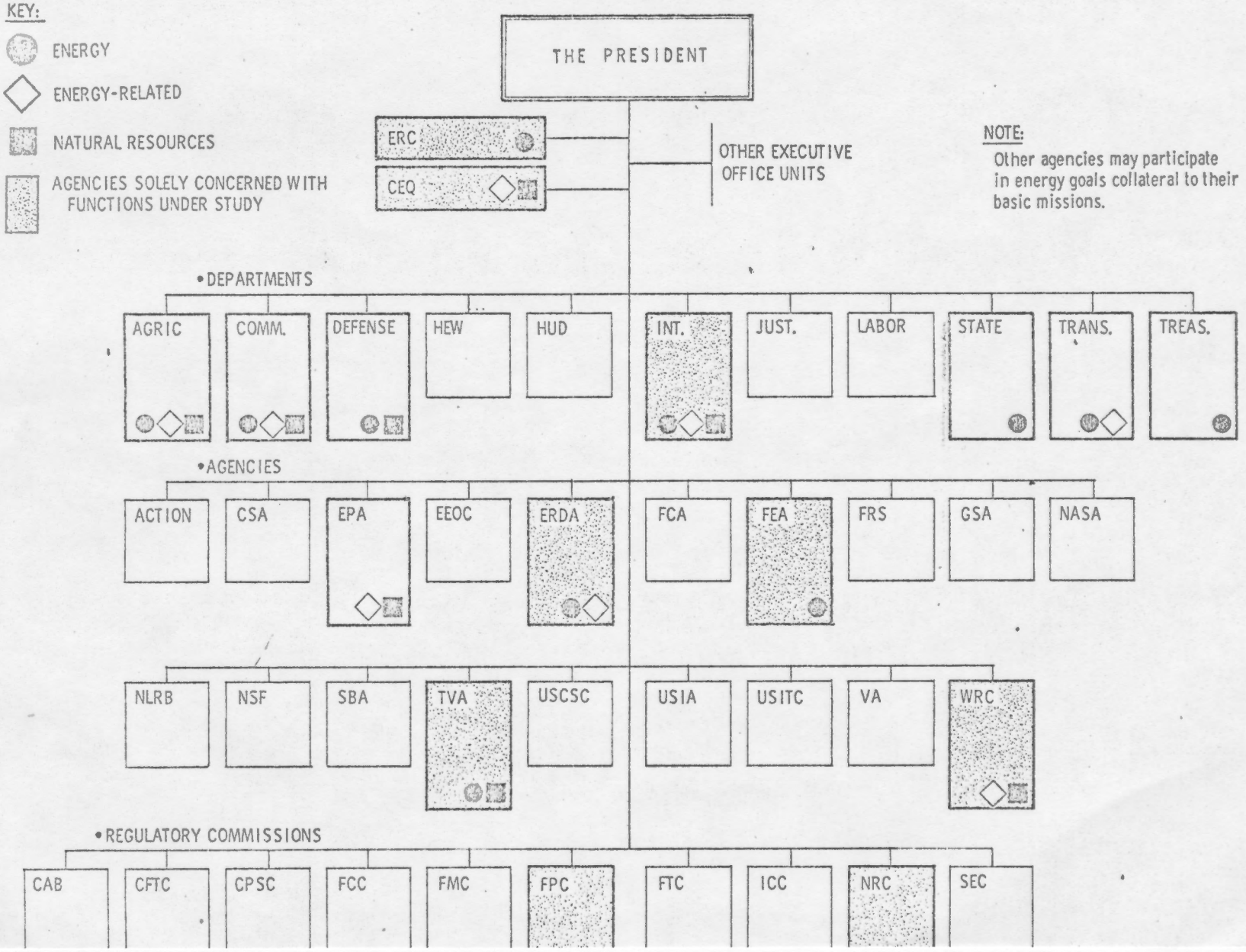
- The President and Executive Office agencies which assist him in the effort to put together and manage a balanced and effective energy program for the nation.

- The several agencies which are heavily engaged in prime energy programs. While their views differ depending on their perspective and experience, there is a general feeling that improvements are needed.

- The numerous agencies which are collaterally involved in energy matters to a somewhat lesser extent see a need for some change.

- Outside observers, exemplified by the experts assembled by the National Academy for Public Administration and the Congressional Research Service in the recent Forum to discuss energy organization at the request of Senator Percy.

LOCATION OF ENERGY, ENERGY-RELATED, AND NATURAL RESOURCE FUNCTIONS IN THE EXECUTIVE BRANCH



There follows a composite listing of concerns which have been expressed, including those identified by the affected agencies as part of this study. The listing is summary in form and does not attempt to identify the source or sources of particular points made. The listing also does not itemize all the many instances brought up for some types of problems such as possible overlap and duplication. A later section of this interim report discusses further the question of "interfaces" which may, in many cases, represent problems of duplication or unclear jurisdiction.

1. Expanded role without rationalized structure to perform

Since the oil embargo and energy crisis, the Federal role in energy has been sharply increased and is likely to remain so for an extended time. However, to date, the organizational structure to perform the expanded role has been updated only partially, notably in the technology field, and on a temporary basis in the case of FEA. A rationalized structure designed to be comprehensive and long-term has not yet been arrived at.

2. There is no fully effective central mechanism for developing and seeing to the implementation of overall energy policy

The ERC has been reasonably successful in pulling together a balanced Administration position on the comparatively few really big issues. However, it has no analytical capability of its own and must rely on staff support by FEA which is one of the players. It also has no authority to direct actions or assure follow-up implementation consistent with the major policy decisions. Its view of middle range policy issues and decisions is limited at best. The lack of an authorized and equipped policy formulation and direction capability leaves OMB in an ambiguous position in regard to energy policy coordination.

3. Energy and energy-related functions are fragmented and scattered throughout the Executive Branch

Even allowing for the fact that energy is a very pervasive factor in our lives and, consequently, impacts on many governmental programs, there is a clear fragmentation of what might be referred to

programs. (See attached chart).
FEA, ERC, ERDA, Interior, NRC, FPC all house basic energy functions which are separated organizationally. Other agencies have programs which are heavily, if not entirely, energy-related: - Agriculture, DOT, EPA, and others.

The net effect is marked difficulty in mounting a consistent and integrated energy program for the nation illustrated by such matters as FEA setting oil prices and Interior influencing supply through its leasing activities.

4. <u>There are a large number of important "interfaces" between the agencies, many of which suggest overlap and unclear jurisdictions</u>

In some cases, duplication is legislatively sactioned. E.g., FEA and EPA in converting utilities from oil to coal; NRC and EPA in nuclear safety standards; Justice and NRC in nuclear industry anti-trust determinations; and FPC and Office of Pipeline Safety (DOT) in LNG Safety Standards. FEA has general responsibility for energy planning and development, but the responsibility for specific energy sources is often in other agencies - e.g., ERDA for nuclear, solar and geothermal; Interior for coal; EPA for solid waste. Research and development is assigned for all energy to ERDA, but other agencies have research responsibilities and capability which is closely related - BU Mines, EPA, NRC, NOAA.

These interfaces are the subject of an extraordinarily large number of interagency two-party agreements. However, this approach historically has not been highly effective and their high incidence is, in itself, an indicator of the fragmentation of closely interrelated efforts.

5. <u>Several agencies collect, interpret, project and publish energy data</u>

FEA, ERDA and Interior (Mines) and FPC are all in the energy data business. Progress has been made in avoiding duplication in the data burden imposed on the public. However, there continues to be uncontrolled duplication in the interpretation and projection of these data and in its publication. As a result, the differing energy supply and demand forecasts and other published data suffer a lack of credibility. Confusion occurs .

6. Investment in the development of new technology does not adequately reflect needs identified by energy agencies outside of ERDA

Although ERDA was deliberately established as a separate and independent entity to give unified impetus and a total approach to energy technology development, the other energy-related agencies feel that the separation of the research establishment, in fact, has created an isolation or a gap between needs felt by program and policy officials and the research program. Operating agencies feel they are not able to adequately impact the research planning process or obtain the research they need.

7. There appears to be a growing duplication between FEA and ERDA as the principal agencies solely in the energy field

The government is confronted with two executive branch agencies solely devoted to energy which appear on the surface to have distinct missions but which are progressively finding themselves in the same business. The ERC is not authorized or staffed to deal with this situation. FEA's original base has been enlarged and it is now the nearest thing to a general purpose energy agency. ERDA, over the same time period, has developed itself as a self-contained energy agency leading to competition with FEA in the areas of energy policy, planning and development.

8. Conservation responsibilities appear in a number of agencies but have no real coordinator

Conservation is a sensitive area in the energy field and there should be a well-coordinated Federal program. However, there is no vestment of responsibility in one place to integrate the conservation activities of FEA, ERDA, Interior, DOT, Agriculture, Commerce, GSA and others.

9. There are some conflicts, or possible conflicts built into the present arrangement

It is a widely held doctrine that regulatory and promotional programs should not be colocated under common direction. The validity of this injunction is debatable, but in any case, FEA contains both types of activity.

It is also held that energy development responsibilities should not be placed together with the responsibility for energy financing. Again, this point

requires further examination as to its validity and implications, but is not fully observed in the case of ERDA. The role of the proposed Energy Independence Agency fits into this issue.

10. NRC and FPC as independent regulatory commissions significantly influence the directions taken by their respective industries without being clearly tied in with energy planning and policy formulation by the Administratio

The historical separation of the independent commissions into quasi-judicial case-oriented agencies create a barrier in integrating them into the overall energy picture There is a two-way fall-out. The regulatory decisions may be unsynchronized with national energy goals, on the one hand. On the other hand, the expertise of FPC and NRC in their respective energy source industries is not effectivel brought into the energy policy picture. Some organizationa or procedural way should be developed to overcome this communication barrier without endangering the integrity of the ex parte proceedings.

11. The several energy sources are subject to regulation by separate agencies which generally do not overlap, but which do not harmonize the impact of their actions toward some common purpose

FPC regulates natural gas and interstate electric power, NR well as EPA) regulates the nuclear power industry, FEA regu oil. In addition, numerous other agencies are involved in a maze of grants and permits for any or all energy forms Because of the fragmented organizational placement of Federal energy regulatory functions and the absence of any unifying mechanism, there can be no meaningful attempt through the regulatory power to optimize the use of available supplies of competing forms of energy.

12. Some basic trade-offs in the energy and related field may be regularly and inappropriately forced to Presidential level

Under the present fragmented system, many important trade-offs cannot be resolved below the executive office level and too often by the President, e.g., between energy functions, between research and operations, between energy sources and between energy development and other national goals or objectives such as environmental quality, foreign policy and economic affairs. Some of these undoubtedly

deserve attention at Presidential level at least in terms of the stipulation of decision guidelines. Others may be inappropriate at that level. In any case, under the present arrangement, there is too little opportunity to make this choice intelligently. The result can be the unnecessary crowding of the Presidential level agenda, postponement of decisions, trade-offs not being confronted or decisions made by executive office or White House staff who are not duly authorized and informed or adequately accountab

13. <u>There is no unified approach to State and local governments on energy matters in spite of the important role they play and the Federal field representatives of energy agencies are not in a position to respond effectively to local interests concerned with energy matters</u>

The same fragmentation at the national level is reflected and, in fact, probably worse at regional and local levels. Important opportunities are unrealized to work effectively and in a comprehensive way with local public and private groups on energy matters.

14. <u>Emergency preparedness and the ability to react effectively to energy supply interruption is weakened by the lack of central coordination within the Federal energy community</u>

FPC does preparedness planning for electric power (non-nuclear) and natural gas. FEA does the same for oil and Interior for coal. NRC plans for nuclear energy generating plants in emergency situations. Nowhere are all these plans put together in the form of a total plan for emergency situations.

III

General Considerations

III. Some General Considerations

Before listing the initial alternatives in Section IV, there are several explanatory points and general findings worth noting.

A. Explanation of the terms "energy," "energy-related," and "natural resource" functions

The terms "energy," "energy-related," and "natural resource" are categorizations of functions which tend to merge into each other, but which, nevertheless, have distinguishable meanings for purposes of this study as follows:

Energy Functions: Functions which are solely or primarily devoted to energy matters, such as making more energy available, using energy more efficiently regulating the price, production, distribution, or sale of energy, or developing and recommending energ policies. Examples are: Energy Resource Council for energy policy; ERDA energy research and development; FEA energy regulation and development, electricity generation in Interior, TVA.

Energy-Related (Natural Resource Functions): Functions which are aimed at objectives other than or as well as energy, but which have a close interaction in part with the energy situation. Examples include environmental protection, management of public lands, nuclear and mining safety and health, and geological sciences.

Natural Resource Functions (Not Energy Related): Functions which are solely or primarily devoted to the development, preservation or use of the natural resources of the United States, including land, water, minerals, and forests, and which may incidentally have energy implications from time to time but which do not have major and continuing inte action with energy matters. Examples are the functi of the Forest Service and the Park Service, most functions of NOAA; the fish and wildlife, and outdoor recreation programs of Interior.

B. Agencies Collaterally Involved in Energy

Many governmental programs not included in the scope of the alternatives in Section IV, nevertheless affect or are affected by energy. This is no doubt a reflection of the pervasive influence of ener in our society. As a consequence, even the most extensive conceivable consolidation of energy functions, as in the case of the first alternative listed below, would not comprehend all of the Federal involvements in energy matters. A few examples of energy involvement by agencies as an incident to their basic mission in another area may help make the point:

- Justice Department - anti-trust actions with respect to energy industry.
- Department of Housing and Urban Development - program to encourage solar heating of homes and energy-efficient homes.
- Maritime Administration - support for the construction and operation of oil tankers.
- Treasury Department - tax policy related to energy policy.
- State Department - foreign affairs as affected by international energy considerations.
- Interstate Commerce Commission - rate setting for interstate movement of energy products.

These and other Federal activities which impinge on energy are performed as an integral part of the respective agency's basic mission in another field. To consider merging them in some form of energy organ zation would damage the capacity of the parent agency to perform its basic mission and would diminish the capability of the transferred activity to function well, since it would be cut off from its base. Finally, transfer of these activities would raise the prospect of dual and conflicting policy and actions in the affected area at greatly increased cos

(viz. - a Federal subsidy program for tankers in an energy agency and a separate program in Commerce for other than tankers.)

Based on this reasoning, the scope of alternative possible groupings of functions has been confined to programs of direct energy, energy-related natural resource programs, including environmental, and general natural resource programs. Other energy implicated programs, such as those illustrated above, are not candidates for possible consolidation and their integration into a concerted Federal energy policy and program would necessarily continue to be a matter for interagency coordination even under the most extensive consolidation alternative.

C. Why Natural Resource Programs in Scope of Study

Some questions have been raised as to why the scope of study, and therefore possible alternatives, extend to those natural resource programs which have little or no continuing relationship to energy which is clearly the priority concern in this organization study. The reasons are:

- Natural resource programs, including management and technology-oriented programs, are so closely tied to energy that it is hard to know, without study, where the energy relationship ends. Both land and water resources, for example, contribute to energy development and are affected by energy operations. While the two are clearly not co-extensive, it is difficult to see where they diverge.

- There are persistent organizational issues in the natural resource field, quite apart from energy considerations which have come under review a number of times and have been the subject of both Congressional and Administration proposals, but have not been finally resolved.

- Language in the FEA extension act is anticipated to require an organization study and proposals in the field of energy and natural resources. While the intent may be to focus on energy and energy-related functions, the sponsors of this provision are unwilling to drop the term - natural resources - from their mandate.

- Even if the scope were strictly limited to Energy and energy-related, the Department of Interior would be deeply involved - so much so that inevitable issues would arise under some options as to what would be the plan for the non-energy functions of Interior.

D. Energy Independence Authority (EIA)

The Administration has proposed creation of an Energy Independence Authority to fill a critical role in financing energy development through a major program of loans and loan guarantees. The EIA would be a government corporation in form, and its funds would be "off-budget."

From the point of view of this study, the functions proposed for the EIA are assumed to be necessary and would be performed by the EIA if enacted. Alternatively, consideration will be given to assigning these functions to a Department with consolidated energy responsibilities. Another possibility would be to have them performed by EIA with some form of consultation or collaboration with the consolidated energy agency of the Executive Branch.

A matter of concern would be whether or not there would be the fact or appearance of conflict of interest in having the agency which is devoted to energy development also "hand-out money" to private entrepreneurs for the same purpose. Would they, in effect, be in the position of being able to "buy" the success of their mission. These considerations are for future determination at this point, depending on the legislative prospects for

EIA and what position the President might take on energy reorganization.

E. Interfaces and Possible Overlaps

The material submitted to the task force by the agencies or discussed with key agency officials, reveals an extraordinarily high incidence of close "interfaces" between agencies in the energy and related fields. E.g., ERDA, EPA, NRC, FEA, Interior and FPC. This may be a simple reflection again of the pervasiveness of energy in our lives. However, taken together, the large number of interfaces that were felt to be some degree of a management problem gives a strong impression of an organizational pattern which has excessively fragmented a very interdependent subject.

Some of the problems of interface appear to be comparatively normal and inevitable touch points between agencies which need only moderate clarifications between parties to work well. Others are more troublesome and may well represent actual overlap and duplication resulting in excessive cost to the taxpayer and conflicting policies or actions.

Many of these situations have prompted the agencies to undertake two-party agreements called Memoranda of Understanding or Interagency Agreements to try to clarify mutual responsibilities and establish working arrangements in matters of common interest. These efforts are laudable and should be pressed forward. However, two-party agreements of this sort are tools of limited potential. They tend to be broad and find a compromise level general enough for both to accept. If the interface is not too heavy or sensitive, the agreement may work well. In other cases, it is less likely to influence events very significantly without continuous high level objective attention by both parties which is unlikely. By the nature of a two-agency agreement, there is no third party to monitor the situation who has authority to give direction. OMB can occasionally play some role, but probably not continuously or closely enough to do much good.

From the perspective of a broad organization study such as this, the many interface situations cannot be studied in detail and can only be treated as symptoms. Consolidation proposed by the various alternatives would not automatically solve these problems, but it would assist significantly in the cases in which the interfaces would be brought together under common direction.

The authority to set radiation standards governing the nuclear power industry appears to involve overlapping legislative mandates for the NRC and EPA. This particular instance of overlap probably should receive attention by the two agencies together with OMB as a matter separate from this study which does not focus in detail on specific interface situations.

IV. Alternatives

A. General

This section identifies, describes and briefly assesses a number of alternative organizational arrangements for the performance of energy, energy-related and natural resource functions.

The various alternatives are listed in an order that represents a progression from greater to lesser degree of consolidation of functions. The alternative listed first involves a high degree of consolidation of energy, energy-related and natural resource functions into a single Department. The alternative listed last coincides with the present pattern of organization which represents a much more limited consolidation of these functional areas. Intermediate alternatives would affect consolidation of functions around one or another organizing theme as indicated for each.

B. Criteria for Judging Alternative Plans

Of overriding importance in judging alternatives is the assurance that the system provides a capability to perform well-informed conflict resolutions which will be seen by the public to be objective and credible. These conflict resolutions should provide consistent and predictable policies for the safeguarding and wise management of public domain assets of land, water and air, while responding effectively to the nation's energy and other needs.

There are listed below additional criteria which help define the norm. A list of criteria cannot be applied in an absolute or quantitative way. Different observers will give different weights to the criteria and apply them differently to the subject. Therefore, a list of criteria cannot give an automatic answer.

There follows a list of criteria which has been used in evaluating the initial alternatives and which would also be pertinent in evaluating the alternatives remaining in Phase II. Suggestions as to these criteria by affected agencies would be welcome.

1. Conducive to Presidential Direction and Control
That is, major cross-cutting issues should come to the top with balanced points of view and advice getting to the President. Lesser issues should be disposed within Presidential policy guidelines by the system without requiring the President's involvement. (Presidential factor)

2. Permit a Comprehensive View of All Significant Energy and Energy-Related Matters
That is, excessive fragmentation of related responsibilities should be avoided so that major issues can be dealt with by a workable group of policy officials. (Horizontal factor)

3. Policy Decisions can be Converted into Responsive and Accountable Actions
The system for decisionmaking should have a clear and direct linkage to the levels at which program policy and execution is controlled. The linkage should be two-way up and down both before and after policy decision. (Vertical factor)

4. Energy and Energy-Related Goals can be Properly Balanced with Other National Goals
The system must provide some means whereby energy goals are weighed in the full context of other national goals which energy decisions affect and are affected by - the economy, national security, foreign relations, environment, tax policy, etc. (Context factor)

5. The Organization Should Have Durability
The basic arrangement should be such that it is not outmoded by predictable events over the next decade or more. While adjustments may be needed, the basic organization should be capable of dealing with shifts in energy and related policy and events. (Durability factor)

6. The Organization Should Promote Efficiency and Economy
Significant overlaps or unclear jurisdictions should be held to a minimum so that resources committed have maximum impact and confusion is avoided. (Efficiency factor)

7. The Organizational Arrangement Should be Rational and Thus Understandable.
The present system has evolved in response to various pressures and cross-currents for years. The result today is a "happening" which has little or no unifying theme which would help make the governmental role in energy comprehensible. An arrangement that makes "sense" and is self-arguing is more salable, more manageable, and more acceptable to the public. (Coherency factor)

8. The Organizational Plan Should Avoid Excessive or Unnecessary Disruption
Change is not free. There are always direct costs and, worse yet, loss of momentum. Consequently, the incremental features of any particular alternative should be judged on scale of long-term benefits versus short-term disruption. (Change trauma factor)

9. The Organizational Plan Should be Salable
Varying degrees of entrenchment apply to the functions, programs and agencies involved. Change is threatening to bureaucratic, Congressional and private interests which have achieved a satisfying accommodation to the present arrangement. Choices between alternatives and sub-choices should not be made solely on a basis of what will sell. However, pragmatically, this factor must be assessed as par of the choices made. (Saleability factor)

10. Responsive to Emergency Conditions
Inherent in the energy situation is the possibility of sudd and uncontrollable cut-back in the supply of energy. While proceeding with normal short and long-term actions, the nation's energy system, including governmental authority, must be prepared to react swiftly and effectively to supply interruption. (Readiness factor)

11. Internal Conflicts must be Controlled
The total Federal role in the energy field includes some elements of possible conflict of interest which must be carefully considered in planning the best placement of authority and responsibility to avoid creating situations which fail to provide needed balance. Prime examples where caution is indicated include grouping together programs aim at energy development with those aimed at energy regulation or energy financing. (Internal conflict factor)

12. Ready Contact and Easy Communication with Affected Public

Important participants in the nation's energy system are the energy industry, State and local governments and utilities, consumers of energy and those concerned with the environmental and health effects of energy. The legitimate interests of these participants frequently take place locally or regionally. The Federal structure should provide means to encourage and facilitate these interactions in a proper way. (Public interaction factor)

13. Maintain Integrity of Non-Energy Federal Missions

Any reorganization of energy and energy-related functions, particularly their consolidation by transfer from existing agencies which continue, should involve minimum disruption to non-energy functions in recognition that energy is only one of many federal missions. (Disruption factor)

C. Listing of Initial Alternatives

Alternative 1. EXTENSIVE CONSOLIDATION OF ENERGY, ENERGY-RELATED AND NATURAL RESOURCE FUNCTIONS

- See Chart 1 under TAB A

Concept - To bring together under the common direction of a single Department Secretary the energy, energy-related and natural resource functions of the Federal government.

Description - The single Department resulting from this consolidation might include whole agencies:

- FEA
- ERDA
- NRC
- FPC
- Interior
- TVA
- Water Resources Council
- EPA

and applicable portions of other agencies:

- Agriculture - Forest Service
  Rural Electrification Admin.
  Soil Conservation Service
- Defense - Corps of Engineers - Civil Works
  Navy Petroleum Reserves

- Transportation - Office of Pipeline Safety
  Auto Fuel Economy Standards

- Commerce - National Oceanic and Atmospheric Administration

The concept does not depend on the inclusion of every one of these entities. Almost any one or several could be left out for whatever reasons, without destroying the concept of extensive consolidation of energy and natural resource functions. Exceptions to this would be the FEA, ERDA and Interior components without which the resulting department could not credibly be presented as an extensive consolidation approach. The recourse to not incorporating a few of these programs would be to make them the subject of interagency coordination. However, if this recourse became the rule rather than the exception, this alternative would, in effect, give way to the next listed alternative of limited consolidation of energy and natural resources.

This extensive consolidation plan would raise the question as to whether or not a separate Energy Resources Council or equivalent policy coordinating body would be required: In other words, this alternative might or might not have an ERC-type body -- to be determined. The Bureau of Indian Affairs is not inherent to the mission of this prospective Department and could go elsewhere if a satisfactory alternative can be arrived at. Such an action would relieve the factor of excessive span of unrelated activities.

Assessment

Advantages - Would provide a single top official and structure over several sets of related programs thereby permitting a better opportunity for cross-program coordination than with less consolidated alternatives. Specifically, all of the Federal energy functions that are not embedded in other missions would be brought together. Also, functions which deal with land, water and environmental management, prediction and modeling, could be joined. Sub-structure in such a Department could achieve further groupings along program relationship lines. Conflicts between energy or other resource usage and environmental protection and resource conservation would be subject to intra-departmental analysis and, in most cases, resolution.

Disadvantages - This combination is too large in terms of span of issues and problems to be manageable. Size alone can be a complicating factor, but more crucial is the essential unrelatedness of functions in so wide a span of concerns.

Energy as a subject for top priority attention would tend to be obscured in this setting among so many interests and the forcefulness of the drive toward energy security would be compromised for lack of prominence and a top level dedicated advocate.

So many interests would be (or feel) threatened by this plan, including Congressional Committees that it would forge a powerful coalition of opposition forces.

Any organizational design should keep specific case-by-case decisions away from the President. However, this plan could remove from Presidential attention, broad policy resolutions between competing objectives such as energy and the environment which are appropriate for Presidential deliberation and decision.

It might be desirable to bring all or part of the regulatory functions of NRC and FPC into an Executive agency in order to improve their integration with energy policy objectives. However, it is unrealistic to propose such an action, and perhaps inconsistent with initiatives toward regulatory reform. In lieu of consolidation other actions should be pursued to improve two-way communication between regulatories and Administration energy policy.

Conclusion - This alternative should be dropped from further consideration and not be included in Phase II.

Alternative 2. LIMITED CONSOLIDATION OF ENERGY AND NATURAL RESOURCE FUNCTIONS

- See Chart 2 under TAB A

Concept - To group together as a new department all reasonably available energy functions (i.e., not embedded in other missions or established in Regulatory Commissions) and join them with functions of the Interior Department as the agency which now has most of the energy-related natural resource functions, including mining technology and safety, resource assessment and leasing.

Description - The single department resulting from this concept would include:

- FEA
- ERDA
- Interior

and might, subject to analysis, include

- NOAA (Commerce)
- REA (Agriculture)
- NPR (Defense/Navy)
- Pipeline Safety and auto fuel economy standards (DOT)

Again, in this case, the Indian programs are not inherent to the concept and could be situated elsewhere if a satisfactory placement can be agreed upon.

In this alternative, separate consideration would be required to establish whether a separate ERC or comparable policy coordinating body is warranted and, if so, what form it should take.

Assessment

Advantages - This alternative would end the fragmentation of prime energy programs now assigned to FEA, ERDA and Interior, and would establish a cabinet level office to give them leadership. Doing so would facilitate overcoming current overlaps and unclear jurisdictions with potential increase in efficiency and better assurance that the Administration would speak with one voice in areas such as energy supply projections, conservation and development.

Creating a single cabinet level focus for energy matters and related natural resource matters will greatly simplify the task of Presidential oversight and broad direction over this dynamic and sensitive subject.

Consolidation of ERDA into a larger energy and energy-related framework would increase the prospect that energy R&D planning and management will be pragmatically oriented to needs felt by other Federal energy policy and program officials and coordinated with other R&D programs such as Bureau of Mines and USGS, and NOAA, if it were also included. At the same time, this consolidation should not have the undesired effect of inhibiting the creativeness and enterprise of ERDA.

Pre-1985 and Post-1985 energy planning, (FEA and ERDA respectively), could be better integrated.

The FEA/Interior consolidation in this plan would also help overcome certain duplications and, more importantly, permit a better harmonizing of FEA's regulatory and planning decisions with the oil and gas lease management functions of BLM.

While this alternative, compared to 1, would leave major shortfalls in the consolidation of natural resource functions, (i.e. Forest Service, Corps Civil Works and others) it does not preclude their incremental consolidation at a future time and, in fact, helps set the stage for such action.

Finally, this plan would represent a clear and readily comprehensible response by the Administration to the sensitive energy situation without threatening other interests. As such, this alternative would have a high prospect for enactment.

Inclusion of NOAA in this alternative is a suboption. If it were to occur, the advantages would include a better opportunity to unify the earth sciences of USGS with the atmospheric and oceanic sciences of NOAA, both of which are natural resource-type functions and which now have competing claims in several areas of activity, including some which are important energy functions - e.g., base-line data for coastal zone, OCS mining, deep-seabed mining, impact aid.-

Disadvantages - If Energy is the prime concern, this alternative does not put the highest possible focus on the subject. The concept involves the maximum reasonable consolidation of energy functions, but they would be grouped with other concerns, notably natural resources. The Secretary, consequently, would not be in the position of being an all-out energy advocate.

Historically, the Department of Interior along with other multi-purpose departments has proven to be a difficult set of programs to manage from the point of view of the Secretaries over the years. This is probably because of the strongly independent base that has developed for each of a number of the components of Interior. As a result of this historical problem, many persons express concern at assigning "to Interior" additional programs such as those of FEA and ERDA. (Actually, this alternative should be regarded as the formation of a new Department rather than the enlargement of Interior.)

This alternative, like several others, would discontinue the present organizational arrangement of energy research, development and demonstration which was given separate agency status as ERDA in 1974 in order to give it emphasis, status, singular purpose, and, perhaps, greater freedom.

This alternative compared to number 1 - the extensive consolidation plan - does not solve the need which has been felt for many years of achieving real consolidated management over all major natural resource programs, i.e., it leaves out Forest Service, Soil Conservation Service, Corps of Engineers, (Civil Works) and Water Resources Council.

Combining energy functions with at least many natural resource functions under a single Secretary may submerge too many confrontations between these often conflicting programs, whereas they may deserve Presidential attention. Also, in the intra-Departmental resolution of these conflicts, energy proponents could have an inherent short-term advantage because of the current prominence of energy as compared with natural resources.

Conclusion - This alternative should receive further consideration in Phase II.

Alternative 3. CONSOLIDATION OF ENERGY FUNCTIONS

- See Chart 3 - under TAB A.

Concept - To bring together under unified direction, the prime Federal energy functions to the extent they are not inseparable and integral aspects of the mission of other agencies or established as Regulatory Commissions.

Description - This alternative would involve, as a minimum, combining under a single agency:

- ERDA
- FEA

Other contenders for joining this concept:

- energy functions of Interior -
  - Bureau of Mines, power marketing, energy leasing by BLM, impact aid, and all or parts of USGS.
- Office of Pipeline Safety - DOT
- Navy Petroleum Reserve - DOD
- Rural Electrification Administration - USDA

The combination could be established as either a Department or an Agency, depending in part on whether all of the programs cited above were to be joined in the consolidation.

Consideration of a Department/Agency for Energy would raise a question for analysis as to the continuing need for ERC at least as it now exists.

Assessment

Advantages - Gives a high level concentrated focus and drive to energy as a major and continuing national concern. More than ever before there would be someone clearly "in charge" of Energy with wide responsibility and authority in the energy field.

Energy would have a forceful and potent spokesman in making the necessary trade-offs with other national goals and objectives.

This alternative would end the split of major executive branch prime energy function between two agencies - ERDA and FEA. Thus, several important areas of overlap could be better resolved such as energy supply and demand projections. Certain efforts could be done in common to advantage - e.g., planning which is now rather arbitrarily assigned to FEA (pre-1985) and ERDA (post-1985).

The energy agency would have a better perspective for general energy policy formulation than FEA because of a wider range of assigned functions. This would give greater credibility among Federal agencies which participate in this process - e.g., State, Treasury, CEA and others.

Creation of such an agency would get away from the "temporary agency" aura of FEA, which has handicapped it in a number of ways, and is inappropriate, especially in performing many energy functions which are clearly continuing and non-emergency response programs.

This alternative offers some opportunity for balancing energy R&D with other energy functions under a common leadership and structure.

An agency concentrating on energy and relatively undistracted by other goals and objectives would likely be best able to plan for and respond forcefully to any future energy supply crisis.

Finally, a consolidation of energy functions as indicated for this alternative would have a relatively high prospect for enactment. It would be seen as responsive to a well recognized problem area, and being relatively narrow in scope, (depending on the Interior and other possible pieces), it would be disturbing to fewer affected interests than the earlier alternatives which consolidate more functions.

Disadvantages - This high level focus on energy could represent excessive power and status to one rather narrow problem area within the government structure with the result that it would be difficult to balance energy development with other goals. Such an agency could become a single-purpose advocate of such force that energy might prove to be over-represented in the councils of government.

Too many conflict resolutions between energy and other concerns may be forced to the President since other interests within the governmental spectrum would not be able, on their own or by persuasion, to reach agreements with such an agency.

The energy agency would combine responsibility for both energy development and energy regulation. Subject to further analysis, this may or may not be a problem -- but it is likely to be viewed as a problem, in any case.

Great care is indicated in weighing the advantages and disadvantages of taking so-called energy functions from Interior to assure that serious damage is not done to the integrity of missions such as those of BLM, Bu Mines, USGS. In the aggregate, moreover, there would be the possibility that transfer of these functions could damage the overall mission of Interior in a way that prejudices future consideration of consolidating natural resource functions. Finally, on this aspect of what functions to take from Interior, there is the possibility, to be examined, that the pieces taken would be so incomplete when removed from their present setting that they would have little value, unless greatly augmented at considerable expense in setting up duplicative systems in Interior and the energy agency.

NOTE: Several of the "Disadvantages" listed above to the alternative of an energy consolidation are conditional. That is, they apply if the resultant agency is given cabinet status or if the agency includes certain energy functions of Interior.

Conclusion - This alternative should receive further consideration in Phase II.

Alternative 4. CONSOLIDATION OF NATURAL RESOURCE FUNCTIONS

See Chart 4 - TAB A

NOTE: This alternative would apply and be considered only in conjunction with alternative 3 (consolidation of energy functions) or alternative 5 (consolidate energy and environmental functions). That is, if energy functions were consolidated, by themselves, this would not preclude natural resource consolidation as a separate action.

Concept - To consolidate the natural resource functions of the Federal government under common management and direction including responsibility for the management of land and water resources as well as for related sciences aimed at understanding and monitoring them.

Description - This concept would involve grouping together the functions of:

- Interior (either the entire Department or all except energy functions)
- Agriculture - Forest Service
  Soil Conservation Service
- Commerce - NOAA
- Defense - Corps of Engineers (Civil Works)
- EPA
- Water Resources Council

Assessment

Consolidating the above natural resource functions (except for EPA) has twice been proposed in the recent past -- first in 1971/72 as part of the President's Departmental Reorganization Program and

again in 1973/74 as the DENR part of the Energy Reorganization legislation. The 1974 legislation eventuated in the Energy Reorganization Act that created ERDA and NRC while the DENR title was dropped. This alternative, if selected, would, in effect, reinstitute the proposed consolidation of natural resource programs which would have been the DNR of 1971/72 and the DENR of 1974 and perhaps add to it the environmental programs of EPA.

The advantages inherent in greater consolidation of the Interior resource management programs with those of Agriculture, Army Corps of Engineers and the Water Resources Council are well known and need not be repeated here. There are some offsetting disadvantages that have also been identified in the past. The chief difficulty, however, is the persistent inability to date of any Administration to win enactment of these improvements over stiff Congressional and interest group opposition.

At the present time, the priority area for organizational improvement relates to direct energy programs and other programs which are closely related. A proposal to consolidate natural resources in conjunction with a parallel proposal to consolidate energy would be a diversion from the latter and could detract from the push needed to win its approval.

Conclusion - That no effort should be made as part of this study and at this time to consolidate natural resource functions in a single Department. This conclusion is not a reflection on the merits of such a consolidation which has been well documented in the recent past.

Alternative 5 - CONSOLIDATE ENERGY AND ENVIRONMENTAL FUNCTIONS

See Chart 5 - TAB A

Concept - To join together the major Federal energy programs, as well as the EPA and NOAA environmental programs, under a common management structure capable of balancing these often conflicting objectives.

Description - This alternative would include energy programs as follows:

- FEA
- ERDA

and possibly:

- Interior energy functions
- Agriculture - Rural Electrification Admin.
- DOT - Pipeline Safety and auto fuel economy standards
- DOD - Navy Petroleum Reserves

together with the environmental programs of:

- EPA
- Commerce - NOAA

Assessment

Advantages - This plan has the advantages inherent in the consolidation of energy functions described in assessing Alternative 3, except those which relate to a single purpose energy spokesman. It would also tend to offset some of the disadvantages of the energy agency alternative which relate to energy as a single, rather narrow purpose for a Department and the possibility that energy, organized by itself, would perhaps be an over-representation of a particular advocate position.

Combining the environmental protection functions of EPA in a larger framework would also provide a balancing factor in Federal councils for that particular advocate position.

In short, the most obvious purpose of combining these two advocate type programs would, of course, be to provide a layer of management over both and thereby hope to effect a major and continuing trade-off within a single Departmental framework. Fewer of these cases of confrontation would have to end up in the White House.

Finally, an environmental and energy agency would be a strong candidate to house all or part of NOAA. This would help EPA in constructing models and projections of the environment and long-term trends in pollutants.

Disadvantages - The idea of two major social objectives - energy development and environmental protection - going one-on-one in a single Department sounds like a formula for organizational schizophrenia. The Secretary and his team would be reduced to the position of continual referees who can never win.

Actually, the confrontation between energy and the environment is only partial. Nearly all energy development actions have an environmental price. However, environmental protection (i.e., EPA) deals with numerous antagonists as much or more so than the energy interests. Specifically, EPA's water quality functions, which is by far its biggest money program, relate predominately to municipalities and their sewage treatment and much less, on a scale, to energy industries in matters such as mine seepage. The EPA air quality programs relate to all industry and to the American motorist as much or more so than to fossil fuel burning plants. (Some of which are not for production of energy).

Finally, the presentation of this alternative would generate a likely storm of protest from environmental interests who would fear that the energy drive would seriously weaken the integrity of environmental safeguards if they were housed together. Actually, the opposite could apply and energy interests might be equally strenuous in their objection. Both sides might point to the colocation of promotional and regulatory programs to validate their instinctive reaction.

Conclusion - This alternative should be dropped from further consideration and not be included in Phase II.

Alternative 6. ELIMINATE FEA, REASSIGN ITS FUNCTIONS TO EXISTING AGENCIES, AND MAKE IMPROVEMENTS IN COORDINATION AND RELATIONSHIPS

See Chart 6 - Tab A

Concept - To eliminate FEA as a temporary agency and assign its functions to permanent organizations; make any needed adjustments or clarification of assignments to the existing organizations, and improve coordination through a strengthened ERC.

Description

- Reassign FEA functions as follows:

  - Policy development and coordination (support to ERC) - to ERC or other policy office in EXOP
  - Data Collection & Analysis - to Interior
  - International Energy Affairs - to Interior (working with State) - or to State
  - Conservation programs - to Interior (working with ERDA, DOT, Commerce, GSA, etc.)
  - Regulatory programs - to Interior
  - Emergency Preparedness - to Interior (with possible delegations to DOD or GSA)
  - Resource Development - to Interior

These dispositions are preliminary judgments. Other dispositions may deserve consideration and would be identified and analyzed in Phase II, if this alternative were selected for further study. For example, the dispositions shown above differ in several respects from those shown in S.2872.

Make Adjustments in Other Existing Assignments

Except for changes resulting from the reassignment of FEA functions, the numerous existing interfaces in the energy and related organizational pattern would remain unaffected. This alternative would include a closer examination of these interfaces to identify those which require revision, either by statute or otherwise. Another area for possible improvement would be to reassess the ERC mechanism, especially in the absence of FEA, to determine what form it should take such as interagency or possibly a full time assignment for a top policy official, and what kind of staff capability would be needed.

Assessment

Advantages - This approach would resolve the problem of FEA's temporary status and the growing anomoly of assigning continuing functions to an agency which has not been viewed to date as a permanent part of the Federal machinery.

The fragmentation of energy functions would be significantly reduced by removing one of the principal units to which energy functions are assigned.

Part of making this approach workable would be the likely need to significantly strengthen the ERC into an institution more capable of coordinating the still disaggregated Federal energy functions in the actual execution of major policy decisions.

Minimal change, except in the area of FEA, would minimize the trauma of major organizational change.

Disadvantages - Eliminating FEA without creating a general energy organization to replace it would mean that there is no agency to concentrate solely on the immediate short-run energy problem. (Interior as a partial successor has other concerns than energy; ERDA is solely energy but future-oriented.)

This alternative responds only minimally to what has been widely regarded as a problem, i.e., need for revised organization to deal with a significantly expanded Federal role in the energy field.

Breaking up FEA with its policy, data, energy development, and regulatory functions to be reassigned would raise the possibility of illogical and undesired placement of these functions including some being submerged as well as dispersed.

Adoption of this alternative, which includes the elimination of the lead agency for general energy matters, could be interpreted as a signal that the energy problem is not considered to be a serious or continuing problem for the Federal Government.

Conclusion - This alternative should be dropped from consideration for further study in Phase II.

Alternative 7. RETAIN THE CURRENT STRUCTURE INCLUDING FEA, BUT MAKE MODIFICATIONS AND IMPROVEMENTS INCLUDING A STRENGTHENED ERC

See Chart 7 - Tab A

Concept - This alternative represents essentially the present arrangement, but with FEA established as a permanent agency and with strengthening of the ERC and clarification of the relationships between the various agencies.

Description - This alternative would include:

- Establishment of FEA as a permanent agency, essentially with its existing functions - but possibly involving a shift of some resources to ERC.

- Strengthening the ERC or a modified ERC. This could involve adding a permanent staff to provide analytical capability and support, a data control and policy element, and authority to direct and coordinate the implementation of policy. Retaining the existing energy organization will require a strong top-level policy and direction element to insure effective coordination of energy policy. One possibility to be explored is that of having a separate Chairman for the ERC or its successor, rather than having one of the members as Chairman.

- Improving the current organization through elimination of duplication and overlaps, and clarification of roles and assignments. Such clarifications could involve policy development, data collection and analysis, and coordination of conservation activities, among others.

Advantages - Virtually no disruption in the current process for either the agencies involved or the affected public.

Energy functions have recently undergone partial reorganization -- formation of ERDA and NRC, and the establishment of ERC and of FEA with its subsequently added authorities. These new units, together with Interior, FPC, and other older units, are at least functioning and attempting to develop coordinating mechanisms. One view might be to let them settle down for a while, rather than initiate more change at this time.

Even if energy and related functions were more consolidated than at present, the nature of energy is such that many Federal activities would still be located elsewhere. Thus, why strive for more consolidation if it is only a matter of degree?

This alternative has the practical value of providing a workable long-term solution if, for any reason, a higher degree of consolidation is not selected or is not enacted.

Disadvantages - This alternative responds only minimally to most of the problems of current organization for energy and related functions noted previously in Section II.

This approach also does not respond to some realities of the situation, including the conviction in Congressional quarters and the public that the present arrangement is not adequate and sound for the long-term expanded Federal role in this field.

Conclusion - This alternative should be continued for consideration in Phase II, in part as a base against which to compare the more extensive change represented by the other Phase II alternatives.

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V. Summary Analysis and Recommendations

As indicated in Section IV in the conclusion for each alternative, the following recommendations are made for inclusion or exclusion of alternatives in the more intensive analysis of Phase II.

Continue in Phase II, alternatives:

- 2. Limited consolidation of Energy and Natural Resource functions to form a Department of Energy and Natural Resources.
- 3. Consolidation of Energy functions to form a Department or Agency of Energy.
- 7. Retain the current structure, including a permanent FEA, with improvements in coordination among agencies.

Discontinue from Phase II, alternatives:

- 10. Extensive consolidation of Energy and Natural Resource function to form a Department of Energy and Natural Resources.
- 4. Consolidate Natural Resource functions to form a Department of Natural Resources.
- 5. Consolidate Energy and Environmental functions to form a Department of Energy and the Environment.
- 6. Eliminate FEA and reassign its functions to existing organizations; improve coordination within the current structure.

In addition to the advantages and disadvantages for each alternative, some overriding factors were considered in evaluating the alternatives for inclusion in Phase II.

How much consolidation

As noted, the alternatives represent degrees of consolidation. Consolidation has not been treated as a virtue in itself with an ideal expressed in terms of "neatness," or how few agencies can be shown on a chart. The relevant point is the advantages inherent in bring-

ing together for common direction under a single hierarchy, programs which have a significant inter-relationship. The objective in doing so is to create a capability to influence and direct interdependent separate activities toward a common goal in a reasonably disciplined way. In the Federal context, this integrating capability must be responsive to and of assistance to the President.

Consolidation can become excessive when the result becomes too large - not so much in terms of number of employees or dollars - but in terms of span of relatedness. The further you go in consolidating programs, the more tenuous the relationship to a unifying theme. Alternative 1 goes too far this way. Alternative 2 - (limited DENR) and 3 (DoE), by themselves, represent a considerable range in the spectrum of consolidation, but both are within the bounds of reason and each deserves further study along with Alternative 7 the present structure with improvments.

Expanded Role in Energy

Since the oil embargo, the Federal role in energy has been significantly expanded. While major determinations have been made between Congress and the President, as to the governmental role, the agenda is not yet fully resolved and the role is not fully stabilized. It is clear, however, that the increased number of functions to be performed is not a short-term phenomena. As a consequence, temporary organization should be cleared away and replaced with permanent organizations. The degree of institutionalizing, however, is a matter for further thought. Should energy be singled out as the subject for a Department (alternative 3) as was transportation in 1965? Or, should it be singled out, but held to sub-cabinet status (also alternative 3) as was environmental protection in 1971? Perhaps energy should not be singled out entirely, but given prominent placement in a Department along with natural resources (alternative 2). All of these are very viable possibilities which deserve further study in Phase II.

Enactability

Possible alternatives were not excluded initially

because of a sense that they were politically impossible, however meritorious otherwise. Neither were alternatives recommended for continuation because of a feeling that, however bad they may be, they were favored by some particular influential person or group.

The evaluation made of each alternative, however, does include some assessment of enactability based on past events or widely understood situations. On this scale, for example, the weight is against extensive consolidation of natural resource programs in the current effort which relates to energy. Recommending that alternatives 1 and 4 be dropped from Phase II should not be seen as a denial of the merits of consolidating natural resource programs. It is essentially a recognition that it would be very difficult to do so, and could detract from the drive to reform energy and energy-related organization.

Similarly, the prospect of transfer of all or part of the functions of FPC and NRC to a consolidated energy organization seems unrealistic and has been omitted from the alternatives recommended for continuation.

Not a return to the former DENR proposal and not Interior expanded.

The task force heard repeated reference to the notion that the consolidation of energy and natural resources was either or both:

- a resurrection of the DENR proposal contained in the original Energy Reorganization bill of 1973/74 which stalled out due to Congressional opposition;

- an expansion of the Interior Department by adding FEA and ERDA functions and perhaps a few others to that Department. This was usually expressed together with the concern that large, multi-purpose Departments such as HEW and Interior have proven difficult to manage.

In terms of alternative 2 being a resurrection of a "dead horse" it should be noted that the grouping that would occur under 2 is markedly different from the DENR of 1973/74. It is more "E" and less "NR." Specifically, 2 would include energy functions not in the 1974 model in the form of ERDA functions and FEA's expanded functions under the Energy Policy and Conservation Act. Conversely, the 1973/74 model as proposed would have included the Forest Service, parts of Soil Conservation Service, policy, planning and funding of Corps of Engineers civil works, and the Water Resources Council.

The names are the same - but the concepts are distinctly different.

In terms of alternative 2 being an expanded Interior Department; it need not be and should not be treated as such. If this alternative were ultimately to be selected by the President, the legislative drafting would be done on the basis that all functions to comprise the proposed department, including those of Interior, would be assigned to a brand new Secretary of a new Department. All prior Departments and agencies whose functions are all included in the new entity, including Interior, would be abolished. The intention would be that the new Department would be given an internal structure and capability to manage its set of interrelated programs. Again, the reassignment of the Indian programs elsewhere than the new Department, at the time of abolishing Interior, would be helpful in constructing an interrelated set of functions.

The preceding commentary on alternative 2, limited DENR, is provided because of the prospect of its possible eventual selection. It is not intended to imply any greater prospect for selection than alternative 3, Energy Department.

VI. Phase II Process

The task of Phase II of this energy organization study is to perform the critical analyses needed to permit a definitive selection among the few alternatives which survive Phase I.

This task involves, essentially, three kinds of analyses which are described below briefly and in greater detail in Tab B. The three types of analyses are:

- critical or cross-cutting issue areas which should be analyzed in depth as to their organizational implications under any alternative.
- final determinations as to what functions should be included in or excluded from each of the two consolidation alternatives which are recommended for further study in Phase II
- the optimum expression of each Phase II alternative.

These three are discussed briefly below and are outlined in terms of procedure and timing in Tab B.

A. Critical Issues

There appear to be several problem areas which would present a challenge to any organizational arrangement. Phase II would, therefore, include an analysis and production of staff papers on each of these areas to address what is involved in each and how the Phase II alternatives would handle them. These areas are:

- Energy Policy Development and Coordination. Energy policy must be coherent and well-founded factually, but also balanced with other concerns. How should this be done institutionally assuming, in turn, each alternative and the other agencies and Executive Office units that are concerned. Should ERC continue, be modified or abolished under each alternative?
- Data Collection and Analysis. Is it really duplicative now or is it "controlled" duplication in collection with the problem relating to interpretation, projection and publication? Is consolidation necessary or can coordination work with the assistance of OMB's statistical coordination role? What does it take organizationally and otherwise to achieve and maintain credibility?

- Research, Development and Demonstration. How can the energy R&D program be kept responsive to system-wide policy and needs assessment and, at the same time, be given sufficient freedom to be fully creative in addressing the total problem and in assuring that high technology makes its maximum constribution? What boundaries are sensible and workable in R&D project planning and funding between ERDA and other R&D programs such as those of Bu Mines, EPA, NOAA, NRC, etc?

- Regulation. When does the conventional wisdom injunction that "regulation and promotion shall be separate" apply? Do some regulatory programs have attributes that make coordination or consultation on policy matters necessary, and isolation less important, or even undesirable? How separate is separate? If the power to regulate is the power to significantly influence events, how do "separated" regulators avoid cross-purposes with other governmental approaches and vice versa?

- Conservation. Where should the lead be and how can the numerous Federal contributions to energy conservation be harmonized? The organization for conservation purposes should be flexible enough to deal with varying degrees of voluntary/mandatory compliance.

- Interior. Critical findings and conclusions are needed as to the separability of certain Interior energy functions from their current setting - from the point of view of both the present parent organization and the energy function itself. The Interior energy functions to be examined in this regard include: energy leasing, resource assessment, power marketing, impact aid, and any others not included in the critical studies related to data collections or regulation.

B. Composition of Each "Consolidation" Alternative

The preliminary alternatives as described herein indicate in each case, some functions or programs which are clearly integral to the concept, and others which are subject to study as to the net advantage of either including them or leaving them where they

are now placed. E.g., should the pipeline safety program be in a consolidated energy program or remain in a transportation setting. Phase II would include a final analysis of these choices as indicated further in Tab B. The participation of affected agencies is also outlined in Tab B.

C. Optimization of Each Summary Alternative

The alternatives being considered in Phase II each deserve to be weighed on the basis of its optimum expression. Deriving the optimum for each alternative requires some advocacy/analytical effort and this is provided for in the plan for Phase II as outlined in Tab B.

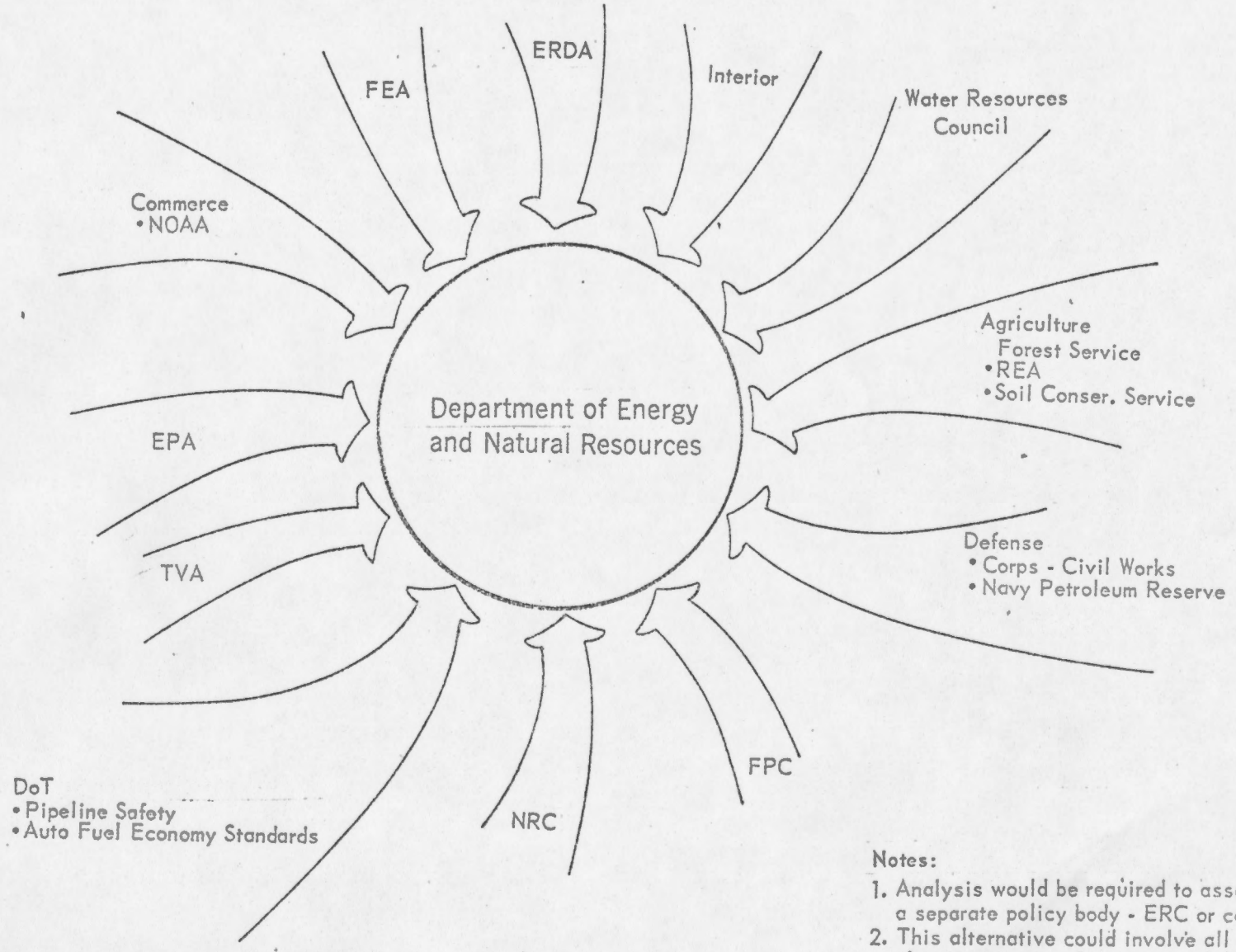
D. Summary Analysis, Conclusion and Recommendations

Based on the foregoing analyses there would remain an overall assessment of each of the Phase II alternatives and preparation of a recommended final selection.

TAB

A

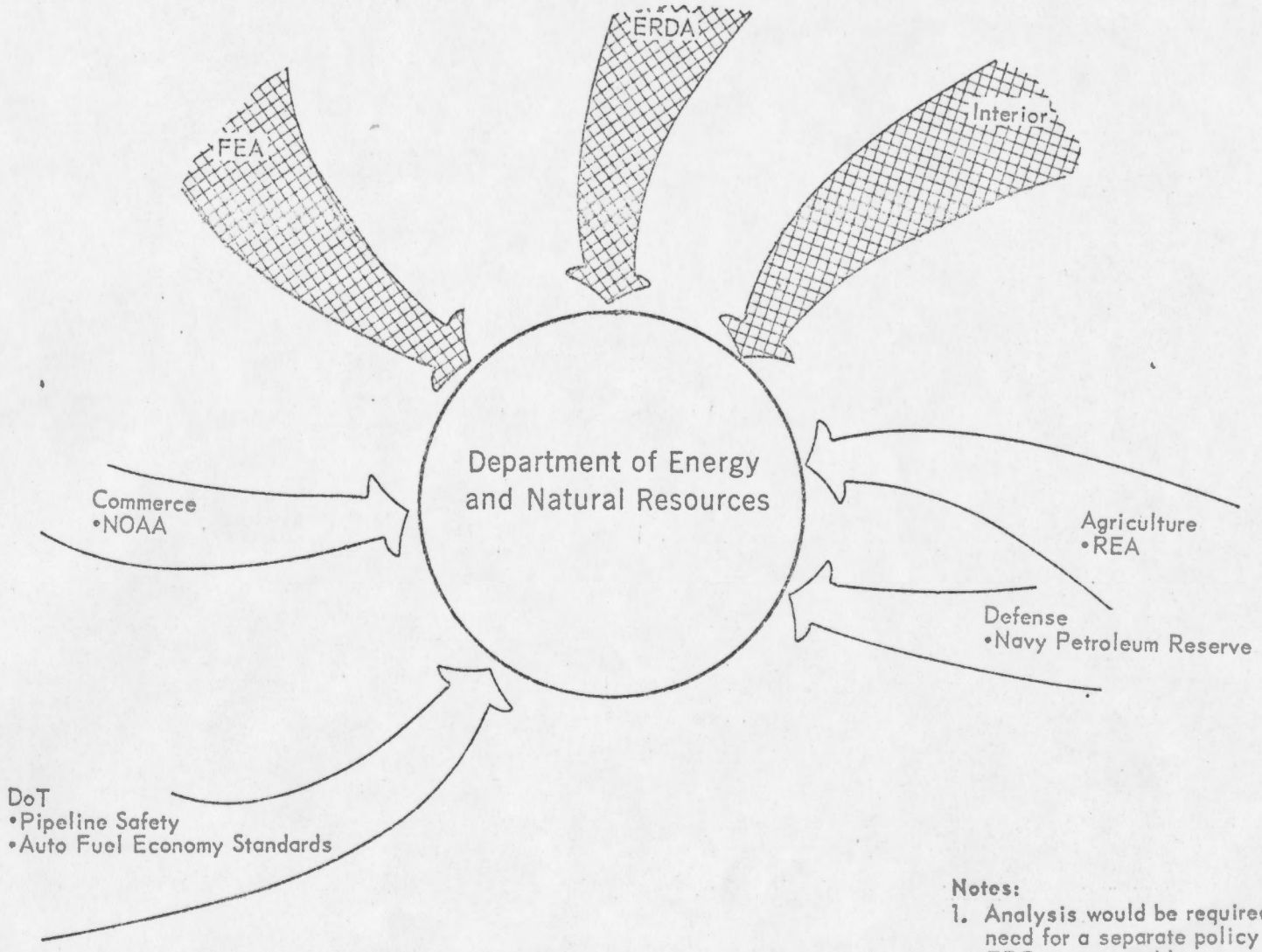
Alternative 1. Extensive Consolidation of Energy and Natural Resource Functions



Notes:

1. Analysis would be required to assess need for a separate policy body - ERC or comparable.
2. This alternative could involve all components shown - or omit a few upon analysis.

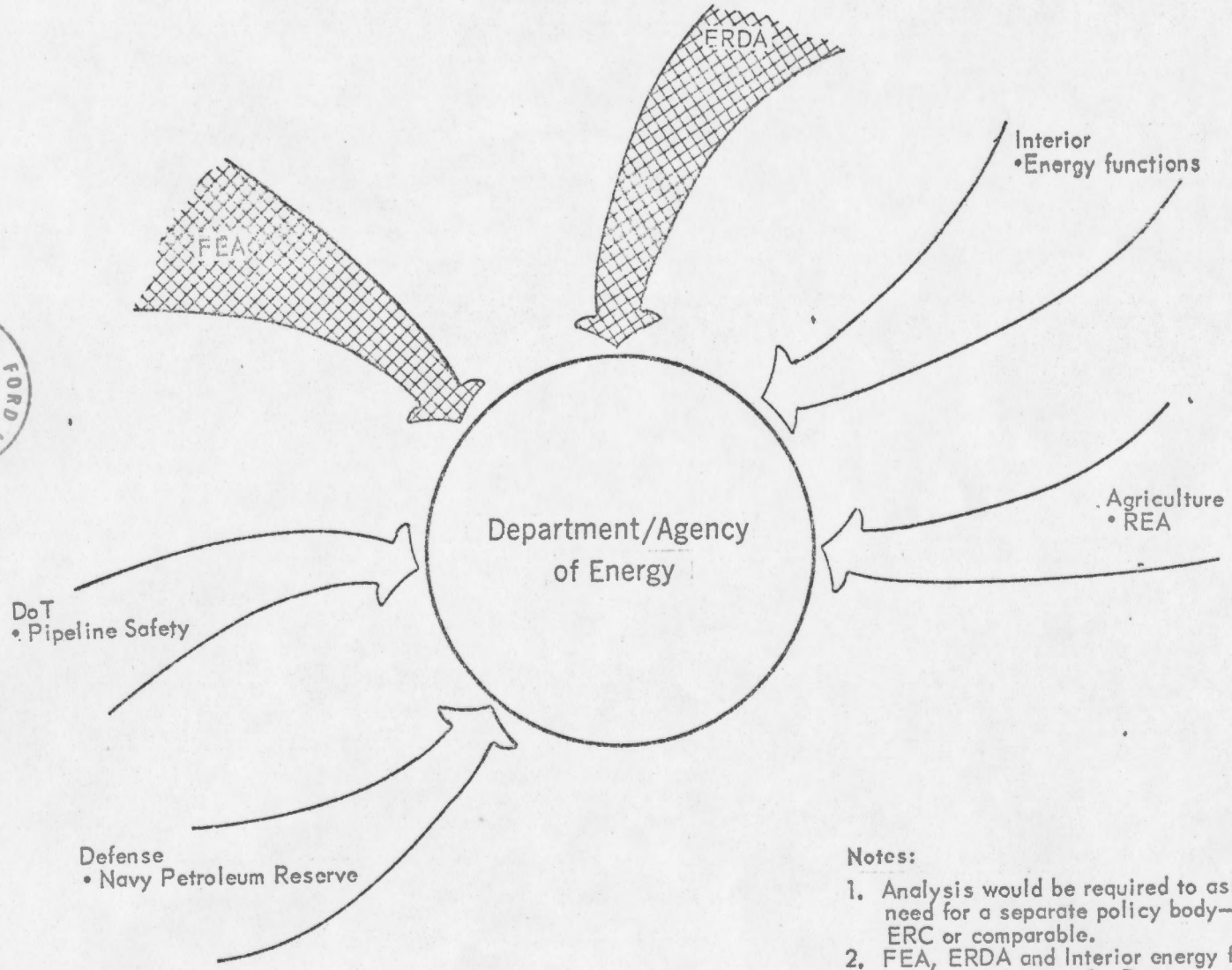
Alternative 2. Limited Consolidation of Energy and Natural Resource Functions



Notes:

1. Analysis would be required to assess need for a separate policy body – ERC or comparable.
2. FEA, ERDA and Interior form critical core to make concept viable. Other components would be analyzed for inclusion or not.

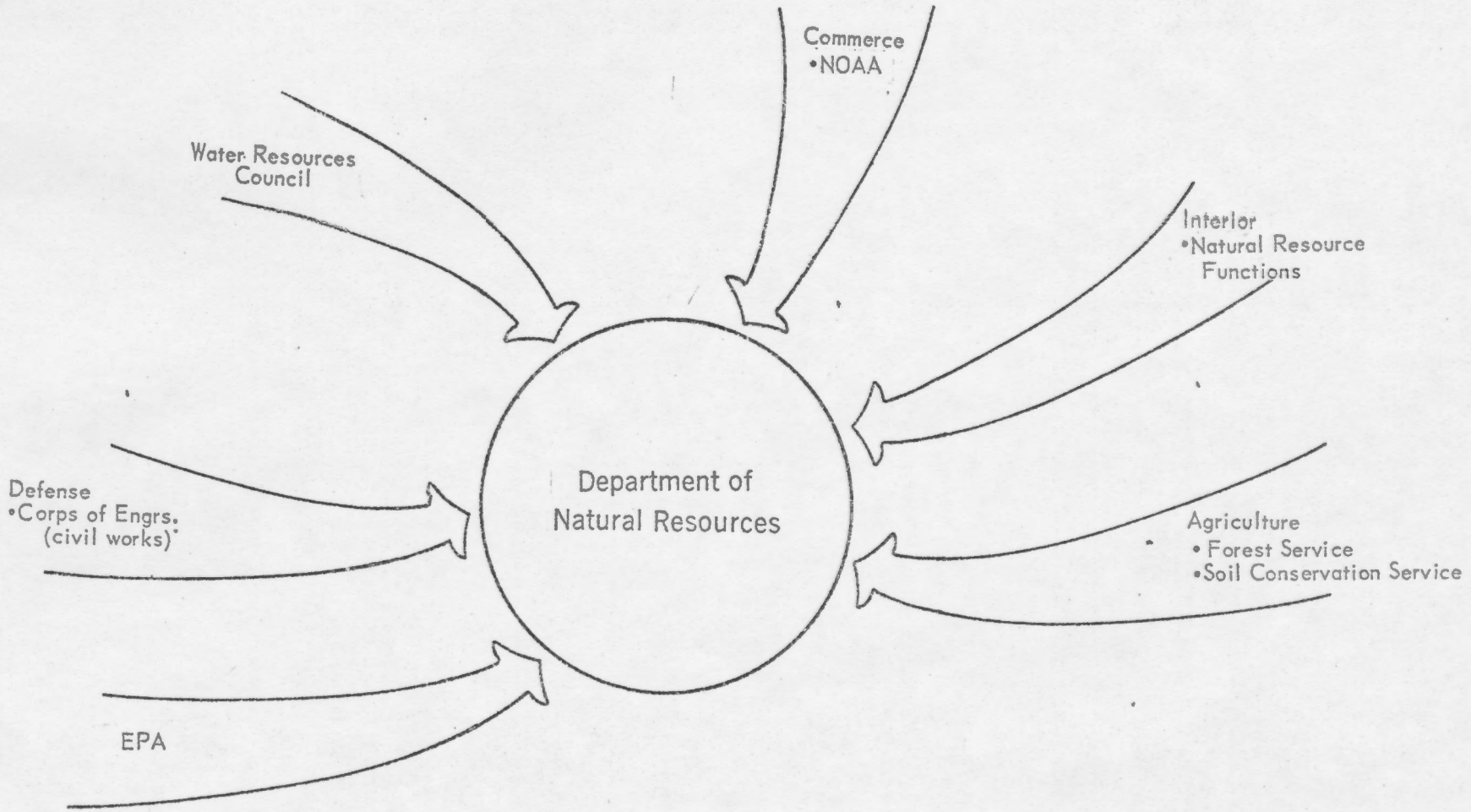
Alternative 3. Consolidation of Energy Functions



Notes:

1. Analysis would be required to assess need for a separate policy body—ERC or comparable.
2. FEA, ERDA and Interior energy functions form critical core of a Department of Energy. FEA and ERDA could by themselves comprise an Energy Agency. Other function's to be analyzed for inclusion in either an Energy Agency or Department (including those of the proposed Energy Independence Authority).

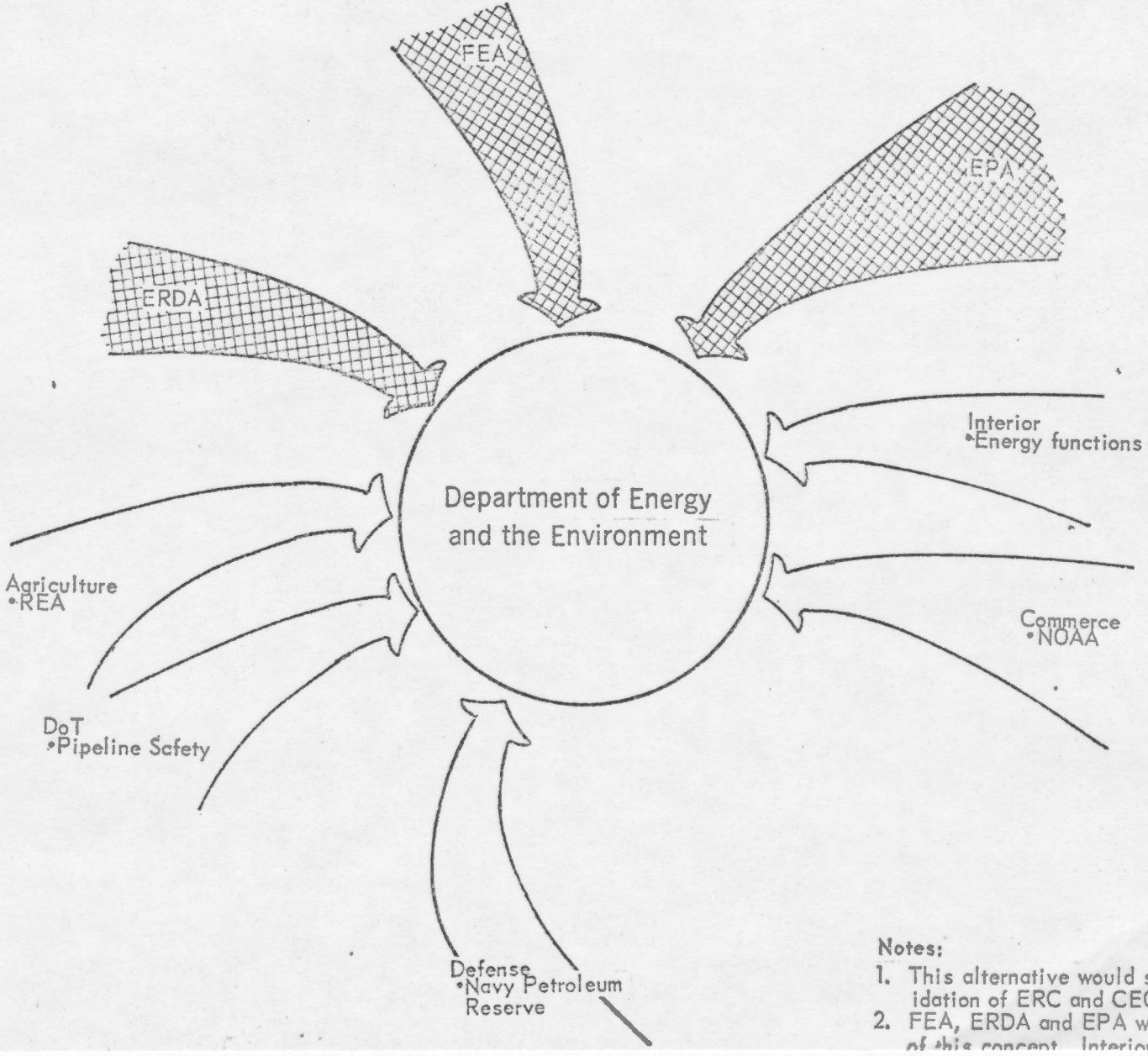
Alternative 4. Consolidation of Natural Resource Functions



Notes:

1. This alternative is an added option which would be considered only in conjuction with alternatives 2 (consolidation of energy functions) or alternative 4 (consolidate energy and environmental functions).
2. Interior functions include all except energy. Indian programs could go elsewhere. The

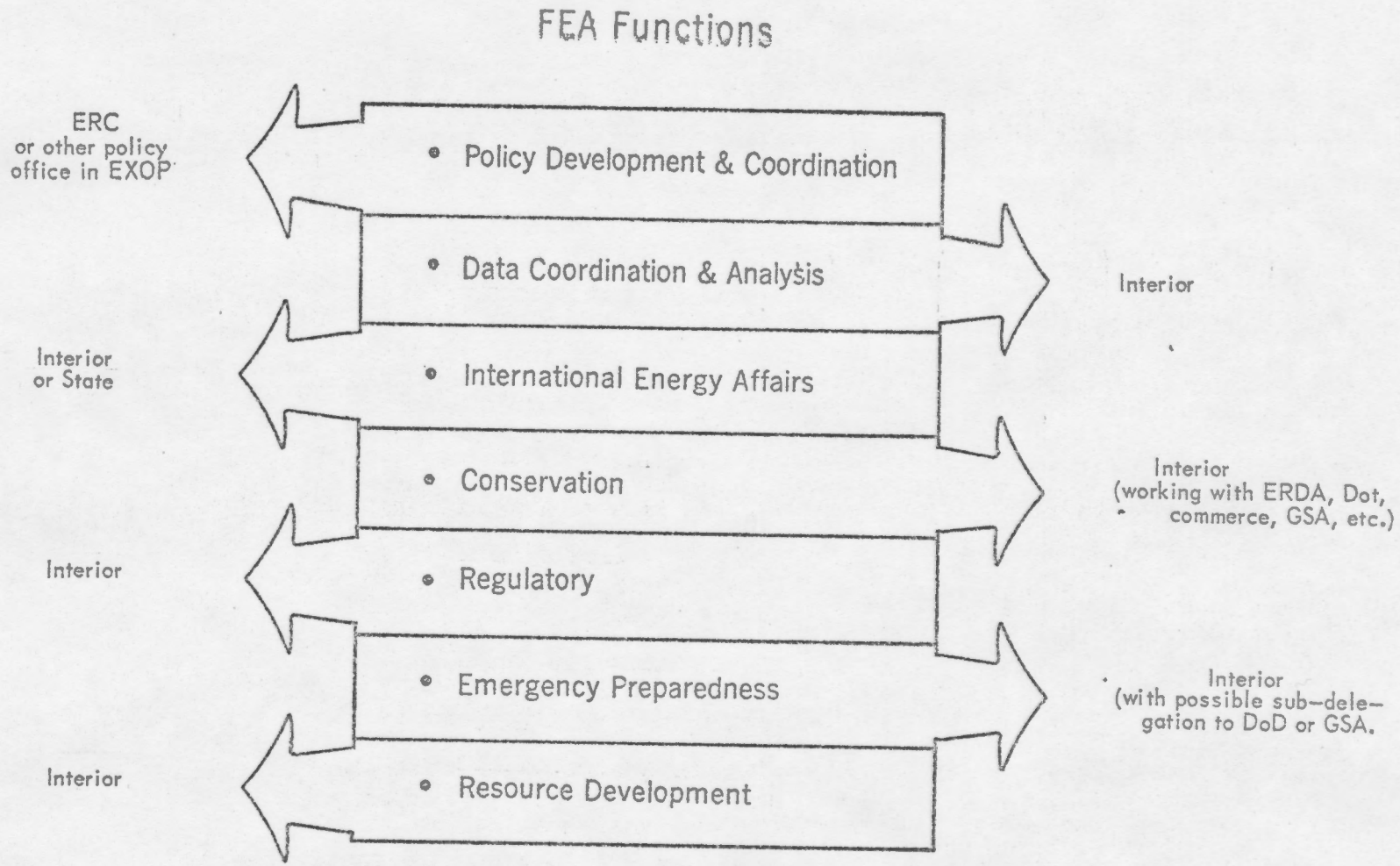
Alternative 5. Consolidation of Energy and Environmental Functions



Notes:

1. This alternative would suggest possible consolidation of ERC and CEQ.
2. FEA, ERDA and EPA would form (critical) core of this concept. Interior energy functions and

Alternative 6. Disperse FEA Functions



These dispositions are tentative and would require analysis to identify and evaluate other possibilities if alternative 5 is selected for further study. S. 2872, for example, proposes some

Alternative 7. Retain Current Structure—Including FEA

- Consider shift of small policy formulation staff from FEA to ERC.

- Consider any opportunities to clarify responsibilities, reduce overlaps, improve interagency coordination.

PLAN FOR PHASE II - ENERGY ORGANIZATION STUDY

A. Critical or Cross-Cutting Issues	Procedure and Timing
1. Energy Policy Development & Coord.	°Begin: 7/19. °Interviews in agencies & OMB, research in materials submitted, eval. precedent models. Draft to agencies - 7/23. Final paper - 7/30.
2. Data Collection & Analysis	°Begin 7/26. °Prior knowledge in OMB/SPD & ISD. Agency and examiner interviews. Research in materials submitted. Draft to agencies - 7/30. Final paper - 8/6.
3. Research, Development & Demonstration	°Begin 7/19. °Research materials submited & other. Interviews in ERDA, other agencies, OMB and ? outside. Draft to agencies - 7/30. Final paper - 8/10.
4. Energy Regulation	°Begin 7/19. °Research in materials submitted. Interviews in FEA, FPC, Interior, EPA, etc. plus OMB - outside? Draft to agencies - 7/30. Final paper - 8/10.
5. Conservation	°Begin 7/19. °Research in materials submitted. Interviews in FEA, ERDA, DOT, Commerce, etc. Draft to agencies - 7/28. Final paper - 8/6.
6. Interior Energy Functions	°Begin 7/19. °Research materials submitted, interviews in Interior, FEA, & OMB. Draft - 7/30. Final paper - 8/10.

B. Composition of Each Alternative - 7/19 - 8/13

Analysis is required in Phase II as to what functions and programs are to comprise each consolidation alternative (i.e., 2 and 3) in its final form. The "in or out" issues are:

For DENR (Alt. 2.)	For D/A of Energy (Alt.3.)
NOAA - Commerce	X
Pipeline Safety - DOT	Pipeline Safety - DOT
Auto Fuel Econ. - DOT	Auto Fuel Econ. - DOT
NPR - Navy	NPR - Navy
REA - Agric	REA - Agric
X	Energy Functions - Interior
Indian Program (out?)	X

Procedure and Timing

(1) Agencies submit their views on the selected alternatives including the "in or out" issues affecting them by the end of the second week of Phase II - i.e., 7/30. This is the time period during which critical issues are being studied - A. above.

(2) Agency comments reviewed by OMB examiners with comments and recommendations to Task Force on each item by 8/3.

(3) Task Force personnel assigned individually to write up an issue paper based on above on each "in or out" issue. (Energy functions of Interior already covered by critical issue study earlier.) Drafts to agencies and within OMB for comment by Aug 6. Final papers by Aug 13 indicating disposition of above functions under each consolidation alternative.

C. Optimizing Each Alternative - 8/9 - 8/20

Sub-teams will be assigned to each of the three alternatives with task of developing in some detail and optimizing their assigned alternative. This analysis would draw on material submitted by agencies and supplemented by additional consultation as needed to include:

for DENR (2.) and DoE (3) - Department level capability to manage Dept.
- basic line structure for operating programs
- field system
- executive positions.

for Upgraded Present Arrangement - Ways to strengthen ERC
- other improvements in system functioning, i.e., interagency coordination and resolving interface problems.

Each sub-team to complete is optimization and write-up by 8/20.

D. Summary Analysis, Conclusion, and Preparation of Final Report to ERC - 8/20 - 8/27

Action

Energy

THE WHITE HOUSE

WASHINGTON

REQUEST

July 12, 1976

MEMORANDUM FOR: JIM CANNON

FROM: GLENN SCHLEEDE

SUBJECT: JOINT RESOLUTION ON ENERGY GOALS

I did comment on this (copy attached) but inadvertantly did it for my signature with copy to you rather than doing it for your signature. Basically, it's not clear why we should send up a proposed resolution.

I asked Zausner. He referred me to Zarb's assistant, David Hanes, who told me he thought it was something the President wanted to do but wasn't sure. He'd check and call me back. He never called. I will follow up with him.

Attached FYI is a copy of Lynn's comments.

Attachments.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

June 21, 1975

DEPUTY ADMINISTRATOR

Glen —
Did we ever comment?

MEMORANDUM FOR ALAN GREENSPAN
BILL SEIDMAN
JIM LYNN
JIM CANNON

FROM: ERIC R. ZAUSNER
DEPUTY ADMINISTRATOR

SUBJECT: JOINT RESOLUTION ON ENERGY GOALS

Frank asked that I forward this to you for your comments before it is transmitted to the President.

Could I have your comments by COB Thursday, June 24?

Attachment

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb

SUBJECT: Proposed Joint Resolution Expressing Congressional Commitment to National Energy Independence

During recent Senate hearings on the FEA extension legislation it became apparent that despite widespread Congressional lip service at the time of the Embargo and the unequivocal goal of the Administration's energy program, there is still no real Congressional acceptance of the objective of attaining national energy independence by 1985. It also became clear that the need for resolution of the difficult energy policy issues has become obscured by Congressional focus on issues of governmental organization associated with extension of the FEA.

One way to deal with these problems would be to suggest to Congress that it go on record with the Administration, in this Session, in support of the proposition that attainment of national energy independence by 1985 is a major national objective towards which future specific policy actions should be directed. Passage of a joint resolution to this effect would appear to be a logical vehicle for such a statement, which when enacted would have the force of law.

If enacted, such a resolution would provide a useful commitment and reference point to evaluate the merits of future legislation, as well as to provide a benchmark to measure the effectiveness of the legislative response to our energy vulnerability. The attached draft resolution adopts a "bare bones" approach to this concept, recognizing that, if acted upon by the Congress, it likely would be embellished significantly during the legislative process. Another approach would be to anticipate this effect, and to transmit instead a substantially more comprehensive proposal that would contain appropriate

THE WHITE HOUSE

WASHINGTON

July 6, 1976

MEMORANDUM FOR: ERIC ZAUSNER

FROM: GLENN SCHLEEDE

SUBJECT: PROPOSED JOINT RESOLUTION ON ENERGY GOALS

I'm somewhat puzzled by the proposed Joint Resolution. Perhaps you could provide information on the thinking that went into the proposal and what you see as the potential risks and benefits so that there would be a better basis for commenting.

Based on the paper you provided, it seems to me that the most likely Congressional action would be to ignore the proposal. In this case, the sole benefit would be the attention that could be focused on the issue when the resolution was transmitted. Would this benefit be offset by potential charges that it was nothing more than a gimmick?

If, on the other hand, it were not ignored, it seems unlikely that the Congress would be willing to endorse the President's energy goals -- lest they in fact serve as a yardstick for measuring Congressional performance. If taken seriously, I'd guess that the resolution would quickly take a different form -- probably one in which (a) the "whereas" clauses identify matters in which the Congress finds the Administration's actions inadequate, and the (b) "resolved" clause calls upon the Administration to perform better.

Also, if taken seriously, I can easily envision the hearings:

- consisting of testimony by a parade of witnesses that don't understand the President's 1985 goal and thus spend a lot of time arguing that it is either impossible or undesirable.

- taking up time of Administration witnesses that might better be spent in trying yo (a) get Administration's substantive bills enacted, or (b) heading off some of the undesirable ones developed by others.

Perhaps I'm missing something on this and, if so, I'd be pleased to reconsider the matter.

cc: Jim Cannon
Charlie Leppert
Bill Kendall

cc: Director's Chron/Official File
DO Records
Deputy Director
Mr. Mitchell
Mr. Glozer
Mr. Niemela
Mr. Lum
EF Chron

EFD:HWHLum:mjs:6/25/76

MEMORANDUM FOR: ERIC R. ZAUSNER
DEPUTY ADMINISTRATOR, FEA

FROM: JAMES T. LYNN
DIRECTOR

SUBJECT: Proposed joint resolution on energy goals

This responds to your request for comments on a joint resolution which would obtain congressional commitment to national energy independence.

It is not clear to me what there is to be gained by such a resolution. While the Congress may not be officially committed to energy independence, the Congress is seriously interested in major legislative solutions to our energy problems. The difference between the Congress and the Administration is not necessarily over ultimate energy goals, but over how we achieve these goals.

This is clearly exemplified in the bills to extend the FEA now being considered in conference. Congress has used what began as an organizational bill as a vehicle for very substantial energy conservation legislation (Kennedy amendments), which is likely to pass the Congress. The Administration is on record as opposing such legislation. It would seem that for us to propose energy independence by 1985 would actually focus congressional debate on the difference it has with the Administration; indeed, Congress would almost feel obliged to criticize Administration policy. I am not sure we would like to provide the platform for this.

In addition, there are several issues that need further consideration before the Administration could back the proposed resolution. For example, we would need an operational definition of energy independence. Ironically, without such a definition, Congress and the Administration would continue to argue endlessly over whose approach to achieving an undefined goal was better; but the same debate over differences in approach would flourish even if an operational definition were established.

For these reasons, I would be opposed to sending this resolution to Congress. I do not think it would accomplish the purpose for which it is intended.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

June 21, 1976

MEMORANDUM FOR ALAN GREENSPAN
BILL SEIDMAN
JIM LYNN
JIM CANNON

FROM: ERIC R. ZAUSNER
DEPUTY ADMINISTRATOR

SUBJECT: JOINT RESOLUTION ON ENERGY GOALS

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Could I have your comments by COB Thursday, June 24?

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FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb

SUBJECT: Proposed Joint Resolution Expressing Congressional Commitment to National Energy Independence

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One way to deal with these problems would be to suggest to Congress that it go on record with the Administration, in this Session, in support of the proposition that attainment of national energy independence by 1985 is a major national objective towards which future specific policy actions should be directed. Passage of a joint resolution to this effect would appear to be a logical vehicle for such a statement, which when enacted would have the force of law.

If enacted, such a resolution would provide a useful commitment and reference point to evaluate the merits of future legislation, as well as to provide a benchmark to measure the effectiveness of the legislative response to our energy vulnerability. The attached draft resolution adopts a "bare bones" approach to this concept, recognizing that, if acted upon by the Congress, it likely would be embellished significantly during the legislative process. Another approach would be to anticipate this effect, and to transmit instead a substantially more comprehensive proposal that would contain appropriate

recitals qualifying the objective of energy independence by other values, such as public health, preservation of the environment, and the need to foster competition in all segments of industry.

I recommend that, after staffing by the Domestic Council, a resolution substantially like that which is attached be transmitted to the Congress for its consideration.

Attachment

DRAFT

94th CONGRESS
2D Session H. J. RES. ____

IN THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES

June ____, 1976

JOINT RESOLUTION

Relating to the attainment of national energy independence.

Whereas the oil embargo of 1973-1974 cost the nation $20 billion and 500,000 additional unemployed; and

Whereas this dependence on foreign oil impaired the ability of the United States to provide for its national security and that of other nations; and

Whereas, notwithstanding recently enacted legislation, the dependence of the United States upon insecure foreign energy sources is increasing and is even greater today than in the period prior to the oil embargo of 1973-1974; and

Whereas the people of the United States must be apprised that, despite the absence of the conditions which prevailed during the embargo, our dependence on foreign oil and resulting vulnerability to another embargo have increased; and

Whereas the United States must reduce unnecessary energy consumption, increase energy conservation efforts, and stimulate domestic energy production so as to reduce dependence on foreign oil; and

Whereas the United States possesses the energy resources, technological capability and financial resources necessary to become independent of foreign sources of energy for its basic needs; now, therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That, in recognition of the serious nature of the Nation's continued dependence upon foreign sources of energy, it is hereby declared to be the policy of the United States to become independent of foreign sources for its basic energy needs by 1985, and to achieve such independence by reducing our energy imports to such a level where the economic and national security impacts of an embargo can be completely offset by use of strategic petroleum reserves and other practical emergency measures.