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Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

The President's Compromise Oil Decontrol Plan

THE PRESIDENT'S ANNOUNCEMENT

The President today announced administrative actions to gradually decontrol the price of old oil (oil now under federal price controls) over a 30-month period. In addition, the President announced for the same period a ceiling on the price of all uncontrolled domestic oil (other than from wells which produce less than 10 barrels per day which are currently exempted from controls) equal to the price of uncontrolled domestic crude oil in January, 1975, plus two dollars a barrel to account for the import fees already in place. This will be approximately $13.50.

The President also called for enactment of energy taxes including a windfall profits tax (with appropriate plow-back provisions) and extension of the Emergency Petroleum Allocation Act to implement the decontrol plan. These actions will result in substantial energy savings, provide an incentive for expanding domestic production, and ultimately remove a complex and counter-productive set of regulations.

Under the President's plan imports will be reduced and prices will increase gradually, but consumers will receive energy tax rebates. Phased decontrol will thus not impede economic recovery.

BACKGROUND

-- The price of old oil is currently controlled at an average of about $5.25 per barrel, while the average price of new domestic oil is now uncontrolled and is about $13.00.

-- Controlled oil currently represents about 60 percent of domestic oil production. New, released, and stripper well oil account for the remainder.

-- Domestic oil production has been declining since 1970 (it is down 11% since early 1973) and is now about 8.4 million barrels per day (MMB/D), a decline of more than 500,000 barrels per day from last year (see chart 1).

-- Imports are predicted to average about 6.5 million B/D, but are expected to rise to up to 7 MMB/D by the end of this year, which is about 40% of domestic consumption.

-- Imports are expected to grow to an average of more than 7.5 MMB/D in 1977, if no action is taken to reduce demand or increase supply. The added imports in the next two years are expected to come mainly from Arab nations and could double our vulnerability to an embargo (see chart 2).

more

-- The Emergency Petroleum Allocation Act of 1973, which requires the control of prices and distribution of oil expires on August 31, 1975.

-- None of the measures requested by the President almost 6 months ago in his State of the Union Address has been enacted by the Congress.

-- The President originally proposed in his State of the Union Address immediate and total decontrol in April, 1975. In response to concerns expressed by some Members of Congress, on April 30, 1975, the President directed FEA to develop a 25-month compromise decontrol plan. The Federal Energy Administration held public hearings on this proposal in May.

-- Under provisions of the Emergency Petroleum Allocation Act, either House of Congress has five working days in which to disapprove a decontrol plan by majority vote.

OBJECTIVES OF THE PLAN

The plan announced by the President is designed to meet the following objectives:

-- Achieve a major reduction in imports by providing an incentive to increase domestic production and by cutting demand through increased conservation.

-- Reduce the power of foreign oil cartels to control the prices Americans pay for energy.

-- Provide a compromise decontrol plan acceptable to the Congress.

-- Remove over a 2-1/2 year period the complex, counter-productive, and administratively burdensome government regulations.

-- Eliminate excessive oil company profits and minimize consumer and economic impact by rebating energy taxes.

PRINCIPAL ELEMENTS OF THE PLAN

Today's proposal by the President would gradually remove price controls from all currently controlled oil over a 30-month period beginning August 1 of this year and ending in January 1978. Each month the amount of oil under controls is decreased by an additional 3.3% of a decontrol base production level (which is the average monthly production of old oil during April, May and June of this year).

The 30-month ceiling on prices for domestic crude oil proposed by the President would be equal to the highest price charged for a particular uncontrolled domestic crude oil in the month of January 1975, plus $2.00 per barrel -- the current import fee -- for a total of approximately $13.50 per barrel.

Prices of domestic oil produced from stripper wells -- wells producing less than 10 barrels per day -- are not now controlled nor would they be under the President's proposal.

The President also announced that along with the decontrol plan, he would urge the Congress to enact his proposed energy taxes including a windfall profits tax with appropriate plowback provisions and to extend the Allocation Act with appropriate modifications to cover this 30-month decontrol period.

IMPACT OF THE PLAN

-- On Prices:

The President's phased decontrol plan will increase the average petroleum product price (such as gasoline) by a cumulative amount of approximately:

End of

1975 - 1¢/gal.

1976 - 4¢/gal.

1977 - 7¢/gal. (Total)

-- On Import Savings:

	(barrels per day)	
End of	Phased decontrol	Phased decontrol and existing $2 import fee
1975	25,000	175,000
1977	300,000	900,000

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CHART 1

DOMESTIC PRODUCTION OF CRUDE OIL

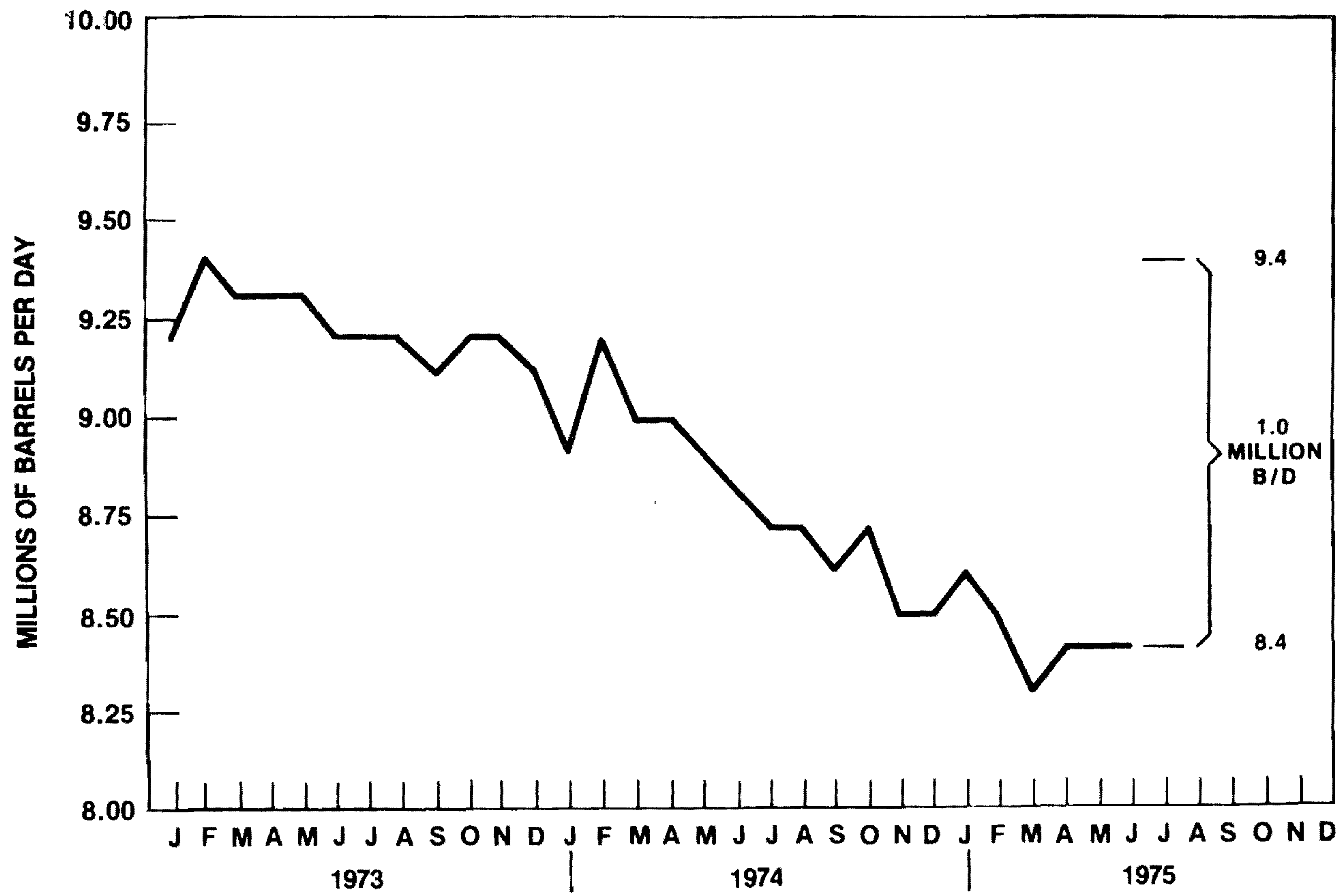

CHART 2

IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS

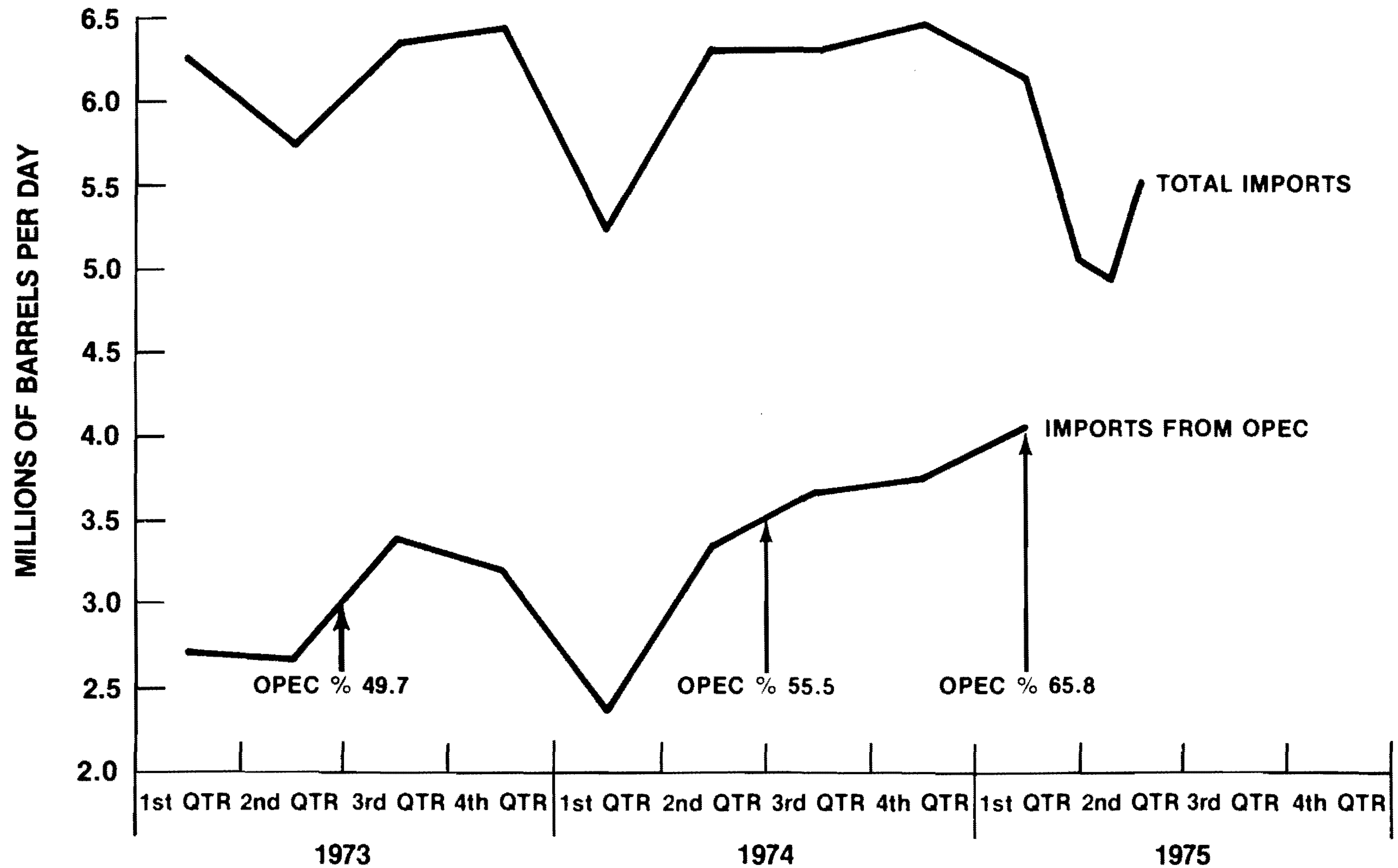

CHART 3

EFFECTS OF PRESIDENT'S PROPOSALS