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FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

June 4, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *F*

At the Cabinet Meeting today you asked about the "70¢ per gallon of gasoline." During a session of Issues and Answers last Sunday I was asked how much gasoline prices would increase by virtue of the President's program.

My answer pointed out that the full program as proposed by the President, including full decontrol and import fees, increased the average price of all petroleum products by 10¢ per gallon. With a "gasoline tilt," gasoline prices would increase by approximately 14 to 15¢ and other products by approximately 6 to 8¢. The commentator added this 15¢ to the current average price of gasoline of about 53 to 55¢ per gallon figure to derive the figure quoted.

I pointed out that under our current program the full price effects would not take place for approximately two years. I further added that the Ullman gasoline tax would increase the price of gasoline substantially more than our program.



PRESIDENTIAL TALKING POINTS FOR  
BIPARTISAN LEADERSHIP  
MEETING

June 4, 1975 6:00 pm

- o On the matter of energy, it is clear that we are still a great distance from having a completed energy program in place. Of the 13 titles I sent up to Congress in January, we have not had one piece of legislation.
- o I am convinced that our inability to move in this area is encouraging to the producing nations to consider higher prices.
- o As you all know, Frank Zarb has been working with Al Ullman and Herm Schneebeli and others to work toward legislation which is going to get the job done. I have asked Frank to continue to work with the various Chairmen and redouble his efforts to try and achieve compromises.
- o I want you to know we are not going to get anywhere without real support from the joint leadership and we just cannot tolerate inaction any longer.
- o Frank, perhaps you can bring us up to date on where we stand from your point of view.



Not submitted  
to Pres.  
End



FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20401

OFFICE OF THE ADMINISTRATOR

MEETING WITH REPUBLICAN LEADERSHIP  
ON ENERGY AND RELATED ISSUES  
Thursday, June 5, 1975  
8:00 am  
The Cabinet Room

From: Frank G. Zarb

I. PURPOSE

To discuss your concerns about the lack of action on the comprehensive energy program and the reasons for your veto of the surface mining bill with the Republican leadership.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

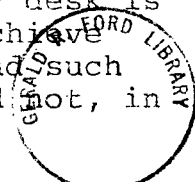
A. Background: The Congress has had four months to respond to your comprehensive energy policy, but no specific legislation has been forthcoming. The only bill relating to energy that the Congress has produced is the surface mining bill, which would add to rather than subtract from our vulnerability problem. This situation and the need for concerted minority action is to be discussed with the Republican leadership.

B. Participants: See tab a.

C. Press Plan: To be supplied by White House staff.

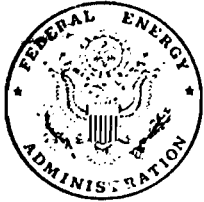
III. TALKING POINTS

1. On the matter of energy, it is clear that we are still a great distance from having a completed energy program in place. Of the 13 titles I sent up to Congress in January, we have not had one piece of legislation. The only piece of legislation that has reached my desk is the surface mining bill, a bill that would achieve important objectives, but also a bill that had such serious deficiencies and impacts that I could not, in good faith, sign it into law.
2. I am convinced that our inability to move in this area is encouraging the producing nations to consider higher prices.



3. As you all know, Frank Zarb has been working with Al Ullman and Herm Schneebeli and others to work toward legislation which is going to get the job done. I have asked Frank to continue to work with the various Chairmen and redouble his efforts to try and achieve compromise.
4. I want you to know we are not going to get anywhere without real support from those of you in this room and other minority members and we just cannot tolerate inaction any longer.
5. On the subject of strip mining, let me say it was not easy to veto this bill. Believe me, I would have preferred to sign it into law.
6. I am convinced, however, that the vetoed bill does not represent an appropriate balance between our energy, economic and environmental objectives. The Nation simply cannot afford a bill that could abolish up to 36,000 jobs, that could raise consumer costs up to \$6 billion per year, that could raise utility rates as much as 8% and that would significantly increase our dependence upon foreign oil. The veto of this bill must be sustained no matter what laudable objectives it would achieve.
7. Although several press accounts of Mo Udall's hearings have indicated that the Administration conceded some slight degree of error in its calculations at the Udall hearings on Tuesday, Frank has assured me that that is absolutely not the case. One of the reporters who wrote such a story was not even at the hearings.
8. I do believe that we can have an adequate reclamation program without exacerbating our energy and economic situation.
9. Frank, perhaps you can bring us up to date on where we stand from your point of view.





# FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

June 9, 1975

OFFICE OF THE ADMINISTRATOR

## MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb  
THROUGH: Rogers C. B. Morton  
SUBJECT: Biweekly Status Report

### Legislative Status

On June 3, Administration witnesses testified before a joint House-Senate Interior and Insular Affairs Committee hearing on the Administration's projections of the impact of HR 25, the Congressional Surface Mining Bill. The witnesses provided detailed support data for estimates on production loss, unemployment and cost increases which would result from enactment of the vetoed legislation. Rep. Morris Udall has conceded that as many as 50 Republican votes may be needed to override your veto of the measure. Floor consideration of the bill has been scheduled for June 10.

On June 5, the House passed HR 4035, legislation to restrict the President's authority to decontrol the price of crude oil, by a vote of 230 to 151. This legislation amends the Emergency Petroleum Allocation Act by providing for disapproval within 15 days by either House of any Presidential decontrol decision. The House approved measure also extends the expiration of the Emergency Petroleum Allocation Act from August 31, 1975 to December 31, 1975.

Floor consideration of the Ways and Means energy tax bill, HR 6860, has been scheduled for June 9. No action has been taken by the full Interstate and Foreign Commerce Committee on the Energy and Power Subcommittee's comprehensive energy proposal.

### Status of One Million Barrel Savings Program

Details on imports, apparent demand, prices and crude oil production are presented in Tab C. The following points are significant:

- o Petroleum imports are declining seasonally and are now 1.80 million barrels per day below the peak in mid-December.



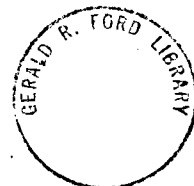
- o Imports of crude oil and refined products continue to meet about one-third of total demand.
- o Demand for gasoline, distillate and residual oil is at about expected levels without a conservation program.
- o Domestic refinery output now meets 51 percent of demand for residual fuel oil, up considerably from the 32 percent of 1972.
- o In spite of the fact that distillate oil heating degree-days from July 1, 1974 through April 27, 1975 were 7.3 percent higher (colder weather) than during the previous heating season, distillate demand was about the same. This suggests significant conservation efforts by residential and commercial customers.

#### Major International Developments

Canada increased its export taxes on petroleum products on June 3 because of increased international prices and the decline in the value of the Canadian dollar. The tax (in U.S. dollars) on heavy fuel oil went from \$2.68 to \$2.92, on middle distillates from \$1.95 to \$3.41, and on motor gasoline from \$1.46 to \$3.41. Taxes on crude oil exports were reduced by \$0.78 on the first of June to \$4.09 for heavy crude and to \$4.57 for light and medium crude. The Canadian government had earlier announced increases in natural gas prices from \$0.97 per thousand cubic feet to \$1.36, effective August 1, and rising further to \$1.56 on November 1.

Indonesian production of crude oil has dropped significantly in recent months because of sagging Japanese demand. Output is currently about 1.1 million barrels per day, 600,000 barrels per day below capacity.

Production of crude oil in Iraq rose to 2.3 million barrels per day in April from 2.1 in March as a result of an aggressive export program.



TAB A





## Action on Energy Legislation

### Congressional Action

- o On June 3, the House Rules Committee granted a modified open rule with four hours of debate on HR 6860, the Ways and Means Committee's omnibus energy tax bill. Floor consideration has been scheduled for Monday, June 9. The gasoline tax provision is the most vulnerable provision to floor amendment.
- o The House Democratic Caucus was unable to agree on unified energy legislation strategy during its meeting on June 4.
- o The House Interstate and Foreign Commerce Committee has not begun consideration of HR 7014, recently reported by its Energy and Power Subcommittee. This energy package includes a provision for decontrol of old oil at a rate of 1 percent per month retroactive to May 1972.
- o On June 5, the House passed HR 4035 by a margin of 230 to 151. This legislation restricts the President's authority to decontrol old oil. As of this date, the President's decontrol plan has not been presented to Congress.
- o The Democratic leadership criticized the President's imposition of a second one-dollar import tariff effective June 1, and predicted that the resulting higher fuel cost would be recessionary and boost unemployment.
- o Senator Henry Jackson charged that President Ford's energy conservation program would cost as many as 200,000 jobs and would mean an additional expenditure of over \$600 a year for an average family of four (nationally, \$33 billion annually).
- o On June 2, the Energy and Environment Subcommittee of the House Interior and Insular Affairs Committee resumed its hearings on nuclear energy. Administration witnesses testified.
- o On June 3, the Energy Research, Development, and Demonstration Subcommittee of the House Science and Technology Committee began four days of hearings on HR 5470, Electric Vehicle Research, Development and Demonstration Act of 1975.
- o On June 6, the Consumer Subcommittee of the Senate Commerce Committee held a hearing on the impact of the Administration's proposed energy policy on the consumer.



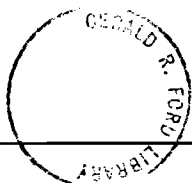
PROGRESS OF ENERGY LEGISLATION: May 27 - June 6

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p><b>A. OMNIBUS ENERGY BILL</b> (HR 2633, HR 2650, S 594)</p> <p><b>Title I - Naval Petroleum Reserve Development/ Military Strategic Reserve</b></p> <p><b>Title II - National Strategic Petroleum Reserve</b></p>		<p>On March 18, the Interior and Insular Affairs Committee reported HR 49, a bill to transfer the management of the Naval Petroleum Reserve to the Department of the Interior.</p> <p>Armed Services Committee reported HR 5919, which continues NPR management under the Navy, on April 18.</p> <p>Energy and Power Subcommittee of the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014, on May 13. The bill is pending full committee action. (Title II, Part E, Strategic Reserves)</p>	<p>Armed Services Committee is considering introducing a clean bill this summer. Joint hearings with the Interior and Insular Affairs Committee were held in March. Action possibly awaiting final House consideration. (Title I)</p> <p>On June 5, Interior and Insular Affairs Committee began mark up sessions on a revised version of S 677, Senator Jackson's reserves bill, rather than on the President's. (Title II)</p>	<p>On April 22, House Rules Committee granted an open rule with two hours of debate (to be divided between the Interior and Insular Affairs Committee and the Armed Services Committee) making HR 49 in order as an original bill with the text of HR 5919 in order as a substitute. Floor action is pending.</p>
<p><b>Title III - Natural Gas Amendment</b></p>		<p>House Interstate and Foreign Commerce Committee has postponed action on natural gas until work on its omnibus energy bill is completed.</p>	<p>Commerce Committee ordered the bill S 692 reported with amendments on May 6. Floor action is expected in June.</p>	
<p><b>Title IV - Energy Supply and Environmental Coordination Act of 1974 Extension</b></p>	<p>Administration witnesses will appear before the Senate Public Works Committee hearings, scheduled for mid-June.</p>	<p>Energy and Power Subcommittee of Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014, on May 13. The bill is pending full committee action. (Title VI included coal conversion.)</p>	<p>The Public Works Committee and S Res 45 members have scheduled hearings for mid-June on coal conversion and ESECA Act. Administration witnesses will testify.</p> <p>On May 21, the Subcommittee on Environmental Pollution of the Public Works Committee concluded its final two weeks of hearings on Clean Air Act Amendments. Mark up sessions are expected to begin in mid-June.</p>	



PROGRESS OF ENERGY LEGISLATION: May 27 - June 6

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
Title VIII - Energy Facilities Planning and Development (S 619)	Administration witnesses are expected to appear before the Energy and Power Subcommittee of House Interstate and Foreign Commerce Committee at a future date not yet scheduled by the Subcommittee.	Energy and Power Subcommittee of Interstate and Foreign Commerce Committee is expected to hold hearings after completion of its "Energy Conservation and Oil Policy Act of 1975." Administration witnesses are expected to testify at that time.	Environment and Land Resources Subcommittee of the Interior and Insular Affairs Committee completed hearings on Title III and S 984, "Land Resources Planning Assistance Act", on May 2. The Committee is waiting for action in the House on Land Use legislation before beginning mark up sessions.	
Title IX - Energy Development Security		Energy and Power Subcommittee of the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014, on May 13. The bill is pending full committee action. (Title II, Part A, Section 211, International Voluntary Agreements of HR 7014.)	The Senate passed S 621 and S 622, each prohibiting the use of certain authorities by the President for the purposes of establishing a floor price for imported petroleum.	
Title X - Building Energy Conservation Standards Title XI - Winterization Assistance		House passed HR 4485, the Emergency Middle-Income Housing Act of 1975, on March 21.  Housing and Community Development Subcommittee of the Banking, Currency and Housing Committee is continuing mark up sessions on its winterization assistance legislation, HR 3573.  Certain provisions dealing with Title XI are included in HR 6860, the Ways and Means Committee omnibus energy bill.	The bill, HR 4485, passed by the Senate amended on April 24. The President's Title X was incorporated in the Senate provision. (S 1483)  Commerce Committee has scheduled hearings beginning June 19 on S 1392, "Energy Conservation in Buildings Demonstration Act of 1975." The Committee will relate information regarding Title X for purposes of discussion.	Conference on HR 4485 was completed on May 12. Conferees deleted the President's Title X which had been incorporated in the Senate version.



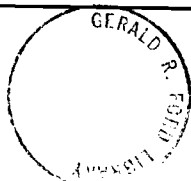
PROGRESS OF ENERGY LEGISLATION: May 27 - June 6

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>Title V - Clean Air Amendments</p> <p>Title VI - Significant Deterioration</p>	<p>Administration witnesses will appear before the Senate Interior and Insular Affairs Committee in hearings scheduled for mid-June.</p>	<p>Energy and Power Subcommittee of Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014, on May 13. The bill is pending full committee action.</p> <p>(Title V, Part A, Automobile Fuel Economy and Efficiency Standards, and Title VI, Coal Conversion)</p> <p>Health and Environment Subcommittee of Interstate and Foreign Commerce Committee continued mark up sessions on Clean Air Act Amendments during the week of June 2, hoping to finish mark up by the end of June.</p>	<p>The Public Works Committee and S Res 45 members have scheduled hearings for mid-June on coal conversion and ESECA Act. Administration witnesses will testify.</p> <p>On May 21, the Subcommittee on Environmental Pollution of the Public Works Committee concluded its final two weeks of hearings on Clean Air Act Amendments. Mark up sessions are expected to begin in mid-June.</p>	
<p>Title VII - Utilities Act of 1975</p>	<p>Administration witnesses are expected to appear before the Energy and Power Subcommittee of House Interstate and Foreign Commerce Committee at a future date not yet scheduled by the Subcommittee.</p>	<p>Energy and Power Subcommittee of Interstate and Foreign Commerce Committee is expected to hold hearings after completion of its "Energy Conservation and Oil Policy Act of 1975," HR 7014. Administration witnesses are expected to testify at that time.</p>	<p>The Government Operations Committee is planning to draft legislation to preempt Title VII.</p>	



PROGRESS OF ENERGY LEGISLATION: May 27 - June 6

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
Title XII - National Appliance and Motor Vehicle Energy Labeling		Energy and Power Subcommittee of the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014, on May 13. The bill is pending before the full committee. (Title V, Part A, Energy Efficiency Standards for Automobiles; Title V, Part B, Other Consumer Products Standards, of HR 7014.)	Commerce Committee will begin mark up of S 349 and Title XII on June 10.	
Title XIII - Standby Authorities Act (S 620)		Energy and Power Subcommittee of the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014, on May 13. The bill is pending before the full committee. (Title II, Standby Authorities, of HR 7014.)	Interior and Insular Affairs reported S 622 on March 5. The report number is 94-26.	On April 10, the Senate passed S 622 by a margin of 60-25.
<b>B. OTHER BILLS- SUPPLY</b>  Surface Mining Legislation (HR 3110, S 652)	Administration witnesses discussed the impact of the vetoed bill, HR 25, on coal production, unemployment, and resultant cost increases before the House and Senate Interior and Insular Affairs Committee hearing on June 3.	By a margin of 293-115, the House passed the Conference Report on HR 25 on May 7. On June 3, the Interior and Insular Affairs Committee held a joint hearing with the Senate Interior and Insular Affairs Committee regarding the Administration's projections of the impact of the bill.	By voice vote, the Senate passed the Conference Report on HR 25 on May 5.	On May 20, the President vetoed the Conference Report on HR 25. By a narrow margin of 208-195, the House adopted Mr. Udall's motion to postpone floor consideration until June 10.
Nuclear Licensing and Siting Bill	Administration witnesses will testify regarding the nuclear licensing and siting bill before the Joint Committee on Atomic Energy on June 25.	The <u>Joint Committee</u> on Atomic Energy has scheduled hearings beginning June 25 on the Administration's bill. (HR 7002 and S 1717 were introduced to Congress on May 14.)		



PROGRESS OF ENERGY LEGISLATION: May 27 - June 6

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
Nuclear Insurance Bill		Comments to OMB from appropriate agencies on the draft bill are ex- pected to be completed in the near future.		
<b>C. TAX PROPOSALS</b>  Windfall Profits Tax  Petroleum Excise Tax and Import Fee  Natural Gas Excise Tax  Uniform Invest- ment Tax Credit  Higher Investment Tax Credit  Preferred Stock Dividend Deduc- tions  Residential Con- servation Tax Credit		<p>The following are the components of HR 6860:</p> <p>Title I: Quotas, Allocations and Strategic Reserves.</p> <p>Title II: Gasoline Con- servation Program.</p> <p>Title III: Other Transportation Energy Programs.</p> <p>Title IV: Energy Con- servation and Conversion Trust Fund.</p> <p>Title V: Deregulation of Oil and Natural Gas; Windfall Profits.</p> <p>Title VI: Revisions of Capital Incentives for Extraction in Producing Industries.</p> <p>Title VII: Industrial Conversions.</p> <p>The Committee completed work on this bill on May 12.</p>		<p>On June 3, the House Rules Committee granted a modified open rule, with four hours of debate on HR 6860, Energy Conservation and Conversion Act of 1975.</p> <p>Floor consideration has been scheduled for June 9.</p>

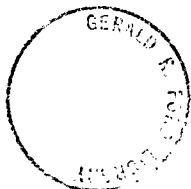


TAB B



Progress Report on Administrative Actions  
Within the President's Energy Program  
(Near Term Program)

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
1. Crude Oil Decontrol	FEA	S 621 was passed by the Senate on May 1 and sent to the House. HR 4035 was passed by the House June 5.	Action will depend upon House and Senate action and reaching a compromise on the overall energy program.
2. Energy Conservation	FEA	Draft guidelines for using energy conservation "mark" have been completed. Legislation has been drafted regarding the use and protection of the "mark".	Will submit legislation to OMB for approval before submitting to Congress.
3. Coal Conversion	FEA	Notices of intent have been issued in all six regions; hearings to conclude June 11.	Final prohibition orders to be issued prior to July 1.
4. Import Fee Implementation	FEA	On May 27 the President announced an additional \$1 increase on import fees to begin June 1.	Further action will depend on evolving a compromise on the overall energy program.





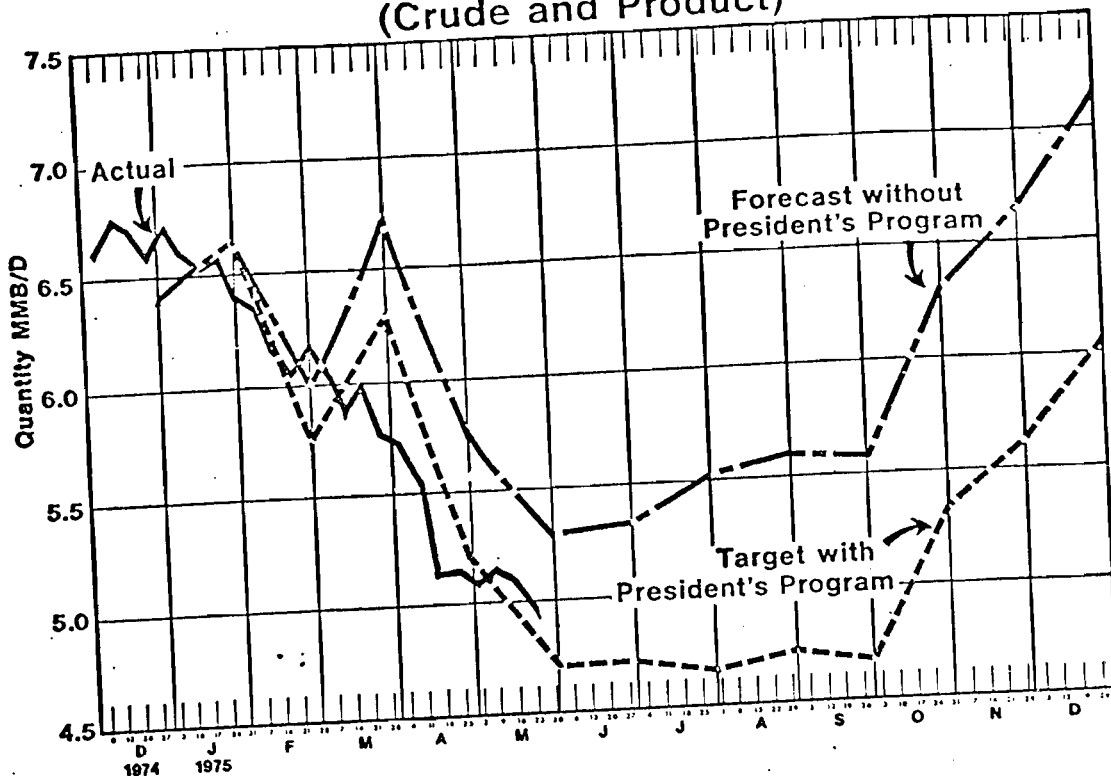
Program Report on Administrative Actions  
Within the President's Energy Program  
(Mid Term Program)

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
1. OCS Leasing	DOI	Final programmatic EIS on accelerated leasing program to be published by June 13. Central Gulf sale of 1.8 million acres held May 28. Sale of second half of Central Gulf tract to be held July 29.	Final rulemaking on ban on joint bidding by major oil companies to be issued by July 1. Final EIS and final rulemaking on accelerated leasing program scheduled to be in effect by late August.
2. Auto Emission Standards	EPA	Summary issue paper has been prepared. Senate Public Works Subcommittee on Air and Water Pollution currently holding hearings. House Subcommittee on Public Health and Environment has tentatively set standards more stringent than those recommended by EPA.	Issue paper under consideration by ERC.
3. Auto Efficiency Agreements	DOT	The four major automobile manufacturers have agreed in principle to the monitoring process. House and Senate Commerce Committees have marked up legislation setting mandatory auto-efficiency standards.	Quarterly production reports and semi-annual sales reports to be submitted by the manufacturers.
4. Appliance Standards	NBS	Draft legislation has been prepared by Commerce, FEA, and FTC for submission to House Subcommittee on Energy and Power.	Submit to Committee and await Congressional action.
5. Emergency Storage	FEA	Draft RFP's have been approved by FEA's Contract Review Board for solicitation by June 30.	First phase analysis to be completed by June 30.

TAB C



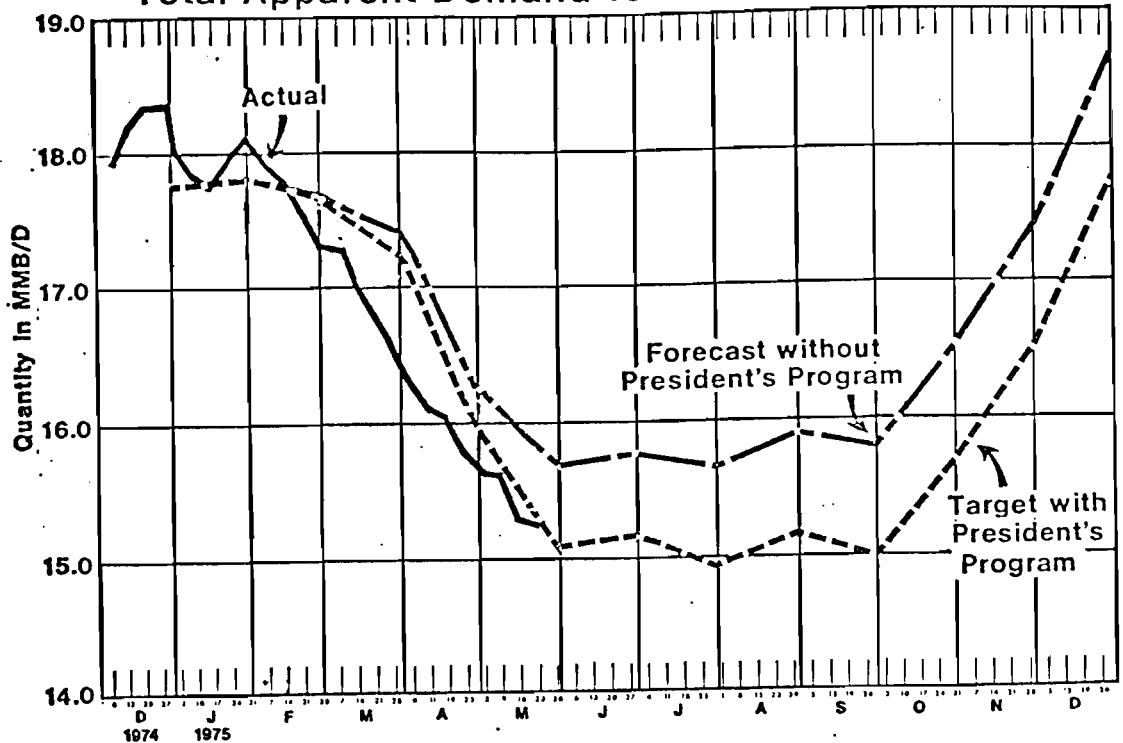
Table 1  
**Total U.S. Petroleum Imports  
 (Crude and Product)**



- Imports for the 4-week period ending on May 23 were 4.98 million barrels per day, 140,000 barrels per day above the target but a substantial 460,000 barrels per day below the forecast without any program.
- When the revision to the forecast for total demand is completed (see note to Table 2) the import forecast is expected to be lowered by between one and two hundred thousand barrels per day (about a 3 percent adjustment downward).



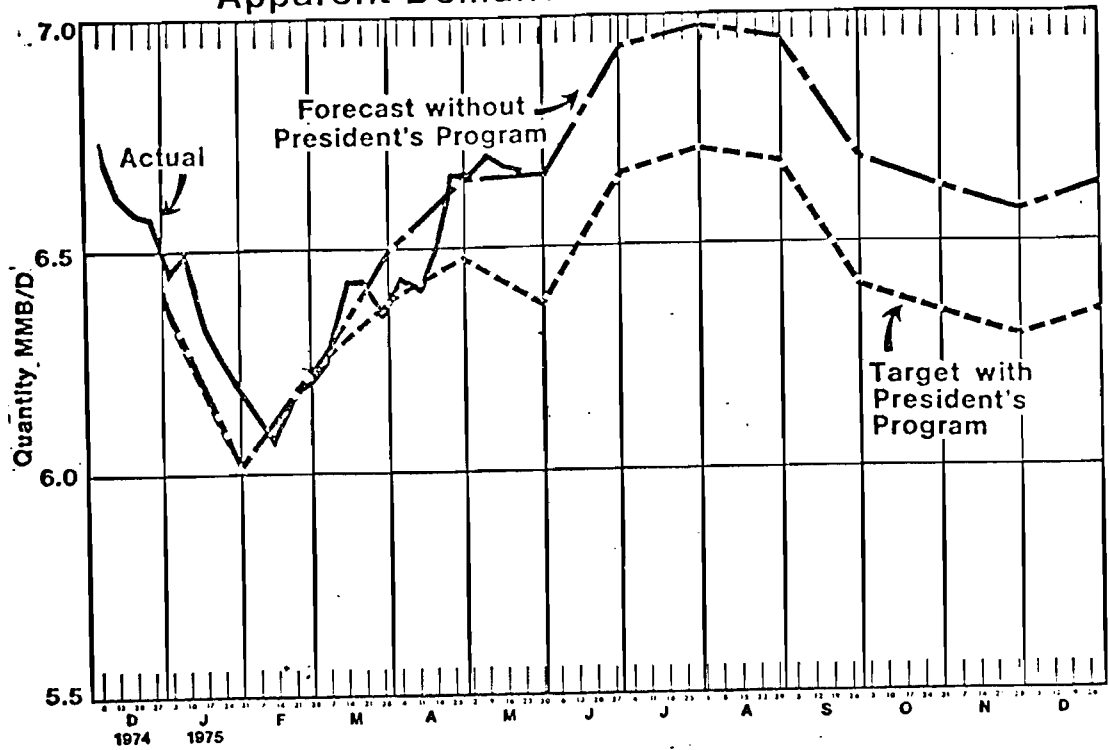
Table 2  
Total Apparent Demand for Petroleum Products



- o Total apparent demand during the 4 weeks ending May 23 was 15.26 million barrels per day, 90,000 barrels per day below the target. Demand was 600,000 barrels per day below the forecast of 15.86 million barrels per day.
- o Imports of crude oil and refined products currently account for 33 percent of total demand.
- o While FEA's forecasts of demand for the major products have proven to be reasonably good, the forecasts for "other" products have been consistently low. When planned revisions to the forecasts are incorporated in the total, it is expected that both the forecast and the target for total demand will be reduced by between one and two hundred thousand barrels per day (about a 1 percent adjustment downward).



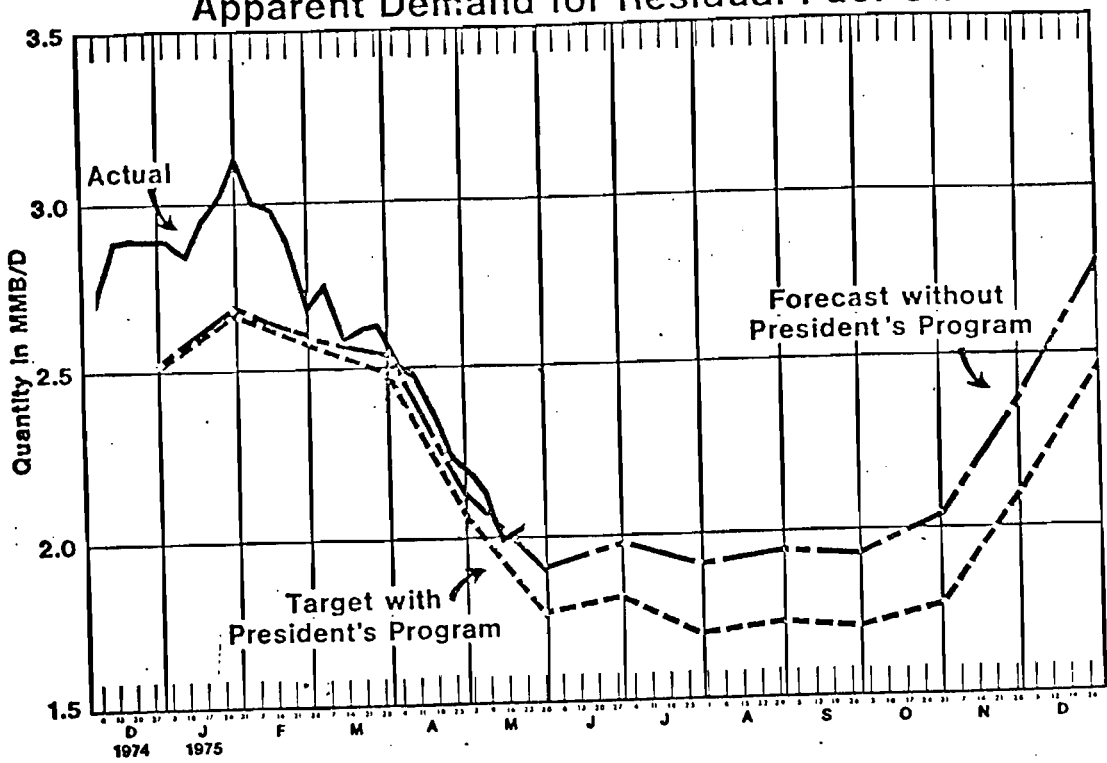
Table 3  
 Apparent Demand for Motor Gasoline



- o Apparent demand for motor gasoline for the 4 weeks ending May 23 was 10,000 barrels per day above the forecast and 260,000 barrels per day above the target with the President's program.



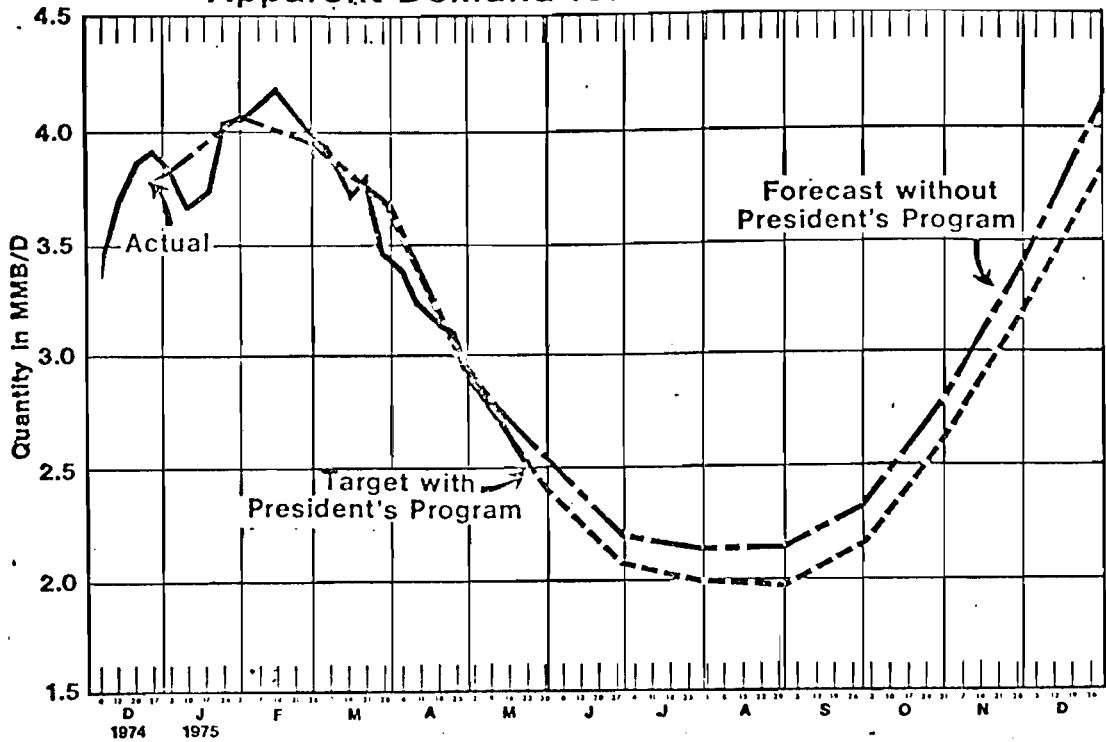
Table 4  
**Apparent Demand for Residual Fuel Oil**



- o For the 4 weeks ending May 23, apparent demand for residual fuel oil was 2.03 million barrels per day, 180,000 barrels per day higher than the target level of 1.85 million barrels per day.
- o Domestic refinery output now meets 51 percent of demand for residual fuel oil, up considerably from the 32 percent of 1972.



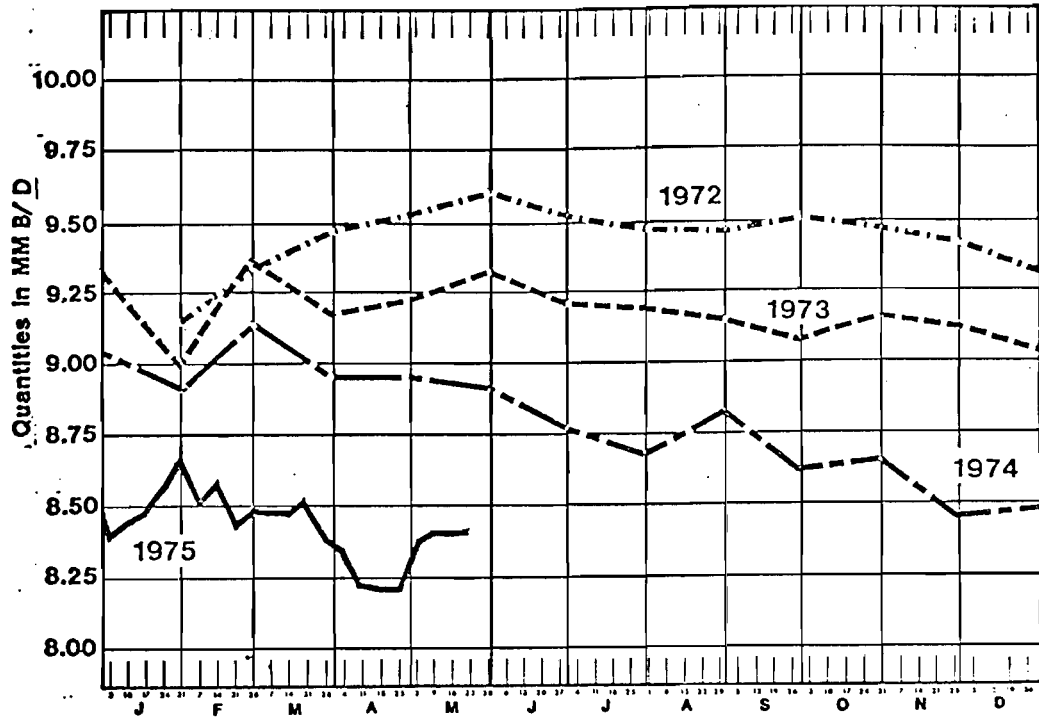
Table 5  
**Apparent Demand for Distillate Fuel Oil**



- o Apparent demand for distillate fuel oil for the 4 weeks ending May 23 was 2.54 million barrels per day, only 20,000 barrels per day above the target level of 2.56 million barrels per day.
- o In spite of the fact that distillate oil heating degree-days from July 1, 1974 through April 27, 1975 were 7.3 percent higher (colder weather) than during the previous heating season, distillate demand was about the same. This suggests significant conservation efforts by residential and commercial customers.



Table 6  
Domestic Crude Oil Production

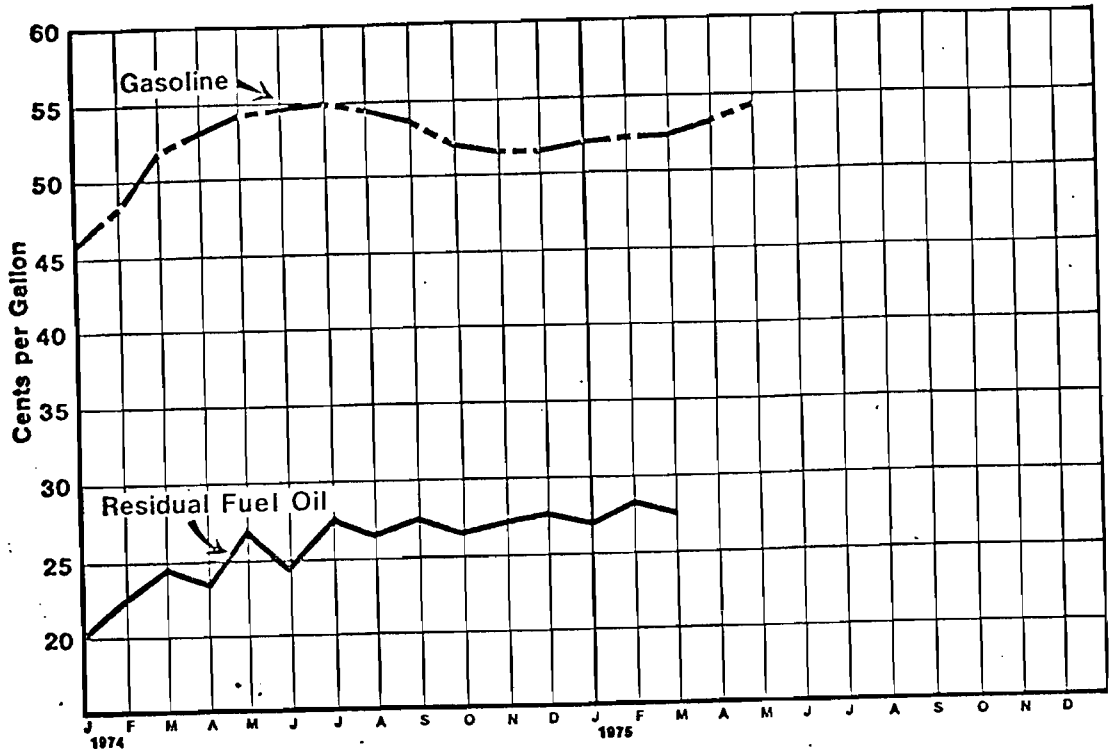


- o Production of crude oil for the 4 weeks ending May 23, at 8,422 million barrels per day, was 5.5 percent below the same period of 1974 and 9.3 percent below the same period in 1973.





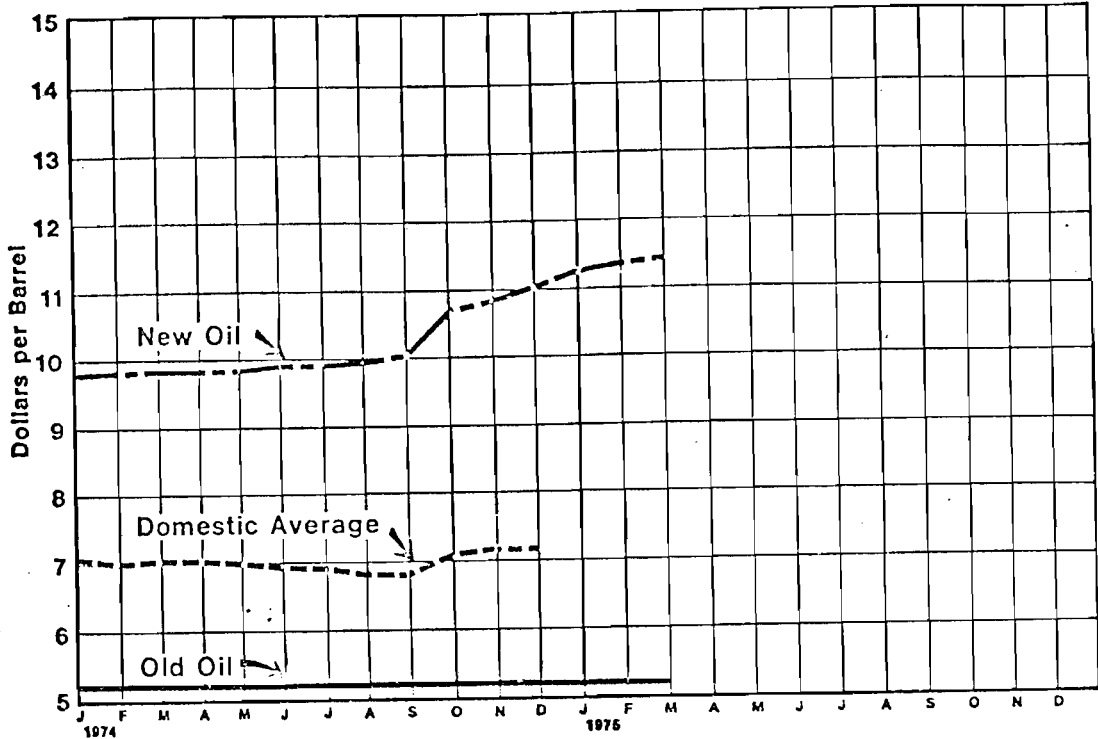
Table 7  
Retail Prices



o The national average selling price of regular gasoline for May 1975 was 54.3 cents per gallon, an increase of 0.8 cent over the April price of 53.5 cents per gallon.



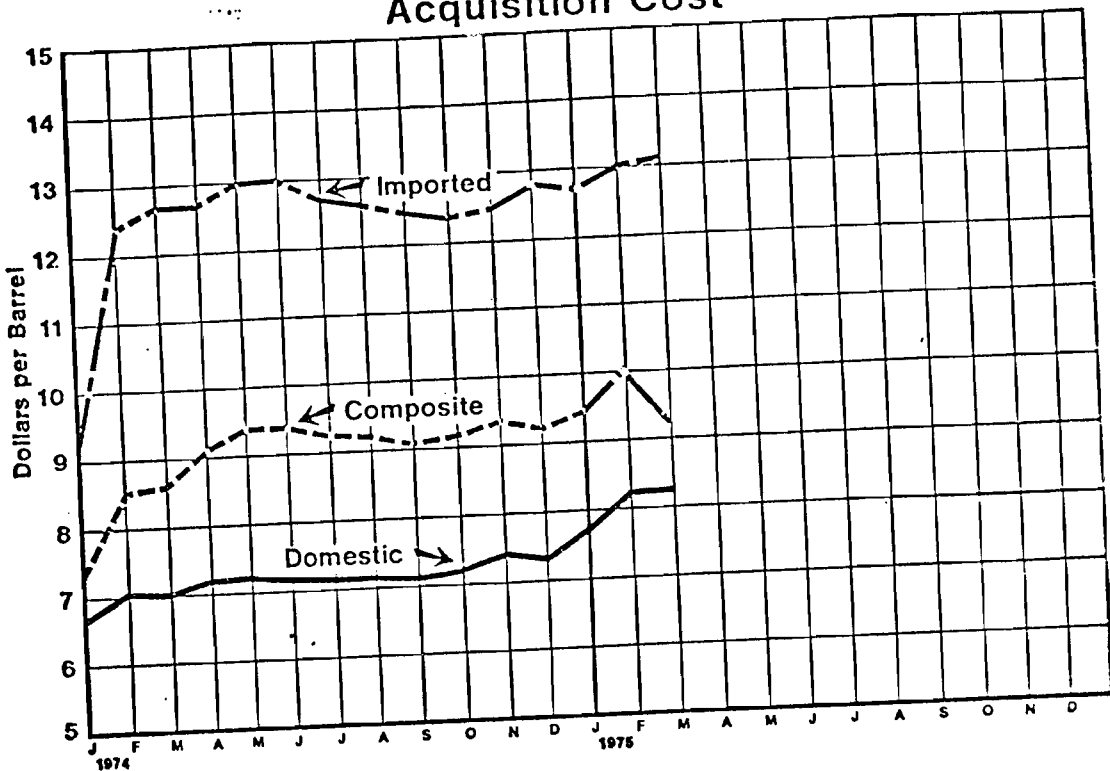
Table 8  
Crude Oil  
Wellhead Price



- o The wellhead price of new oil in March was \$11.43 per barrel, 4 cents up from the price in February.



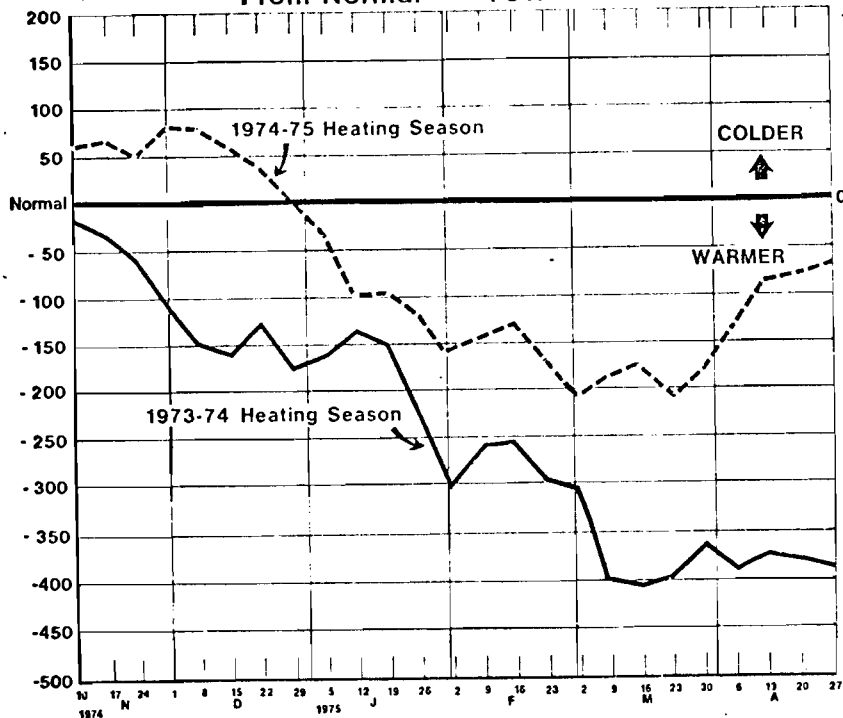
Table 9  
**Crude Oil Refiner  
 Acquisition Cost**



(No new data since last report.)

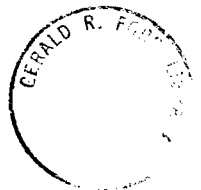


Table 10  
 Departure of Cumulative  
 Distillate Heating Oil Degree-Days  
 From Normal — Total U.S.



- o For the 3-week period ended April 27, 1975, the weather in the continental United States was colder than normal (25.4 percent more distillate heating oil degree-days).
- o Through April 27, the weather in the 1974-75 heating season has been warmer than normal but colder than last year. Distillate heating oil degree-days for the U.S. have totalled 1.3 percent fewer than normal, but were 7.3 percent higher (colder weather) than in the 1973-74 heating season.
- o Through April 27, all PAD Districts except PAD II have accumulated less degree-days (warmer) this heating season than normal. The percentage changes are as follows:

PAD I (East Coast)	-2.7
PAD II (Mid-Continent)	+2.1
PAD III (Gulf Coast)	-5.8
PAD IV (Rocky Mountain)	-0.1
PAD V (West Coast)	-2.9



## DEFINITIONS

- Apparent Demand -- Demand for products, in terms of real consumption, is not available; production plus imports plus withdrawals from primary stocks is used as a proxy for demand (consumption). Secondary stocks, not measured by FEA, are substantial for some products.
- Actuals -- Four-week moving averages computed from the Weekly Petroleum Reporting System.
- Forecast -- A petroleum product demand forecast is made, based on a projection of the economy, which would occur without the President's program, and on a projection of normal weather. The forecast is periodically revised to take account of actual weather and revised macroeconomic forecasts.
- Target -- The Target incorporates reductions in consumption implicit in the President's energy policy, as given in the State of the Union Message. In addition it is assumed that:
- domestic production increases by 160 MB/D by the end of 1975 due to the development of Elk Hills.
  - petroleum demand is reduced by 98 MB/D by the end of 1975 due to switching from oil to coal.
  - petroleum demand due to natural gas curtailments ceases after May 1, 1975, due to the deregulation of new natural gas at the wellhead.
  - price changes due to the President's policies are held constant in real terms at their May 1975 levels.
- Degree-Days -- The number of degree-days in one day is the number of degrees by which the mean temperature for the day is below 65° F. Statewide averages for degree-days are based on population weights. These statewide averages are then aggregated into P.A.D. Districts and the national average using a weighting scheme based on each State's consumption of fuel oil per degree-day, thereby relating the impact of the weather to distillate heating oil demand. Note that "above normal" degree-days correspond to "below normal" temperatures.



TAB D

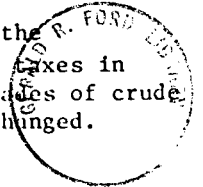


### Major International Events

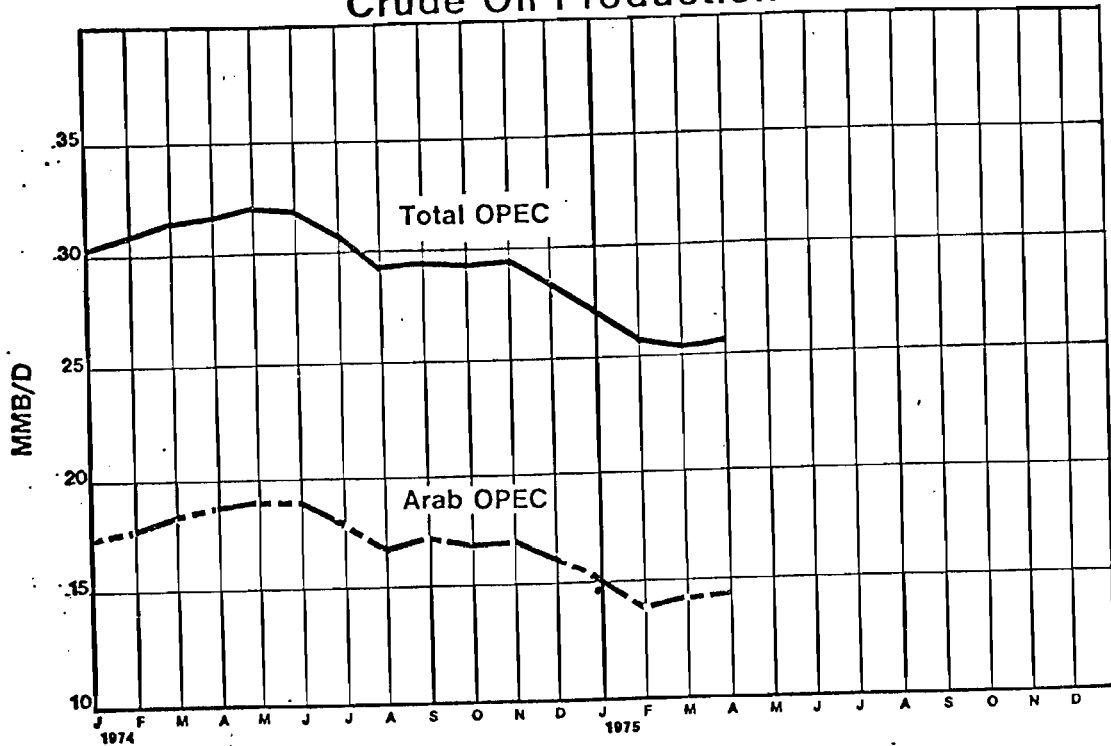
- o Production of crude in Iraq rose to 2.3 million barrels per day in April from 2.1 in March as a result of an aggressive export program. The government of Iraq has been willing to shave prices in certain instances, but continues to uphold the OPEC pricing system.
- o Libya has shelved plans for 620,000 barrels per day export refinery capacity. Static world demand for petroleum products was cited as the reason.
- o The first ministerial-level meeting of the international Energy Agency was held May 27. Secretary Kissinger, Secretary Simon and Administrator Zarb represented the U.S.
- o Indonesian production of crude oil has dropped significantly in recent months because of sagging Japanese demand. Output is currently about 1.1 million barrels per day, 600,000 barrels per day below capacity.
- o According to the Canadian magazine Oilweek, Canada's production of crude oil and liquid hydrocarbons is expected to average 1,625,000 barrels per day in 1975, a decline of almost 11 percent from 1974. Much of the decline reflects the failure of export demand for Canadian crude to match the 800,000 barrels per day limit decreed by the federal government. Crude exports, all of which go to the United States, are expected to range between 650,000 and 667,000 barrels per day during 1975.
- o Two important Italian discoveries were announced recently, one in the Adriatic Sea and the other in the Po Valley. The latest find is the first of significance after many years of drilling in the Adriatic. Engineers calculated that production of the field should reach about 100,000 barrels per day during its early years. Although data on the Po Valley discovery were not made available, Italian oil company officials described it as a "giant".
- o The Canadian government has announced increases, effective June 3, in export taxes on petroleum products. Taxes on the following major products went up as follows:

	Amount of increase	Total New Tax
(U.S. dollars)		
Heavy fuel oil	\$0.24	\$2.92
Middle distillates	1.46	3.41
Motor gasoline and equivalent	1.95	3.41

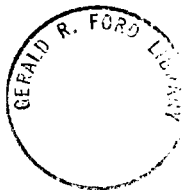
The increase takes into account the decline in the value of the Canadian dollar and increased international product. Export taxes in Canadian dollars of \$4.57 per barrel for light and medium grades of crude oil and \$4.09 per barrel for heavy crude oil will remain unchanged.



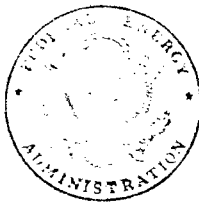
# OPEC Countries Crude Oil Production



(No new data since last report.)







FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

June 10, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: ROGERS C. B. MORTON  
FRANK G. ZARB

SUBJECT: Industry/State Regulator Reaction to Labor-  
Management Committee Electric Utility Proposal

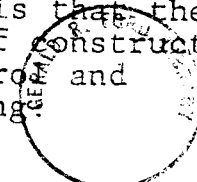
In response to your questions raised at Monday's meeting on the Labor-Management Committee's (LMC) Tax Incentive Proposals, a brief survey of utility executives and State regulatory commissioners was made to determine:

- the likelihood of these proposals achieving the desired results; i.e., restoring utility construction programs and creating needed jobs,
- whether or not these proposals could be publicly supported.

In presenting these proposals, no mention was made of the LMC, nor of the probability that these initiatives would be proposed by the Administration.

Both groups indicated that these proposals, if enacted, would have a significant influence on (a) inducing State regulators to grant two key elements of regulatory reform, (b) restoring utilities to their financial health, (c) restoring construction of coal and nuclear plants where deferral had been based on inability to finance, and (d) increasing employment. However, we wish to point out that none of the foregoing will take place overnight, although the proposals should provide significant inducement. Both groups, which included some of the key State regulatory commissioners, indicated they could support the plan publicly.

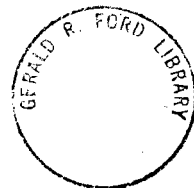
The effectiveness of the plan, and future public support, will depend upon the specific nature of the legislation. Critical to its effectiveness, in our opinion, is that the increased investment tax credit, depreciation of construction in progress, and amortization of pollution control and conversion costs be contingent upon the following:



- inclusion of construction-work-in-progress in the rate base
- normalization of the tax benefit.

As you recall, the foregoing were key elements of the original Administration proposal which was submitted to the Congress as part of the Energy Independence Act.

Further, to minimize unnecessary revenue impact, we suggest that the basis of the property for depreciation purposes be reduced by the amount of the investment tax credit. This would preclude a double tax benefit.



6/11 - Asker  
\*1 ja

FEDERAL ENERGY ADMINISTRATION

June 10, 1975

MEMORANDUM TO DICK CHENEY

FROM: FRANK ZARB Frank G. Zarb

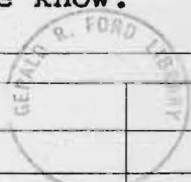
A criticism often leveled at the Administration in regard to nuclear power policy matters is that the counsel which the President receives is monolithic and unduly biased on the affirmative side. I personally do not share the view that we in the Administration are of one mind on nuclear power; however, I do feel that it is important not only to dispel this notion among those who hold it, but also to insure that the responsible policy makers hear both the pro and con sides on nuclear power and at the same time provide a forum for public education on this important public policy question.

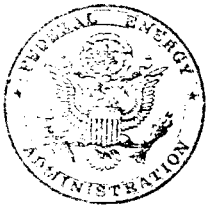
I have discussed these concerns with Bill Anders, Bob Seamans and Russell Train, and we are all agreed that a public dialogue on nuclear power issues would be very useful. With this in mind, we are planning a full day of discussions on nuclear power for which we will invite, primarily from the academic community, four outspoken critics and four outspoken proponents of nuclear power. These discussions will be open to the public (to listen) and are viewed by us as an opportunity for an "education session" on nuclear power. By getting reasonable men together for a rational dialogue, we can lay out the nuclear issues more fully and indicate our willingness to address the conflict of views head-on. This kind of public exchange of views with the Administration listening-in is necessary to get the nuclear program on the right track, especially since the matter has evoked such strong feelings on either side.

The initial planning is just about complete and July 22 has been targeted for the meeting to probably be held here at FEA. We plan to send out invitations in the near future, but if you have any thoughts on the concept, let me know.

A:RNAPLES:lrc/rm.3001/6/10/75  
cc: Exec. Sec. & John Asker CONFERENCES

SYMBOL	▶	<i>R. Naples</i> <i>6/11 - OK</i> <i>[Signature]</i>					
SURNAME	▶						
DATE	▶						





# FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

June 11, 1975

OFFICE OF THE ADMINISTRATOR

## BRIEFING ON ENERGY POLICY OPTIONS AND RECOMMENDATIONS

Thursday, June 12, 1975  
8:00-9:00 a.m. (60 minutes)  
The Cabinet Room

From: Frank Zarb

### I. PURPOSE

To discuss a compromise on the Ways and Means Energy Bill with the House leadership.

### II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

#### A. Background:

1. House Ways and Means has reported an unacceptable energy tax bill which is now being debated on the floor.
2. Many amendments are being considered and this is an appropriate time to put forward a potential compromise which you could accept.

B. Participants: Rogers Morton, Frank Zarb, Max Friedersdorf, John Marsh, Donald Rumsfeld, Richard Cheney, Alan Greenspan, James Lynn, James Cannon, Congressmen John Rhodes, Al Ullman, John McFall, John Dingell, Robert Michael, Barber Conable, Herman Schneebeli, Thomas O'Neill, Clarence Brown.

C. Press Plan: No press plan at this time.



III. TALKING POINTS

1. I'm glad you could come on such quick notice, but I felt it was important that we discuss the Ways and Means Energy Tax Bill which is now being considered on the floor of the House.
2. I think you all know how important I think it is to get a comprehensive energy program enacted.
3. I am worried, however, over our seeming inability to reach a compromise which the American people can then accept, particularly in light of the 160 amendments which have been offered to the Ways and Means bill and the potentially endless debate and its uncertain outcome.
4. While there are many provisions of HR 6860 which are personally very troublesome, there is a possibility of compromise which I want to discuss with you this morning. If we can agree on several major points, I think we can put together the votes needed on a bipartisan basis to enact a good bill.
5. I am prepared to support a bill which has:
  - ° Mandatory new car efficiency standards and penalties such as those in the Dingell Bill.
  - ° A quota system such as that in the current bill, including temporary modifications for New England.
  - ° If you insist, I will accept a three cents gasoline tax, but no higher.
6. However, I can only do this if all of the following elements are included in the bill:
  - ° Legislate a \$2 import tariff and do not restrict Presidential authority under the Trade Expansion Act.
  - ° Delete the energy trust fund.
  - ° Include windfall profits tax to allow phased-in decontrol and collect the profits caused by the import fees.
  - ° Put in a larger and more rapid excise tax on natural gas.



- Remove many of the extraneous tax credit and accelerated amortization provisions.
  - Provide rebates to the economy of the taxes collected.
  - A decontrol plan which is a compromise between the two year program I have proposed and the four year plan Chairman Dingell supports.
7. These proposals are obvious compromises for Republicans and Democrats alike. But the result would be a fair bill and one which the Government and the people could support.
  8. I am prepared to join you in publicly supporting such a compromise.
  9. I have not touched on the many other critical pieces of legislation needed to increase domestic energy supplies, but if we reach an agreement here I think we can do so readily in these other areas also.
  10. I would welcome your views on these suggestions.





FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D. C. 20461

June 13, 1975

6/14 - Copy shown  
to 73 by Naples  
Per Linda Chan  
Naples initials  
for 13 gl  
6/16 - Hand carried  
to White House  
per Linda Chan  
OFFICE OF THE ADMINISTRATOR

MEMORANDUM TO DICK CHENEY

FROM :

FRANK ZARB

(2/5/ by R. Naples)

SUBJECT:

PRESIDENTIAL MEETING ON NUCLEAR ISSUES

As I suggested to you a few days ago in the attached memo, a meeting within the Administration on nuclear issues is probably very timely right now. It might be even more appropriate, as we discussed, to arrange a meeting for the President with Ralph Nader and other detractors of nuclear power to dispel the notion that the President hears only one side of the issue. To provide balance to this sort of meeting, I've attached a list of other individuals from which it might be appropriate to select a few others to be invited to the meeting.

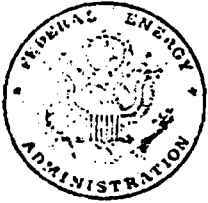
The meeting described in the attached memo will be held up pending the fate of this possible meeting with the President. If you decide not to go ahead with a Presidential meeting, then we'll proceed with our meeting. Depending on how the timing works out, it might even be appropriate to eventually have both meetings. In any case, please let me know within the next few days how you want to play it in regard to Presidential involvement.

Attachments

A: RNAPLES/lrc/6/13/75  
cc: Exec. Comm. (2) ✓  
John Askew



SYMBOL							
SURNAME							
DATE	DN						



# FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

June 10, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM TO DICK CHENEY

FROM: FRANK ZARB

A criticism often leveled at the Administration in regard to nuclear power policy matters is that the counsel which the President receives is monolithic and unduly biased on the affirmative side. I personally do not share the view that we in the Administration are of one mind on nuclear power; however, I do feel that it is important not only to dispel this notion among those who hold it, but also to insure that the responsible policy makers hear both the pro and con sides on nuclear power and at the same time provide a forum for public education on this important public policy question.

I have discussed these concerns with Bill Anders, Bob Seamans and Russell Train, and we are all agreed that a public dialogue on nuclear power issues would be very useful. With this in mind, we are planning a full day of discussions on nuclear power for which we will invite, primarily from the academic community, four outspoken critics and four outspoken proponents of nuclear power. These discussions will be open to the public (to listen) and are viewed by us as an opportunity for an "education session" on nuclear power. By getting reasonable men together for a rational dialogue, we can lay out the nuclear issues more fully and indicate our willingness to address the conflict of views head-on. This kind of public exchange of views with the Administration listening-in is necessary to get the nuclear program on the right track, especially since the matter has evoked such strong feelings on either side.

The initial planning is just about complete and July 22 has been targeted for the meeting to probably be held here at FEA. We plan to send out invitations in the near future, but if you have any thoughts on the concept, let me know.



POSSIBLE ADDITIONAL INVITEES

Professor Hans Bethe  
Cornell University  
Ithaca, New York

Wolfgang Panofsky  
Stanford University  
Stanford, California

Shearon Harris  
Chairman and President  
Carolina Power & Light  
336 Fayetteville Street  
Raleigh, North Carolina

Dr. Leonard A. Sagan  
Associate Director  
Dept. of Environmental  
Medicine  
Palo Alto Medical Clinic  
Palo Alto, California

Dr. Jerome Wiesner  
President  
MIT  
Cambridge, Massachusetts

Mr. Frank von Hippel  
Princeton University  
Center for Environmental  
Studies  
The Engineering Quadrangle  
Princeton, New Jersey

Dr. Solomon J. Buchsbomb  
Executive Director, Research  
Bell Laboratories  
Homsted, New Jersey

Thomas Ayers  
President & Chairman  
Commonwealth Edison  
P.O. Box 767  
Chicago, Illinois 60690





FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

June 11, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *FS*

SUBJECT: The Ullman Bill

As you know, the Ullman bill is currently being debated on the House floor. A brief analysis of the Ullman bill is provided in Tab A.

I have also attached an assessment of possible changes that might be sought in the Ullman bill to make it somewhat more acceptable (Tab B). Some of the changes would bring the bill closer into line with your proposed program. Others would represent changes from your program, but could be viewed as the compromises necessary to achieve an adequate energy program.



## SUMMARY OF TITLES AND RELATED PROBLEMS

### TITLE I - TREATMENT OF IMPORTED OIL

- Establishes quota on imports
- Repeals Presidential authority under Trade Expansion Act of 1962 to impose license fees.
- Provides for ad valorem tariff not exceeding the greater of 10% or \$1 per barrel.

#### Primary Problems:

- The separate small refiner auction will result in a windfall for small refiners and will create extensive pressure for expansion of the preferred group.
- The quota system does not itself lessen demand or increase supply, but merely restricts supply, and therefore will either have no effect or will cause a supply shortage.
- The provision unnecessarily exempts most imported residual and distillate fuel oil from the quotas for the first three years.

### TITLE II - GASOLINE CONSERVATION PROGRAM

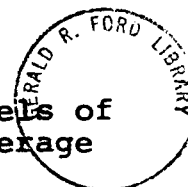
- Imposes additional 3¢/gal. excise tax on gasoline and special fuels.
- Up to 23¢/gal. may be triggered after 1976 if consumption continues to rise.
- Credits and exemptions for basic personal use, trade, or business use, farming, and other.

#### Primary Problems:

- The gasoline conservation tax provides too much of a tilt toward gasoline price increases as opposed to the entire barrel of petroleum.
- Gasoline tax revenues are deposited in an Energy Trust Fund rather than into general revenues.
- The extensive series of credits and exemptions needlessly complicate the tax law and are not administratively efficient.
- The provision delays increases in the gasoline tax above the first three cents until after the 1976 elections, thereby eliminating further conservation benefits in the near future.

### TITLE III - OTHER CONSERVATION PROGRAMS

- Imposes auto excise tax on inefficient models of manufacturers and importers whose fleet average



- fails standard for auto industry.
- Repeals excise taxes on intercity buses, radial tires, and re-refined oil.
- Provides temporary tax credits for home insulation and solar equipment.

Primary Problems:

- The fuel efficiency tax will not affect gasoline consumption as all fleet manufacturers are expected to meet the standards set by the bill anyway.
- The repeal of excise taxes will have a minimal energy effect and will result in an expected revenue loss of \$87 million in 1976.

TITLE IV - ENERGY CONSERVATION AND CONVERSION TRUST FUND

- Sets up trust fund with limitation on amount of fund and on life of fund (terminates 10/1/85).
- Funded by taxes imposed under the Act.
- Used for energy-related expenditures (under normal appropriation process).

Primary Problems:

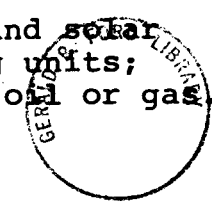
- A trust fund will create its own constituency attempting to obtain funding for energy projects. Energy research and development should be funded through the normal appropriation process.
- There is adequate funding for energy research and development without the substantial additional monies raised by an additional three cent gasoline tax.

TITLE V - ENCOURAGING BUSINESS ENERGY CONVERSION

- Imposes excise tax on business use of oil and gas.
- Provides elective 5-year amortization for qualified alternative energy use properties and certain railroad equipment.
- Investment credit for business insulation and solar energy; denied for certain air conditioning units; denied for generating facilities fueled by oil or gas.
- Recycling tax credit.

Primary Problems:

- The petroleum business use excise tax takes effect far too slowly to have any serious energy impact in the near future. The full \$1.00 per barrel tax should take effect no later than 1977-78.



- The entire series of amortization provisions and tax credit will have minimal energy impact and will create a revenue loss of \$385 million by 1980, resulting in a windfall.
- Existing electrical generating facilities are exempted from the business use excise tax thereby lessening the conservation effect on major users of petroleum.



POSSIBLE CHANGES THAT COULD BE SOUGHT IN  
ULLMAN BILL TO MAKE IT MORE ACCEPTABLE

Title I

- Delete the quota system or make it discretionary.
- Delete repeal of Presidential authority to impose import fees under the Trade Expansion Act.
- Raise the allowable import fee to \$2 per barrel with rebate to farmers and fishermen of portion passed through to gasoline or diesel fuel.

Title II

- Accept first 3¢ per gallon of gasoline tax; delete all additional gasoline taxes.
- Delete all exemptions except those for farmers and fishermen.

Title III

- Modify auto efficiency standards and penalties to correspond to Dingell Bill:

	<u>Standard</u>	
<u>Model Year</u>	<u>Miles/gallon</u>	
1978	18	
1979	19	
1980	20	

- provide penalty for manufacturers and importers of \$50 per car times the number of miles per gallon below standard.
- allow adjustments of fuel standards related to final congressional action on auto emission standards.

Title IV

- Delete the trust fund.

Title V

- Add a phased \$2 per barrel excise tax on domestic oil to equal the import fee, and a phased excise tax on industrial use of natural gas, with rebates of extra gasoline and diesel taxes to farmers and fishermen.
- Delete 5- year business amortization and recycling tax.

Title VI (New Title)

- Add a windfall profits tax with plowback provisions similar to the tax proposed by Treasury.

*Title VII: (rebates to economy)*

(see note page 3)  
Handcarried  
thru front office

JUN 19 1975

FORD - GERALD

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb *FS*  
THROUGH: Rogers C.B. Morton  
SUBJECT: Next Steps in Decontrol

Background

The two year decontrol plan you proposed on April 30 has been completed. Public hearings have been held and the plan is ready for submission to the Congress. It is our assessment that during the five days in which either chamber has to disapprove such a plan, any action could be prevented in the Senate but the House would probably disapprove the program.

There are two decisions facing us: modification of the substance of your proposal, and the timing of its submission. Phasing decontrol even more gradually, perhaps approaching the four to five year phase out in the Dingell Bill, is not likely to appreciably improve its chances of passage. Also, a further stretch-out of decontrol now will only require further concessions before a final bill is enacted.

The timing issue is most critical and is influenced by several key factors:

- The allocation act expires on August 31, 1975, and unless extended all price and allocation controls, including old oil prices, will end immediately.
- Congress plans to recess from the end of next week (June 26-27) until July 7 and again for the whole month of August.



- H.R. 4035 and S.621, legislation which would extend the Allocation Act for six months and make administrative decontrol more difficult, may go to Conference before the July 4 recess. It could conceivably reach your desk before the July 4 recess, but passage after July 7 is more likely.
- The Dingell Bill, which includes five year decontrol, is now being marked up by the full Commerce Committee and is not scheduled to be reported before next week. This process could be considerably delayed and House action will not occur until after the July 4 recess. Tab A summarizes the key provision of the Dingell Bill.

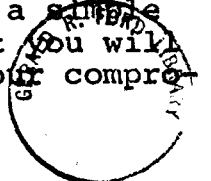
It is our assessment that the probability of getting legislated decontrol before August 31 is very unlikely. The Dingell Bill has a long way to travel, the decontrol provision could be deleted on the floor, and the windfall profits tax may be made so punitive as to make the decontrol package unacceptable. Even after the House acts, rapid or acceptable action in the Senate is even more unlikely.

The Congress will, however, pass a simple extension before the August recess. If signed, it will remove any pressure for the Congress to act affirmatively on decontrol. It appears likely that we could sustain a veto on a simple Allocation Act extension. Hence, without affirmative Congressional action by August 1, and an override of your potential veto, immediate decontrol will result.

The key to achieving phased decontrol is to assure that two things occur:

- It is done administratively by the Executive Branch and requires no affirmative Congressional action.
- Any extension of the Allocation Act is tied to Congressional acceptance of your administrative decontrol plan.

For this strategy to work, our administrative decontrol program must be before the Congress for five days before you make a decision to sign or veto an extension of the Allocation Act. Secondly, Congress' decision on acceptance or disapproval must be explicitly tied to your decision on vetoing a simple extension. Finally, the Democrats must believe that you will let the Allocation Act expire, unless they accept your compromise decontrol phase out.





If we are forced to allow the act to expire, modification could be made to the import fees to cushion the sudden price impact of decontrol. While other disruptions would occur, this immediate decontrol is still superior to continued controls without phased deregulation.

Recommendations

The decontrol program could be submitted now, but would in all likelihood be rejected. The ERC recommends waiting until after the July 4 recess and then explicitly linking Congressional acceptance of phased decontrol to your signing an extension of allocation authorities. The decontrol plan should probably not be submitted until the extension legislation is about to reach your desk and you have ten days to veto it. Then your decontrol program can be submitted for the five day Congressional review. If the Congress takes no action and phased decontrol goes into effect, you can sign the simple extension. If Congress disapproves your decontrol plan, you can veto the extension. Since it will probably be sustained, immediate decontrol would result. After Congress returns in September, you may wish to renegotiate a new allocation act with phased decontrol.

Enclosure

AD: EZausner/afd/rm 3212 FB/x8233/19Jun75

cc: ✓ AE(2)  
Morton  
Zausner

6/19 - Postmarked  
Eric Zausner  
has coordinated  
this document  
w/ Dr Tutthill  
and John Hill



H. R. 7014 - Dingell Bill  
Summary of Major Provisions and Major Problems

Standby Energy Authorities - Title II(A)

Contains standby rationing, conservation, and international oil allocation authorities.

Problems:

- . Cumbersome requirements for Congressional approval
- . Unworkable antitrust immunity re voluntary agreements
- . Absence of standby emergency allocation authority

National Strategic Petroleum Reserve - Title II(B)

Provides for early and long term storage programs, with adequate authorities once plans are approved and sufficient authorization for 3 years.

Problems:

- . No special fund provision for NPR revenues (even if authorized by other legislation)
- . Either House veto of early storage program and decision to use reserve in emergencies

Oil Decontrol - Title III

Decontrols old oil over the next 5 years provided that windfall profits tax is in place on old and new oil.

Problems:

- . Phase-out too slow
- . Might cost oil companies necessary investment capital
- . Conditions decontrol on enactment of complicated tax legislation which may never be enacted

Amendments to Emergency Petroleum Allocation Act - Title IV(A)

Extends EPAA indefinitely and adds new provisions, including mandated gasoline shortage.

Problems:

- . Indefinite extension
- . Mandated gasoline shortage
- . Discretionary Federal exclusive oil (imports) purchasing authority

Industrial Energy Conservation - Title IV(B)

Requires FEA to issue non-mandatory industrial Energy Conservation Guidelines with efficiency targets of 15% improvements in each manufacturer category by 1978, and 20% by 1981.

Problems: Duplicates current voluntary program

Fuel Efficiency Standards - Title V(A)

Provides civil penalties for manufacturers and importers equal to \$50.00 per car manufactured (or imported) times the number of miles per gallon below standard. Standard starts at 18 MPG in 1978 and goes to 27.5 MPG in 1985.

Problems:

Mandatory standards are themselves objectionable, particularly in light of the progress and commitments in the voluntary program.



Labeling - Title V(B)

Requires energy efficiency labels on selected classes of products, and vests all authority in Department of Commerce.

Problems:

Mandatory performance standards are authorized if labeling does not induce production of energy efficient products.

Coal Conservation - Title VI

Extends ESECA authorities and makes additional installations subject to prohibition orders, as requested by Administration.

Problems:

Authorizes loan guarantees for small producers of low sulfur coal.



FEDERAL ENERGY ADMINISTRATION

JUN 19 1975

AE  
Distribution:  
Signature  
Exec Comms (2)  
Chris Rathkopf (2)  
Bruce Pasternack  
F. Scott Bush (Rm 4120)  
John Hill  
Bob Davies  
Jim Rubin

*Handwritten:* You #2. Dispatched by front ofc. Did not go thru 20.

MEMORANDUM FOR THE PRESIDENT

FROM : Frank Zarb Frank G. Zarb  
THROUGH: Rogers C.B. Morton  
SUBJECT: House Naval Petroleum Reserves Legislation

The House is scheduled to take up in concurrent debate both the Armed Services Committee (H.R. 5919) and the Interior Committee (H.R. 49) bills authorizing NPR development and production. Debate is scheduled for Wednesday, but probably will not take place until Thursday at the earliest, depending upon the progress of the Ways and Means Committee energy bill on the Floor this week.

Background

As you know, the Hebert bill places more restrictions on NPR development than contained in your proposed program.

- NPR production would be limited to 200,000 barrels per day for only a three-year period. The Navy estimates this to be a maximum of 122 million barrels.
- While exploration and development of the Alaskan Reserves are authorized, production would be contingent upon future Congressional authorization.
- Action on a Strategic Petroleum Reserve (Military) is restricted to a study to be submitted within one year.
- Funds from the sale of NPR production would be used only to explore and to develop NPR's 1, 2, and 3, and only to explore NPR-4 in Alaska. There is no commitment or link to fully produce Alaska or to fund both the Civilian and Military Strategic Reserves Systems.

*Vertical handwritten notes:* T O R V / O T O D S V

SYMBOL	SURNAME	DATE	CONCURRENCES			
<i>DA</i>	<i>DA</i>					
<i>9/2/75</i>	<i>EZ</i>					
	<i>(by Zarb, Pasternack, Rathkopf, Bush)</i>					

The Melcher bill would transfer the NPR's, along with other Federal lands, to the Secretary of the Interior for development. It would authorize unlimited production of NPR's 1, 2, and 3, subject to a 60-day Congressional veto. However, the Melcher bill does not provide for a special fund or for a Strategic Storage System. A Committee floor amendment would allow you to place up to 25% of this production into a Strategic Reserve System. It would also authorize the exploration of NPR-4, but full development would require further Congressional authorizations.

#### Current Status

Last month, at your request, Rogers Morton and I met with Congressman Hebert to discuss the Administration's support of the Armed Services Committee bill. At that time, Mr. Hebert appeared amenable to allowing NPR production of 300,000 barrels per day and deleting the three-year time limit.

- Elk Hills currently could produce 300,000 barrels per day; this would increase if, as expected, additional reserves are found with an all-out development program.
- Unlimited Elk Hills production is needed to increase domestic production in the short term, as well as to fund both Alaskan development (which could provide up to two million barrels of oil per day by 1985) and the Strategic Reserve System.
- Even though it will take one to two years to construct sufficient pipeline capacity to accommodate full Elk Hills production, we need full authorization at this time to adequately plan for the Strategic Reserve System.

Mr. Hebert also indicated some willingness to accept further changes:

1. Alaskan NPR-4 exploration, development and production, with the provision that such production would take place only after a comprehensive plan would be submitted to Congress.



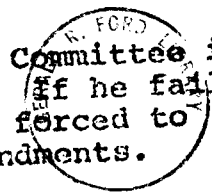
- If we are going to make a commitment to fully develop and produce NPR-4, we must not be put in the position of having to go back to Congress to ask for additional legislation.
  - Because of the long lead times involved in bringing these reserves on line, it is necessary to have the authority to explore and to produce NPR-4 as soon as possible.
2. Special Fund. The proceeds of NPR production would go into a special fund which would be used to explore, develop and produce all of the NPR's (including Alaska) and to finance both the Military and Civilian Strategic Reserve Systems.
- A special fund would link the Elk Hills production with a Strategic Petroleum Reserve Program, thus assuring that the NPR oil would be replaced with a system which would provide adequate protection to the country in times of emergencies (up to three million barrels of oil per day).
  - Congressman Hebert is concerned that such a special fund not be the sole source of funding for NRR and Strategic Reserve development and that other monies be appropriated. This should pose no problem, as at least initially the proceeds from NPR production would not be sufficient to fund the entire program.

### Recommendation

I believe that with these changes, H.R. 5919 would come close to approximating Title I of your Omnibus Energy Bill. I recommend that you call Mr. Hebert in order to get his firm commitment to all of the above changes. We should also secure his active support in implementing the terms of the understanding, probably in the form of committee-sponsored floor amendments.

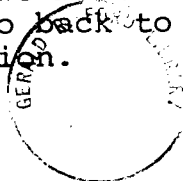
We would, of course, be willing to assist the Committee in drafting the appropriate language amendments. If he fails to agree, we should indicate that we might be forced to accept the Melcher bill, with appropriate amendments.

If you agree, talking points are attached.



## SUGGESTED TALKING POINTS

1. We need a commitment to a Military Strategic Reserve System, not simply a study of its feasibility.
  - Such a system, when fully developed would deliver much more oil during an emergency than Elk Hills could, even if it were fully developed (three million barrels a day, versus 300,000-400,000 barrels per day).
  - The Strategic Reserve System (1.3 billion barrels), along with the Defense Production Act, would be more than sufficient to meet any possible defense requirements during an emergency situation.
2. Allow NPR production of at least 300,000 barrels a day for an unlimited period of time.
  - Such production would provide the major source of increasing our domestic supplies in the short term, thus decreasing our vulnerability to foreign sources of oil.
  - Because of the tight budgetary situation, we need the proceeds of NPR production to develop NPR-4 in Alaska and to implement the Strategic Reserve System (both Civilian and Military).
3. Authorize Alaskan production, as well as exploration and development, with the provision that it would take place only after a comprehensive plan is submitted to Congress.
  - This huge area of untapped domestic reserves could provide as much as two million barrels a day by 1985.
  - Because of the long lead times involved in bringing these reserves on line, it is necessary to have the authority to explore and to produce NPR-4 as soon as possible.
  - If we are going to make a commitment to fully develop and produce NPR-4, we must not be put in the position of having to go back to Congress to ask for additional legislation.



4. Proceeds of NPR production should go into a Special Fund which would be used to explore, develop and produce all of the NPR's and to finance both the Civilian and Military Reserve Systems.
- A special fund would link the Elk Hills production with a Strategic Petroleum Reserve Program, thus assuring that the NPR oil would be replaced with a system which would provide substantially greater protection to the country during an emergency.
  - A special fund would provide flexibility in administering both NPR development and the Strategic Reserve Program.
  - Congressman Hebert is concerned that such a special fund not be the sole source of funding for NPR and strategic reserve development and that other monies be appropriated. This should pose no problem, as at least initially the proceeds from NPR production would not be sufficient to fund both Alaskan development and the Strategic Storage System.







FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

June 20, 1975

OFFICE OF THE ADMINISTRATOR

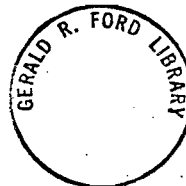
MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb *F. G. Zarb*

We have evaluated the effectiveness of the House passed energy bill. By rolling back the existing \$2 import fee to about \$1.20, the energy tax package in this bill would lose about 100,000 barrels per day of the energy savings that are already expected to occur with your administrative actions.

However, the energy bill also contains an insulation tax credit that could save over 100,000 barrels per day by 1977. While we were counting on these savings as part of your legislative program, it could be claimed that the tax credits and taxes in the bill have about the same conservation effect as the existing \$2 fee. Thus, to be conservative, we are making the following public statement about the impacts of the House bill:

The House bill has no energy savings and may actually increase imports in the next three years when compared to the existing \$2 import fee.



JUN 20 1975

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb

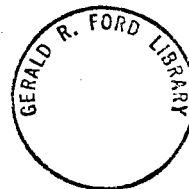
151

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The House bill has no energy savings and may actually increase imports in the next three years when compared to the existing \$2 import fee.

bcc: Cong Clarence Brown  
Cong Herm Schneebeli  
Cong Barber Conable  
Cong John Rhodes  
Max Friedersdorf  
Ron Nessen



June 26, 1975

MEMORANDUM

SUBJECT: Biweekly Status Report

FROM: Eric R. Zausner

151

TO: Frank G. Zarb

Attached is the Biweekly Status Report for the President.  
The cut-off date for inputs was June 23, 1975.

Recommend your signature and return to the Office of Energy  
Statistics for printing and distribution. Please call  
254-3382 when letter is ready for pickup.

Attachment

cc: Official file  
Reading  
Zarb sig. ✓  
Zausner  
Rathbun (2)  
Corn  
Dwyer

P:OES:RCorn:vm:6/23/75



JUN 26 1975

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb G: Zarb

THROUGH: Rogers C.B. Morton

SUBJECT: Biweekly Status Report

Legislative Status

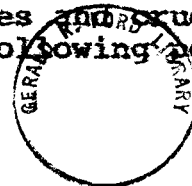
On June 10, the House sustained the President's veto of the Congressional surface mining bill, H.R. 25, by a vote of 278 to 143. Provisions of the vetoed bill, however, have been introduced in the form of an amendment to the proposed Federal Coal Leasing legislation currently before the Senate Interior and Insular Affairs Committee.

The House passed the Ways and Means energy tax bill, H.R. 6860, on June 19 by a vote of 291 to 130. The legislation has been referred to the Senate Finance Committee. In floor action, the House defeated the Committee's gasoline proposal which would have increased Federal gasoline tax by 3 cents per gallon. The House approved a floor amendment to impose civil penalties on manufacturers of cars which do not meet certain mileage standards.

The House Interstate and Foreign Commerce Committee began consideration of its Energy and Power Subcommittee's energy plan, H.R. 7014. Mark-up sessions continued during the week of June 16.

Status of Million Barrel Savings Program

Details on imports, apparent demand, prices and crude oil production are presented in Tab C. The following points are significant:



- Imports for the four-week period ending on June 6 were 5.14 million barrels per day, about 170,000 barrels per day below the forecast without any conservation program.
- Total demand for petroleum increased to 15.56 million barrels per day, 300,000 barrels per day above the level for the period ended May 23, but 32,000 barrels per day below the same period last year.
- Demand for gasoline for the week ending June 6 passed the 7-million barrel per day mark, bringing the four-week average to 6.89 million barrels per day. This is a normal seasonal trend, but is about 150,000 barrels per day above our forecast.
- Primary stocks of gasoline have declined from 228.9 million barrels on April 18 to 199.8 million on June 13. To avoid the danger of spot shortages, FEA is urging refiners to increase gasoline output.

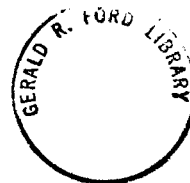
#### Major International Developments

OPEC will create a special commission to study the possibility of setting the export price of natural gas.

After six consecutive months of decline, Saudi Arabia's major producer, Arabian American Oil Company (Aramco), increased May crude oil production by slightly more than 1.1 million barrels per day.

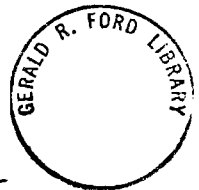
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TAB A

Action on Energy Legislation



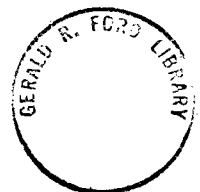
## Action on Energy Legislation

### Congressional Action

- o During and after House consideration of the Ways and Means energy tax proposal, many House Democrats have expressed their disillusion over the leadership's apparent failure to pass an adequate energy program which would curb fuel consumption.
- o The Senate and House have appointed conferees to settle the differences between HR 4035 and S 621. Both bills include oil price control provisions. The House bill extends ESECA and EPAA. An ESECA extension is not included in S 621.
- o Senate Democratic leaders hope to schedule several important pieces of energy legislation for floor action before the August recess-- the Ways and Means' bill, strategic oil reserves bill, auto efficiency legislation, natural gas proposals, OCS legislation, the extension of the Emergency Petroleum Allocation Act and possibly a National Energy Production Board Bill.
- o On June 11, the Senate voted to confirm the nomination of Stanley K. Hathaway as Secretary of the Interior.
- o On June 17, the Senate Interior and Insular Affairs Committee reported S.677, legislation to establish a Strategic Reserves Program. The Committee plans to bring this legislation to the floor accompanied by amendments relating to Naval Petroleum Reserves.
- o After hearings during the week of June 9, Representative John Moss, Chairman of the Investigations Subcommittee of the House Interstate and Foreign Commerce Committee has charged that the major oil companies and the American Gas Association have understated natural gas reserves and accused these organizations of "collusive price-rigging." The Subcommittee has subpoenaed the records of seven major natural gas producers.
- o During the weeks of June 9 and June 16, the Senate Public Works Committee held extensive hearings on S 1777, the proposed National Petroleum and Natural Gas Conservation and Coal Substitution Act.
- o Subcommittee on Antitrust and Monopoly of the Senate Judiciary Committee held hearings on S 489, legislation to prohibit crude petroleum producers or refiners and natural gas producers from owning an interest in other energy sources.



- o The Senate Interior and Insular Affairs Committee expects to complete mark up of S 521, OCS legislation, in the near future. The House Ad Hoc Select Committee on the Outer Continental Shelf (composed of members from the Merchant Marine and Fisheries, Interior and Insular Affairs, and Judiciary Committees) held four days of hearings on HR 6218 during the week of June 16.
- o The proposals of the Administration's Labor-Management Committee to stimulate construction of nuclear and conventional electric generating plants are expected to be delivered to Congress in the near future. The proposals' chances on the Hill are uncertain, and environmental and consumer groups are expected to lobby against them. Some members have complained that the tax proposals might encourage appeals for similar tax relief from other capital-short industries.
- o There is a move in the Senate to push legislation which would establish a new, independent Federal agency to administer a "National Energy Information System." The bill, S 1864, would require the agency to make surveys of all domestic energy resources and project supply and demand.





TAB C

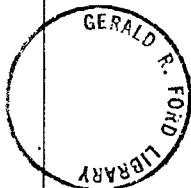
Progress in Meeting Goal of One Million Barrels

Savings in 1975



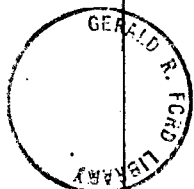
PROGRESS OF ENERGY LEGISLATION: June 9 - June 20

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>A. <u>OMNIBUS ENERGY BILL</u> (HR 2633, HR 2650 S 594)</p> <p>Title I - Naval Petroleum Reserve Development/Military Strategic Reserve</p> <p>Title II - National Strategic Petroleum Reserve</p>		<p>On March 18, the Interior and Insular Affairs Committee reported HR 49, a bill to transfer the management of the Naval Petroleum Reserve to the Department of the Interior.</p> <p>Armed Services Committee reported HR 5919, which continues NPR management under the Navy, on April 18.</p> <p>The Interstate and Foreign Commerce Committee is marking up its omnibus energy plan, HR 7014. The Committee has completed work on Title II, Part E, Strategic Reserves.</p>	<p>Armed Services Committee is considering introducing a clean bill this summer. Joint hearings with the Interior and Insular Affairs Committee were held in March. Action possibly awaiting final House Consideration. (Title I)</p> <p>On June 17, the Interior and Insular Affairs Committee reported out S 677, the "Strategic Energy Reserves Act of 1975."</p>	<p>On April 22, House Rules Committee granted an open rule with two hours of debate (to be divided between the Interior and Insular Affairs Committee and the Armed Services Committee) making HR 49 in order as an original bill with the text of HR 5919 in order as a substitute. Floor action is expected after July 4 recess.</p>
<p>Title III - Natural Gas Amendment</p>	<p>Administration witnesses testified before the Investigations Subcommittee of the House Interstate and Foreign Commerce Committee and the Conservation, Energy, and Natural Resources Subcommittee of the Government Operations Committee on natural gas.</p>	<p>Interstate and Foreign Commerce Committee has postponed action on natural gas until work on its omnibus energy bill is completed.</p> <p>Oversight and Investigations Subcommittee of the Interstate and Foreign Commerce Committee held hearings on natural gas supplies during the week of June 9.</p> <p>Conservation, Energy, and Natural Resources Subcommittee of the Government Operations Committee held hearing during the week of June 9 regarding the expected shortage of natural gas in the winter and the proposed Administration solutions.</p>	<p>On June 12, Commerce Committee reported the bill S 692. Floor action is expected after the July 4th recess.</p>	



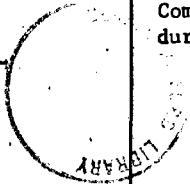
PROGRESS OF ENERGY LEGISLATION: June 9 - June 20

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>Title IV - Energy Supply and Environmental Coordination Act of 1974 Extension.</p>	<p>Administration witnesses will appear before the Senate Public Works Committee hearings, scheduled during the week of June 23.</p>	<p>The Interstate and Foreign Commerce Committee is marking up its omnibus energy plan, HR 7014. Title VI of HR 7014 includes coal conversions.</p>	<p>The Public Works Committee and S Res 45 members resumed hearings June 16 on S 1777, "National Petroleum and Natural Gas Conservation and Coal Substitution Act of 1975." Administration witnesses will testify before the Committee during the week of June 23.</p> <p>On May 21, the Subcommittee on Environmental Pollution of the Public Works Committee concluded its final two weeks of hearings on Clean Air Act Amendments. Mark up sessions began June 17. The Subcommittee has targeted mid-July for floor action.</p>	
<p>Title V - Clean Air Amendments</p> <p>Title VI - Significant Deterioration</p>	<p>Administration witnesses will appear before the Senate Public Works Committee hearings, scheduled during the week of June 23.</p>	<p>The Interstate and Foreign Commerce Committee is marking up its omnibus energy plan, HR 7014. Title V, Part A of the bill provides for automobile fuel economy and efficiency standards and Title VI includes coal conversion.</p> <p>Health and Environment Subcommittee of Interstate and Foreign Commerce Committee continued mark up sessions on Clean Air Act Amendments during the week of June 16.</p>	<p>The Public Works Committee and S Res 45 members resumed hearings June 16 on S 1777, "National Petroleum and Natural Gas Conservation and Coal Substitution Act of 1975." Administration witnesses will testify before the Committee during the week of June 23.</p> <p>On May 21, the Subcommittee on Environmental Pollution of the Public Works Committee concluded its final two weeks of hearings on Clean Air Act Amendments. Mark up sessions began June 17. The Subcommittee has targeted mid-July for floor action.</p>	



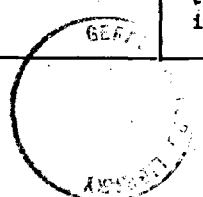
PROGRESS OF ENERGY LEGISLATION: June 9 - June 20

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
Title VII - Utilities Act of 1975	Administration witnesses are expected to appear before the Energy and Power Subcommittee of House Interstate and Foreign Commerce Committee at a future date not yet scheduled by the Subcommittee.	Energy and Power Subcommittee of Interstate and Foreign Commerce Committee is expected to hold hearings after completion of its "Energy Conservation and Oil Policy Act of 1975," HR 7014. Administration witnesses are expected to testify at that time.	The Government Operations Committee and the Commerce Committee are drafting legislation. Mark up of such legislation is not expected until the fall.	
Title VIII - Energy Facilities Planning and Development (S 619)	Administration witnesses are expected to appear before the Energy and Power Subcommittee of House Interstate and Foreign Commerce Committee at a future date not yet scheduled by the Subcommittee.	Energy and Power Subcommittee of Interstate and Foreign Commerce Committee is expected to hold hearings after completion of its "Energy Conservation and Oil Policy Act of 1975." Administration witnesses are expected to testify at that time.	Environment and Land Resources Subcommittee of the Interior and Insular Affairs Committee completed hearings on Title III and S 984, "Land Resources Planning Assistance Act," on May 2. The Committee is waiting for action in the House on Land Use legislation before beginning mark up sessions.	
Title IX - Energy Development Security		The Interstate and Foreign Commerce Committee is marking up its omnibus energy plan, HR 7014. Title II, Part A, Section 202, of HR 7014 provides for International Voluntary Agreements.	The Senate passed S 621 and S 622, each prohibiting the use of certain authorities by the President for the purposes of establishing a floor price for imported petroleum.	
Title X - Building Energy Conservation Standards  Title XI - Winterization Assistance	Administration witnesses testified before the Senate Commerce Committee hearings during the week of June 16.	During the week of June 16, the Housing and Community Development Subcommittee of the Banking, Currency and Housing Committee continued mark up sessions on winterization assistance legislation.	Commerce Committee held hearings during the week of June 16 on S 1392, "Energy Conservation in Buildings Demonstration Act of 1975" and S 1908, "Industrial Energy Conservation Act." Administration witnesses did testify.	Conference Committee on HR 4485, the "Emergency Middle-Income Housing Act of 1975" deleted the President's Title X which had been incorporated in the Senate version. Separate legislation may be proposed in energy conservation standards.



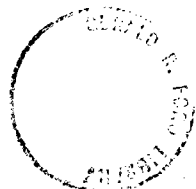
PROGRESS OF ENERGY LEGISLATION: June 9 - June 20

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
Title XII - National Appliance and Motor Vehicle Energy Labeling		The Interstate and Foreign Commerce Committee is marking up its omnibus energy plan, HR 7014. Title V, Part A of HR 7014 provides for Energy Efficiency Standards for Automobiles and Title V, Part B, for other Consumer Products Standards.	On June 16, the Commerce Committee ordered reported the bill S 349.	
Title XIII - Standby Authorities Act (S 620)		The Interstate and Foreign Commerce Committee is marking up its omnibus energy plan, HR 7014. Title II of HR 7014 includes Standby Authorities.	Interior and Insular Affairs reported S 622 on March 5. The report number is 94-26.	On April 10, the Senate passed S 622 by a margin of 60-25.
B. <u>OTHER BILLS-SUPPLY</u>  Surface Mining Legislation (HR 3110, S 652)			An amendment to the Federal Coal Leasing Act Amendments, S 391 has been introduced, which includes various provisions of the vetoed bill, HR 25. Further Interior and Insular Affairs Committee action on S 391 is expected in late July.	On June 10, the House sustained the President veto of HR 25 by a margin of 278 to 143.
Nuclear Licensing and Siting Bill (HR 7002, S 1717)	Administration witnesses will testify regarding the nuclear licensing and siting bill before the Joint Committee on Atomic Energy on June 25.	The <u>Joint Committee</u> on Atomic Energy has scheduled hearings beginning June 25 on the Administration's bill. (HR 7002 and S 1717 were introduced to Congress on May 14.)		
Nuclear Insurance Bill	The legislation is expected to be forwarded to Congress in the very near future.			



PROGRESS OF ENERGY LEGISLATION: June 9 - June 20

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p><b>C. TAX PROPOSALS</b></p> <p>Windfall Profits Tax</p> <p>Petroleum Excise Tax and Import Fee</p> <p>Natural Gas Excise Tax</p> <p>Uniform Investment Tax Credit</p> <p>Higher Investment Tax Credit</p> <p>Preferred Stock Dividend Deductions</p> <p>Residential Conservation Tax Credit</p>		<p>The following are the components of the Ways and Means Committee energy plan, HR 6860:</p> <p>Title I: Import Treatment of Oil</p> <p>Title II: Gasoline Conservation Program. (Deleted on floor)</p> <p>Title III: Other Energy Conservation Programs</p> <p>Title IV: Energy Conservation and Conversion Trust Fund.</p> <p>Title V: Encouraging Business Conversion for Greater Energy Saving.</p> <p>The Committee completed work on this bill on May 12.</p>		<p>HR 6860 was passed by the House June 19. Title II was deleted on the floor.</p>



TAB B

Progress Report on Administrative Actions Within  
the President's Energy Program



Progress Report on Administrative Actions  
Within the President's Energy Program  
(Near Term Program)

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
1. Crude Oil Decontrol	FEA	S 621, passed by the Senate on May 1, and HR 4035, passed by the House on June 5, restrict the President's authority to lift crude price controls, and require Congressional review of any plan to decontrol.	Action will depend on outcome of House Senate conference.
2. Energy Conservation	FEA	Draft guidelines for using energy conservation "mark" have been completed. Legislation has been drafted regarding the use and protection of the "mark". Awaiting signature of FEA Administrator.	Will submit legislation to OMB for approval before submitting to Congress.
3. Coal Conversion	FEA	Major survey of non-utility energy users conducted. Results being evaluated.	Final prohibition orders to be issued prior to July 1.
4. Import Fee Implementation	FEA	Additional \$1 per barrel import fee became effective June 1.	Further action will depend on evolving a compromise on the overall energy program.





Progress Report on Administrative Actions  
Within the President's Energy Program  
(Mid Term Program)

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
1. OCS Leasing	FEA	Sale of second half of Central Gulf tract to be held July 29. Revised lease sale schedule published in Federal Register June 19. Call for nominations for North Atlantic sale published in Federal Register June 17.	Final rulemaking on b on joint bidding by major oil companies to be issued by July 1. Final Programmatic EI on accelerated leasing to be published in ea July.
2. Auto Emission Standards	EPA	Senate Public Works Subcommittee on Air and Water Pollution currently holding mark-up sessions. House Subcommittee on Public Health and Environment has tentatively set standards more stringent than those recommended by EPA.	Contact appropriate Members to fully expla Presidential decision.
3. Auto Efficiency Agreements	DOT	The four major automobile manufacturers have agreed in principle to the monitoring process. House and Senate Commerce Committees have marked up legislation setting mandatory auto-efficiency standards, as has Ways and Means Committee.	Quarterly production reports and semi-annual sales reports to be submitted by the manufacturers.

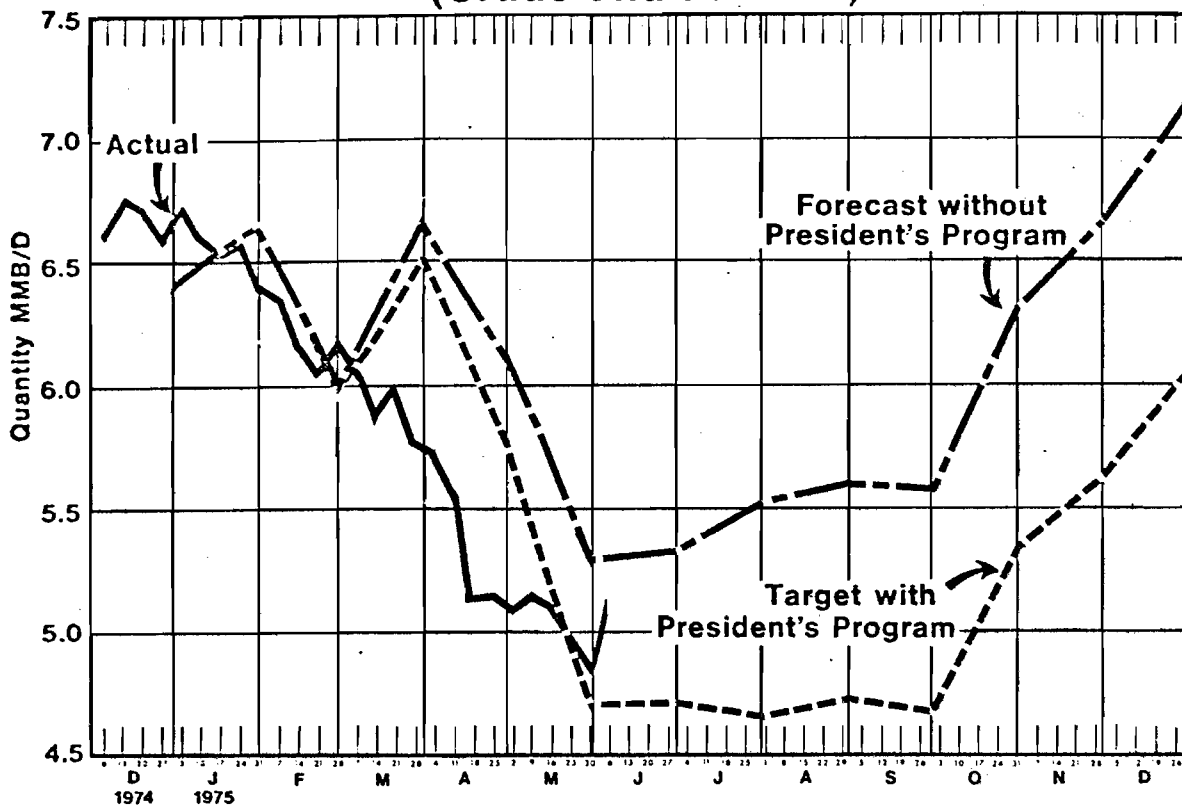


Progress Report on Administrative Actions  
Within the President's Energy Program  
(Mid Term Program)

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
4. Appliance Labeling	NBS	Draft energy labeling Legislation has been submitted to House Subcommittee on Energy and Power.	Await Congressional action.
5. Emergency Storage	FEA	Feasibility study proposals have been received and evaluated. Contracts expected to be awarded by June 30.	First phase analysis to be completed by July 31.



Table 1  
**Total U.S. Petroleum Imports  
 (Crude and Product)**

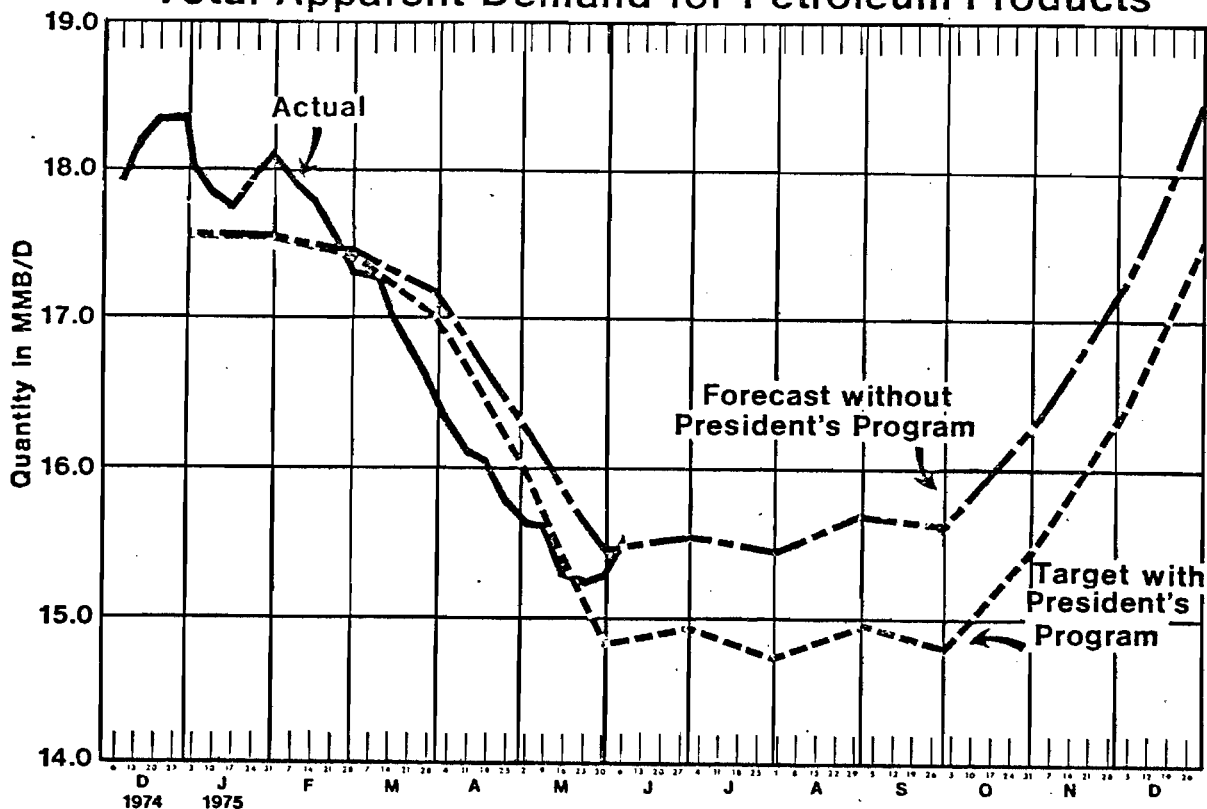


- o Imports for the 4-week period ending on June 6 were 5.14 million barrels per day. This was 430,000 barrels per day above the target, but 170,000 barrels per day below the forecast without any program.
- o When the revision to the forecast for total demand is completed (see note to Table 2), the import forecast is expected to be lowered by several hundred thousand barrels per day.



Table 2

## Total Apparent Demand for Petroleum Products



- o Total apparent demand during the 4 weeks ending June 6 increased contra-seasonally to 15.56 million barrels per day. This increase was 300,000 barrels per day above the level for the period ended May 23, 660,000 barrels per day above the target, but 32,000 barrels per day below the same period last year. A major part of the increase was due to a 880,000-barrel per day surge in the week ended June 6 to 16.44 million barrels per day. Gasoline accounted for 708,000 barrels per day of the week's increase.
- o While FEA's forecasts of demand for the major products have proved to be reasonably good, the forecasts for "other" products have been consistently low. When planned revisions to the forecasts are incorporated in the total, it is expected that both the forecast and the target for total demand will be reduced by several hundred thousand barrels per day.

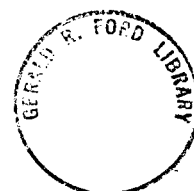
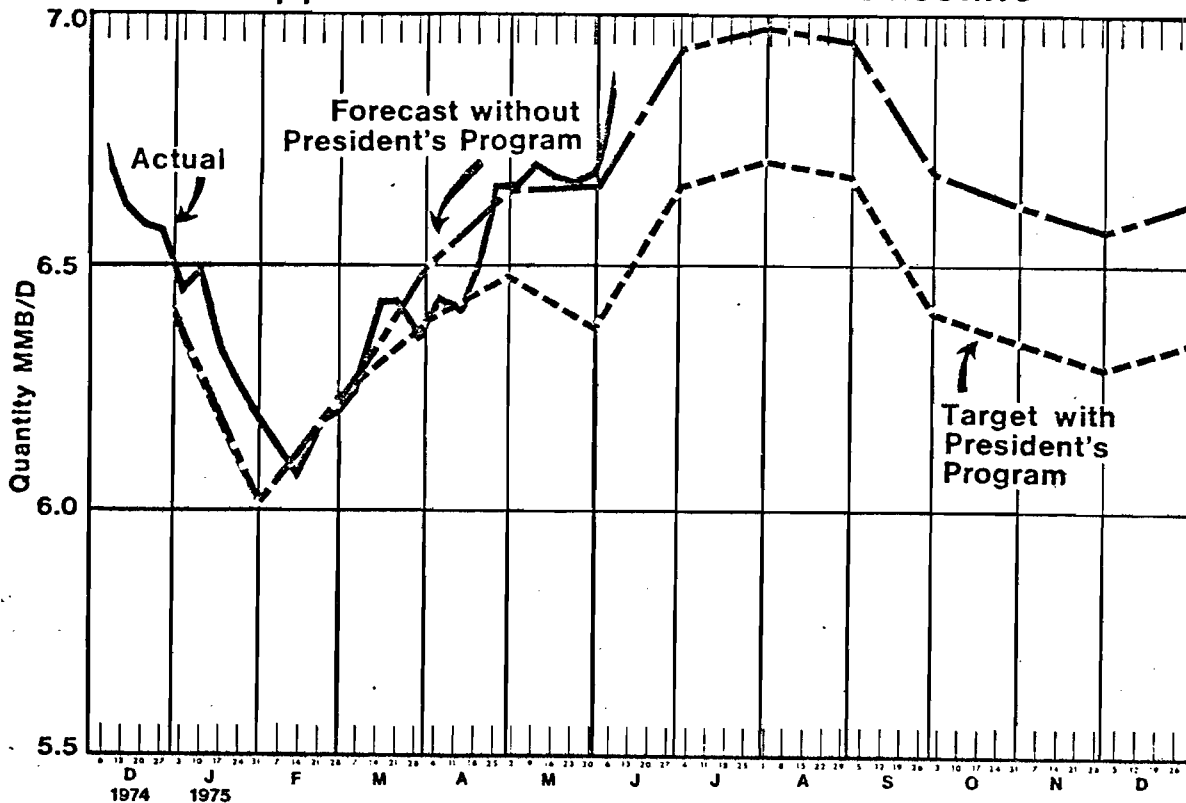


Table 3  
**Apparent Demand for Motor Gasoline**

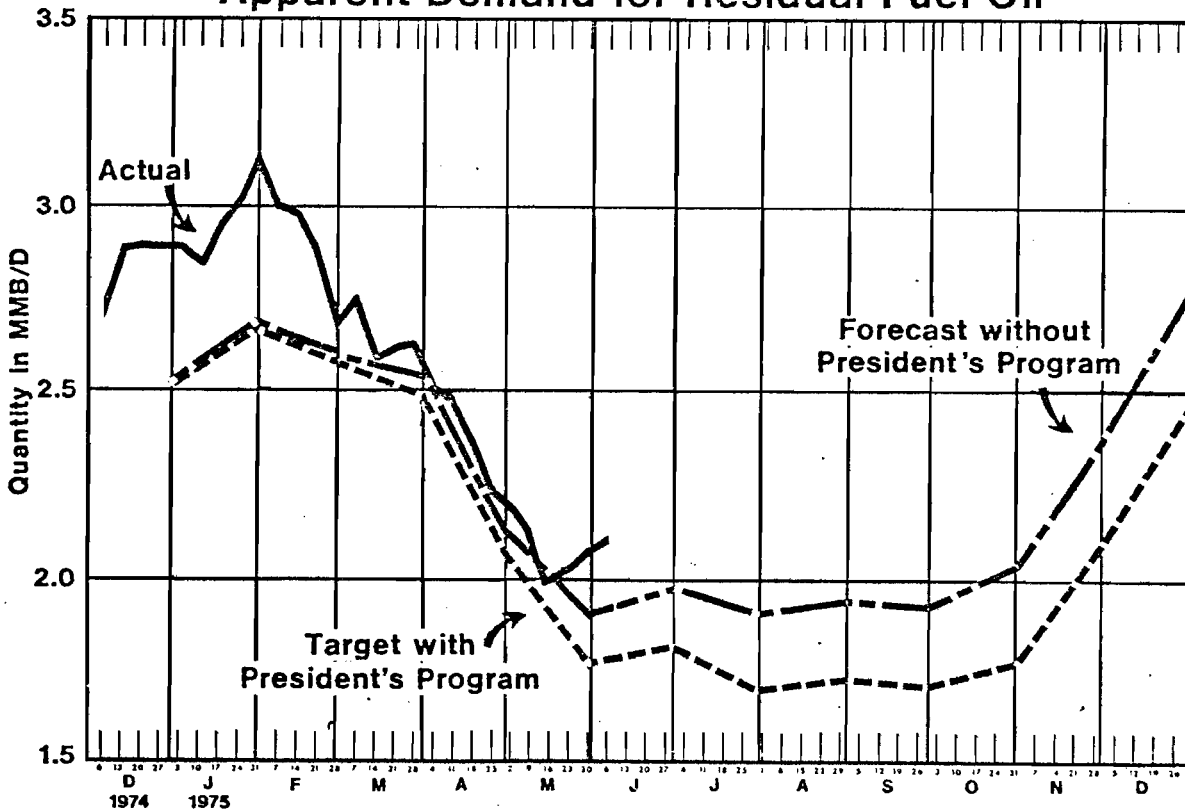


- o Apparent demand for motor gasoline for the week ending June 6 passed the 7 million barrels per day mark, bringing the 4-week average to 6.89 million barrels per day compared to 6.66 million for the period ended May 23. This is 170,000 barrels per day above the forecast, and 450,000 barrels per day above the target with the President's program.
- o Since the week ending April 18, the 4-week average of apparent demand has increased by 5.92 percent. Most of this increase has been met by a draw-down of primary stocks from 228.9 million April 18 to 199.8 million June 13 (API data). If spot shortages of gasoline are to be averted, either refinery output or imports must be increased.



Table 4

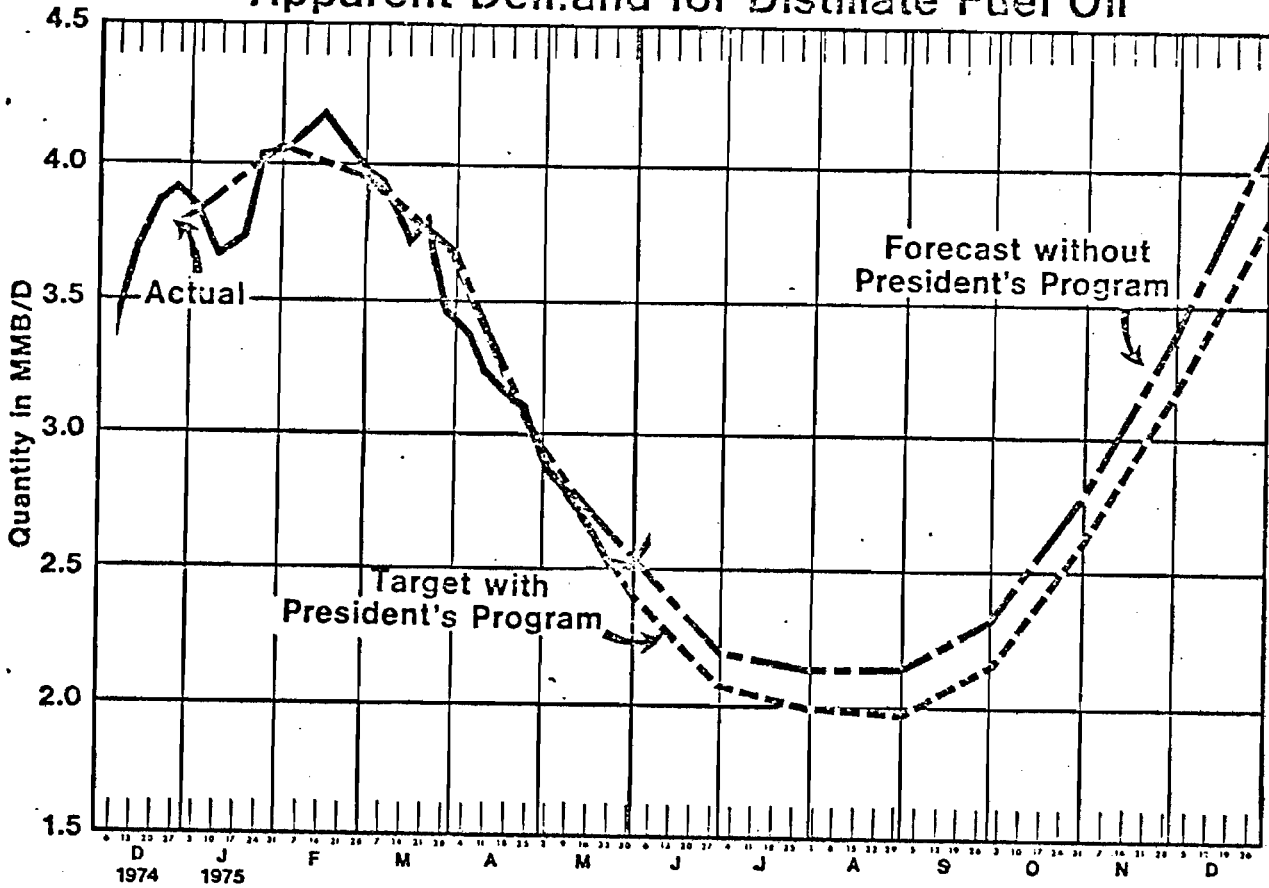
# Apparent Demand for Residual Fuel Oil



- o For the 4 weeks ending June 6, apparent demand for residual fuel oil was 2.11 million barrels per day. This was 350,000 barrels per day higher than the target level, and 200,000 barrels per day higher than the forecast level.
- o Domestic refinery output now meets 57 percent of demand for residual fuel oil, up considerably from 32 percent in 1972.



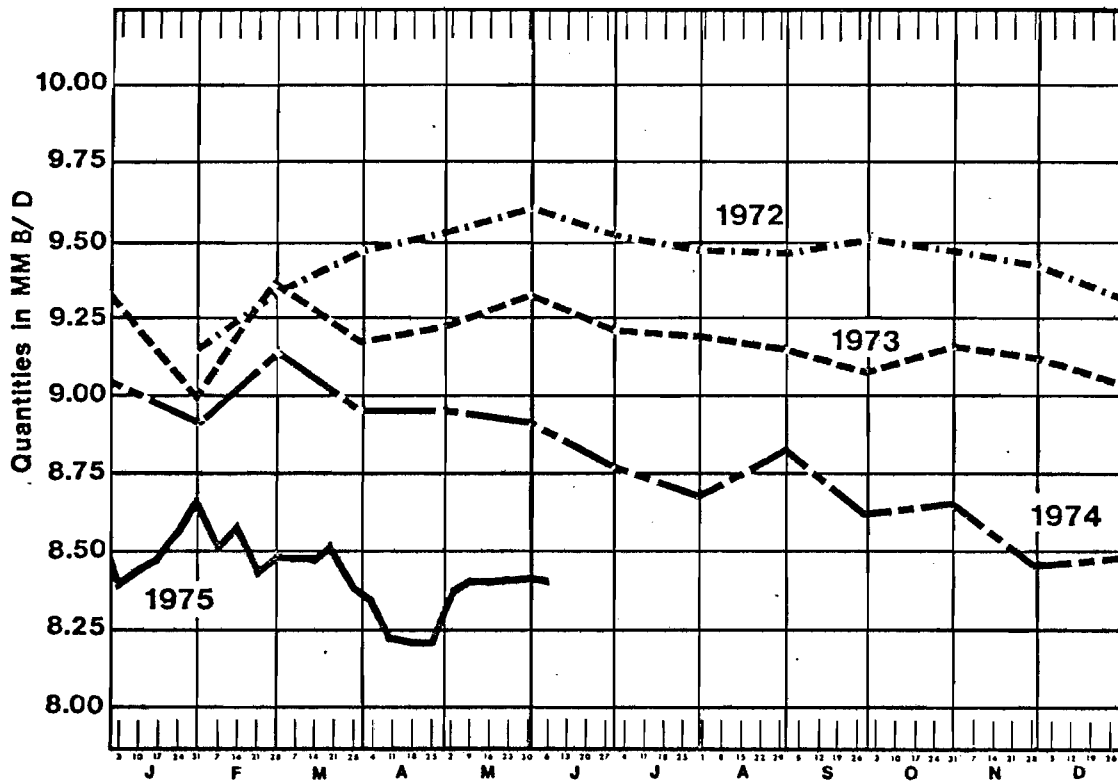
Table 5  
**Apparent Demand for Distillate Fuel Oil**



- o Apparent demand for distillate fuel oil for the 4 weeks ending June 6 was 2.62 million barrels per day. This was 270,000 barrels per day above the target level, and 160,000 barrels per day above the forecast level.



Table 6  
Domestic Crude Oil Production

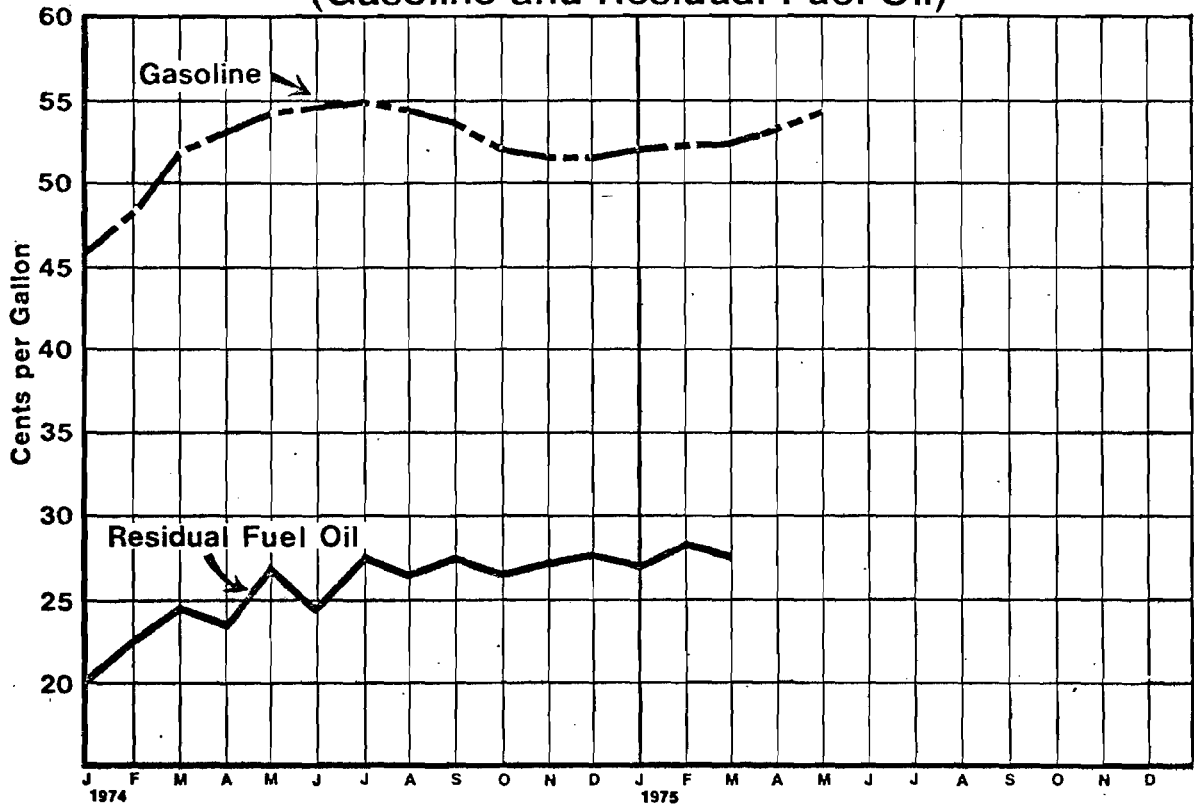


- o Production of crude oil for the 4 weeks ending June 6, at 8.41 million barrels per day, was 5.29 percent below the same period of 1974 and 9.08 percent below the same period in 1973.





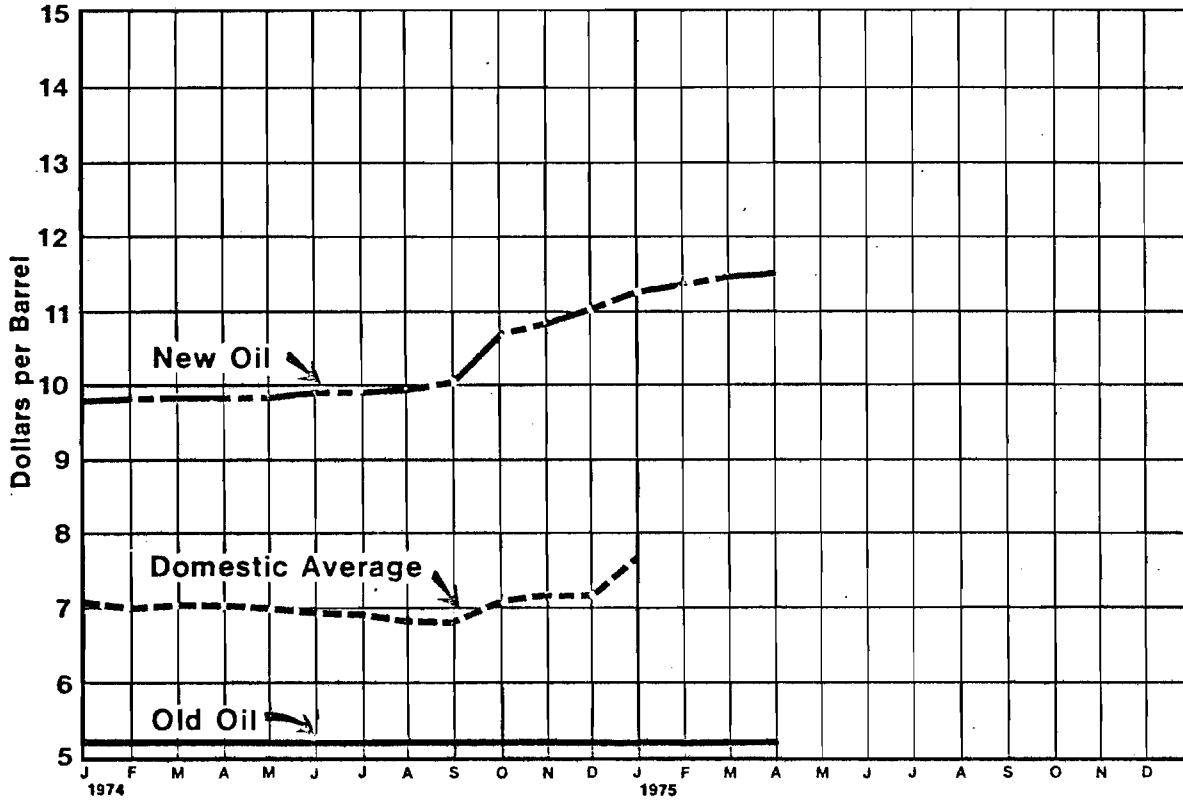
Table 7  
Retail Prices  
(Gasoline and Residual Fuel Oil)



(No new data since last report.)



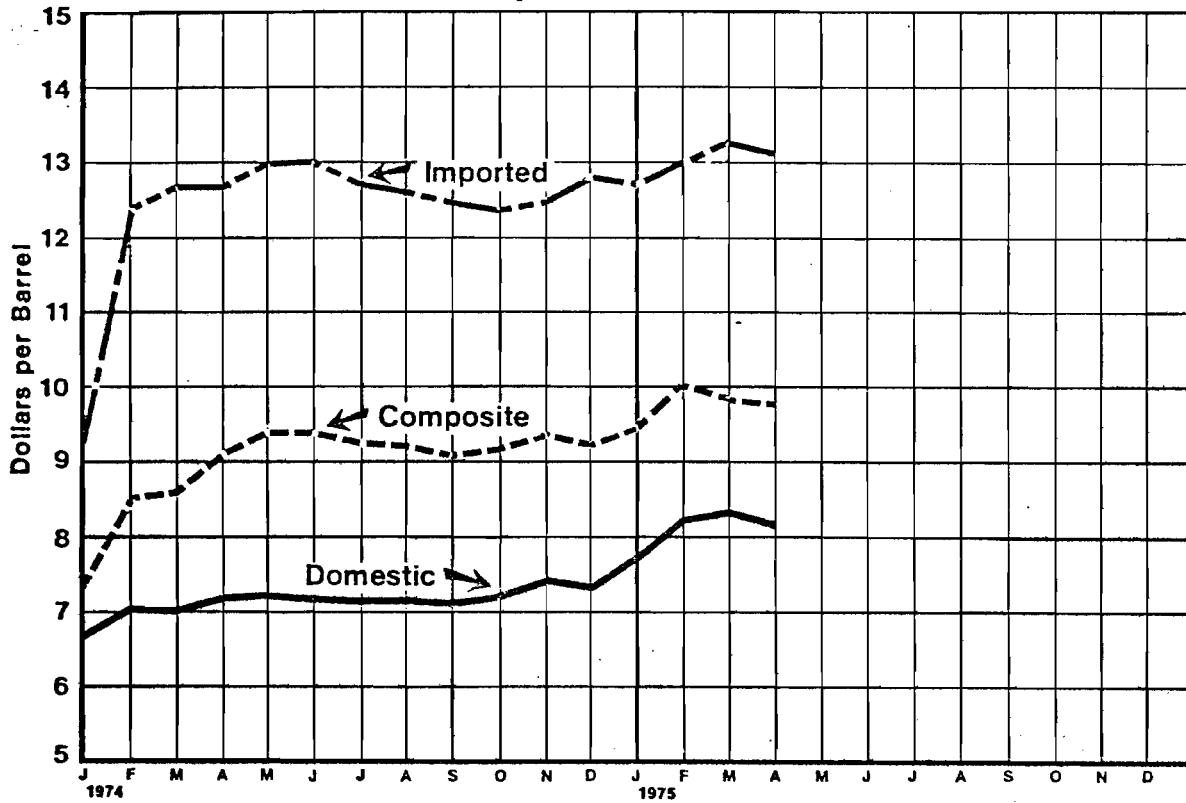
Table 8  
**Crude Oil  
 Wellhead Price**



o A preliminary estimate of the average wellhead price of new oil for April shows an increase to \$11.57 per barrel, up from \$11.47 in March. Some new oil prices, particularly those for offshore oil and high quality sweet crudes, were over \$12 per barrel during April.



Table 9  
**Crude Oil Refiner  
 Acquisition Cost**



o Preliminary estimates of refiner acquisition costs for April show that the costs of crude oil were relatively unchanged from their revised March levels.



## DEFINITIONS

- Apparent Demand -- Domestic demand for products, in terms of real consumption, is not available; inputs to refineries, plus estimated refinery gains, plus net imports of products, plus or minus net changes in primary stocks of products is used as a proxy for domestic demand. Secondary stocks, not measured by FEA, are substantial for some products.
- Actuals -- Four-week moving averages computed from the Weekly Petroleum Reporting System prior to April 4 and from the API Weekly Statistical Bulletin after April 4.
- Forecast -- A petroleum product demand forecast is made, based on a projection of the economy, which would occur without the President's program, and on a projection of normal weather. The forecast is periodically revised to take account of actual weather and revised macroeconomic forecasts.
- Target -- The Target incorporates reductions in consumption implicit in the President's energy policy, as given in the State of the Union Message. In addition it is assumed that:
- domestic production increases by 160 MB/D by the end of 1975 due to the development of Elk Hills.
  - petroleum demand is reduced by 98 MB/D by the end of 1975 due to switching from oil to coal.
  - petroleum demand due to natural gas curtailments ceases after May 1, 1975, due to the deregulation of new natural gas at the wellhead.
  - price changes due to the President's policies are held constant in real terms at their May 1975 levels.



TAB D

Major International Events



## Major International Events

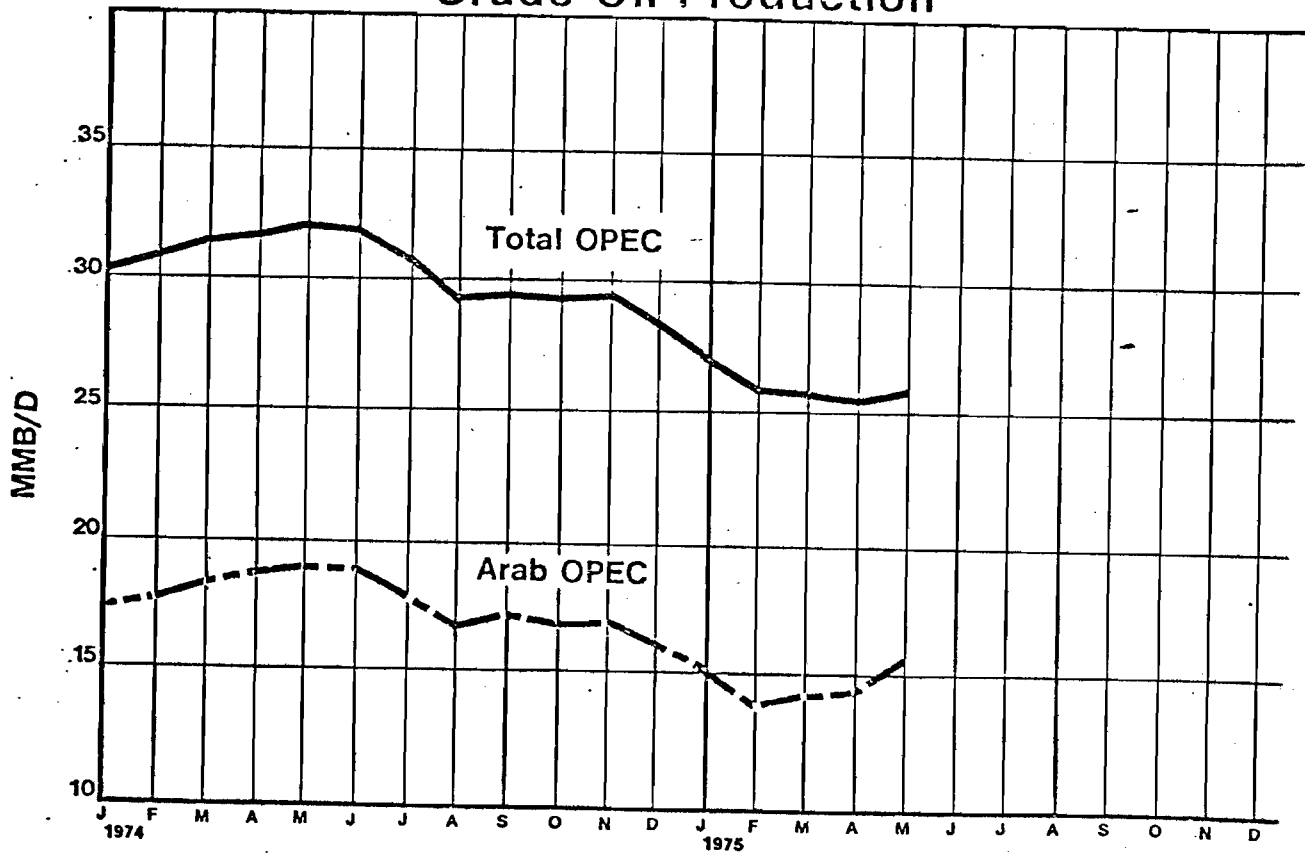
- o Canada's Energy Minister, Donald McDonald, has committed the federal government to higher wellhead prices for crude oil effective July 1 and for natural gas effective November 1; however, the size of the increases was not announced. The current federal/provincial agreement which sets the crude oil wellhead price at about \$6.50 per barrel expires June 30. Speculation is that the initial increase will be about \$2.00 per barrel. Natural gas prices are not regulated; however, the federal government is committed to increasing (over a period of time) the current wellhead price of about \$0.60 per thousand cubic feet to its true free market value.
- o An official Libyan radio broadcast stated that Libyan production was "below 50 percent" of production capacity and that total OPEC production was about 70 percent of productive capacity. The stated cause for the low production rates was the mild winter in Western Europe and the worldwide recession, but as the industrial economies improve, the importing countries "will begin using oil at the pre-recession rates." The 1.0 million barrels per day produced in Libya during January-May 1975 was about 30 percent of capacity.
- o Anthony Wedgwood Benn, who was a leader in the campaign against Britain's continued membership in the Common Market, has been named Britain's Secretary of State for Energy. Although Benn was a champion of increased government participation in industry, in his former post as Minister of Industry, Prime Minister Wilson said he wanted Benn to concentrate on developing Britain's North Sea petroleum resources as rapidly as possible to make the nation oil self-sufficient.
- o OPEC ministers, at their quarterly meeting held in Gabon, reached a basic agreement in principle on pricing oil exports in IMF's Special Drawing Rights (SDR) instead of U.S. dollars. The SDR is an IMF-created accounting unit based on a weighted basket of 16 currencies with the U.S. dollar providing one-third the weight. OPEC hopes this action will soften the impact of the dollar's daily fluctuation on the oil revenues they receive. The official communique stated that particulars of the conversion will be announced at OPEC's September meeting and that oil prices will not change until October 1.
- o It was further announced that OPEC will create a special commission to study the future possibility of OPEC setting the export price for natural gas.



- o After six consecutive months of decline, Saudi Arabia's major producer, Arabian American Oil Co. (Aramco), increased May crude oil production by slightly more than 1.1 million barrels per day to an average of 6.8 million barrels per day. It is believed that the increase reflects the beginning of inventory replenishment in Western Europe. Tanks which had been full earlier in the year have been drawn down in recent months to prevent product deterioration and because of the need to reduce surplus heating oil stocks. This tends to support the belief of officials of the Royal Dutch Shell Group that actual petroleum consumption in the non-Communist world has been running much higher than production.
  
- o The West German government seems to be having second thoughts about a proposed tax on "windfall profits" from domestically-produced oil and natural gas. Instead, it appears to be favoring a "profit reinvestment" measure. Some government officials had envisaged the tax revenues being used to assist the 43-percent government-owned Veba corporation. Others thought it would best be used to help cover the projected \$10 billion 1975 Federal budget deficit. The government is now seeking a way for oil and gas industry profits to be plowed back into bigger oil stockpiles and possibly a natural gas pipeline from the North Sea. Despite a recent law raising mandatory stockpiles for major refiners from 65- to 90-days supply, the EEC is thinking of requiring 120-days supply in the near future.



# OPEC Countries Crude Oil Production



- o Preliminary data indicate that OPEC production rose in May after five consecutive months of decline. OPEC production in May averaged 26.1 million barrels per day compared to 29.6 million barrels per day last November. During this period the Arab share of OPEC production increased from 57 percent in November to 60 percent in May.





*Dispatched 6/27 (Hand Carried)*

FEDERAL ENERGY ADMINISTRATION

JUN 27 1975

MEMORANDUM FOR JIM CONNOR

FROM: FRANK G. ZARB *fgz*  
SUBJECT: NEXT STEPS IN DECONTROL

*Connor, Jim*

I have reviewed the comments submitted in connection with my June 19, 1975, memorandum to the President, which you forwarded to me yesterday.

Basically, two points have been raised:

1. Is the recommended course of action viable in light of the EPAA's ninety-day limitation on the life of any exemption submitted pursuant to Section 4(g)(2)?
2. Have we fully considered all the benefits associated with immediate expiration of the Act, as well as the alternative ways of minimizing the impact of such expiration upon consumers?

With regard to the first point, it is true that the ninety-day maximum life of an §4(g)(2) exemption represents a problem with this approach. In discussing the matter with the President, we have expressly identified this as a factor favoring a legislated decontrol plan. I do not consider the ninety-day limitation a major obstacle, since absent a major downturn in the economy the Congress would probably have no interest in re-fighting the decontrol battle every ninety days than we would. In any event, we can seek to protect ourselves against this eventuality, either by



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insisting upon a commitment from the Congressional leadership to allow our decontrol plan to remain in effect, or by insisting upon a provision to that effect in the Bill extending the Act.

With regard to the second point, I can assure you that we have thoroughly considered the pros and cons of phased versus immediate decontrol and have no doubt that the former is preferable if it can be accomplished in accordance with our timetable.



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

JUN 27 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

*Frank G. Zarb*

In your press conference of June 25 you were asked about Federal Government leadership in energy conservation.

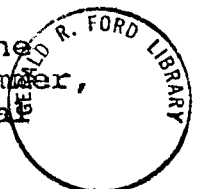
Federal Departments and agencies reduced their energy use by 24 percent in FY 1974, compared to the FY 1973 rate. This equates to almost 248,000 barrels of oil per day worth about \$724 million annually at the then-current prices. Measures used to achieve this result included:

- Reduced flying and steaming hours of planes and ships and emphasized maintenance for more efficient fuel use.
- Reduction of limousines from 25 in 1973 to 6 now, general substitution of compacts for standard autos, and reduction of mileage by the total Federal auto fleet.
- Delamping in Government-owned or leased buildings, lowering thermostat settings in winter and raising them in the cooling season.

For the first nine months of the FY 1975 year, savings increased to approximately 25 percent below FY 1973 rates, equivalent to 270,000 barrels of oil per day, valued at \$675 million.

FEA and GSA are working on further specific Federal Government initiatives to cover the next 10 years. Several appear to offer significant return for dollars invested. These will be reviewed by the Energy Resources Council over the next month and then sent to you for decision and possible public announcement.

The Administration's accomplishments to date, and the long term action plan to be announced later this summer, indicate strong leadership on the part of the Federal Government.



*File*

JUN 30 1975

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The President  
The White House  
Washington, D. C. 20500

Dear Mr. President:

Enclosed are the first results of the Federal Energy Administration's efforts to provide a complete and independent analysis of the Nation's oil and gas resources, reserves, and its capacity to produce petroleum products as required by Section 15(b) of the Federal Energy Administration Act of 1974 (PL 93-275).

These are preliminary results which will be improved upon as quickly as we are able to process and analyze in greater detail the mass of information which we have developed to accomplish our assigned task. Data will also be developed on indicated reserves and capacities to produce oil and gas.

While this effort had to be accomplished in a very short time and with limited resources, I believe that we are developing a body of new, germane information which will prove to be exceedingly useful in the development of a sound national energy policy. I trust that you will find it so.

Respectfully,

Frank G. Zarb  
Frank G. Zarb  
Administrator

Enclosure

Honorable Carl Albert  
Speaker of the House of Representatives  
-and-  
Additional ltrs. to: Honorable Nelson Rockefeller  
President of the Senate

cc: ERD Reading  
Official File  
Exec Sec (2)



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FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

June 30, 1975

MEMORANDUM FOR JIM CONNOR

FROM: FRANK G. ZARB

*z*

I would appreciate your inserting this paper in the  
Presidential material for the Cincinnati trip.

Connor, Jim

Attachments



NATURAL GAS TALKING POINTS  
FOR THE PRESIDENT'S CINCINNATI TRIP

- The U.S. natural gas situation continues to deteriorate.
  - Domestic production is declining.
  - Our demand for natural gas is increasing.
  - Imports are becoming more scarce.
- Natural gas curtailments will increase by 45% this year and may result in serious unemployment problems in some areas.
  - In some states, curtailments will be more than 50% of requirements.
  - In Ohio, for example, almost 300 billion cubic feet will be curtailed this year -- a dramatic increase over last year's level.
  - And, if we have a cold winter, these shortages could be even greater.
- The natural gas problem has not just occurred suddenly -- it is primarily the result of years of inaction and indecisiveness on a vital measure -- deregulation of new natural gas prices.
  - Keeping gas prices artificially low compared to other energy sources, has encouraged wasteful use.
  - While deregulation will have a small and gradual economic impact, it will stimulate exploration and development of new gas, reduce demand, and provide more gas to the consuming states in the Midwest and on the East Coast.
  - We must act now on deregulation and I urge your support for deregulation legislation.
  - We cannot afford the kind of legislation that is now being considered in the Senate. S.692 would set low ceilings on natural gas prices and bring the problems of price regulation to the intrastate market for the first time.



- But, we can't depend upon the Congress for action on natural gas, so I have directed the Energy Resources Council to evaluate the situation for this winter and prepare a program for action to relieve the shortage. There are no simple answers, but we will have the resolve to deal with the problem in any way possible.

>

Energy Resources Council

Natural Gas Shortage

and the impact of the shortage on the economy and the public.

Address

The Energy Resources Council has been directed to evaluate the situation for this winter and prepare a program for action to relieve the shortage.

The shortage of natural gas is expected to be a serious problem this winter. The shortage is expected to be caused by a combination of factors, including a decline in production and an increase in demand.

One of the major causes of the shortage is the decline in production. Production of natural gas has declined significantly over the past few years.

The shortage of natural gas is expected to be a serious problem this winter. The shortage is expected to be caused by a combination of factors, including a decline in production and an increase in demand.

Keeping the price of natural gas low is essential to the economy and to the public. The price of natural gas is expected to rise significantly this winter.

While the shortage of natural gas is expected to be a serious problem this winter, the economic impact of the shortage is expected to be limited. The shortage is expected to be caused by a combination of factors, including a decline in production and an increase in demand.

We have a long way to go to meet the demand for natural gas. We must find new sources of natural gas and we must conserve the natural gas we have.

We cannot afford to waste natural gas. We must find new sources of natural gas and we must conserve the natural gas we have. The shortage of natural gas is expected to be a serious problem this winter.

