

The original documents are located in Box 1, folder: “Memoranda to the President, July 1975” of the Frank Zarb Papers at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Frank Zarb donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

JUL 8 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

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

Legislative Status

The Ways and Means energy tax bill, HR 6860, has been referred to the Senate Finance Committee. Hearings have been scheduled for mid-July and Administration witnesses will testify.

On June 24, the Interstate and Foreign Commerce Committee reported its energy plan. The Administration has voiced strong opposition to this legislation, particularly to its provisions on crude oil pricing. This legislation includes: a rollback of prices for uncontrolled crude to \$7.50 per barrel; a price of \$8.50 per barrel for Alaskan, OCS, and tertiary crude; prices up to \$8.50 per barrel for certain crudes with high production costs; and decontrol of old oil at a rate of one percent per month, retroactive to May 1972.

Administrative Actions

In recent weeks, stocks of motor gasoline, particularly in the area east of the Rockies, have been running below the levels of 1973, a period in which spot shortages were experienced. As a consequence, concern has been expressed about the possibility of spot shortages this summer. On June 20, I wrote to the chief executive officers of the 17 largest oil refineries to urge them to step up output of motor gasoline. I have followed up this action by personal telephone calls and the positive response thus far received, does not support a conclusion at this time that shortages are developing. As required by PL 93-275, the FEA Act of 1974, an initial report on U.S. oil and gas resources and reserves has been completed and submitted to the Congress. Preliminary estimates indicate that proven reserves of crude oil at year end 1974 totaled 38.2 billion barrels compared with 34.2 billion barrels reported by the American Petroleum Institute, a difference of approximately 10 percent.



difference of approximately 10 percent. (More than one-half of the difference in the crude oil reserve estimates is in California, and is attributed to differences in estimated recovery of the heavy crude oils needing application of thermal recovery techniques.) Preliminary estimated proven natural gas reserves totaled 237 trillion cubic feet, compared with 233 trillion cubic feet reported by the American Gas Association, a difference of approximately 2 percent.

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:

- ° Both apparent demand and imports for the four weeks ending on June 20, were slightly above forecast and nearly one million barrels per day above the target with the President's program implemented.
- ° Gasoline demand, which passed the 7-million barrel per day mark for the 4-week period ending June 20, is averaging 130,000 barrels per day above our forecast.

Major International Developments

Passage of legislation to nationalize the oil industry in Venezuela is expected soon, possibly this month. The law will probably change the role of the foreign oil companies to that of crude purchasers and perhaps service contractors.



TAB A

Action on Energy Legislation



Action on Energy Legislation

Congressional Action

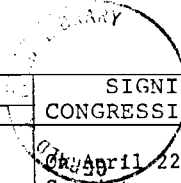
- o The Interstate and Foreign Commerce Committee's omnibus energy plan, HR 7014, was reported on June 24 and is pending Rules Committee action. The Administration has charged that this legislation includes no action to increase domestic supplies, provides for a very weak conservation program and would result in revenue losses of over \$500 million in 1975 and over \$750 million in 1976.
- o Bills scheduled for possible floor action in the Senate during the week of July 7 are S 1849 (legislation to extend the Emergency Petroleum Allocation Act to March 1, 1976), S 677 (Strategic Oil Reserves), and possibly S 692 (natural gas legislation).
- o The Subcommittee on Conservation, Energy, and Natural Resources of the House Government Operations Committee held a hearing on June 26 on natural gas shortages. Administration witnesses testified in favor of the deregulation of new gas prices and accelerated OCS development.
- o The House Select Committee on OCS is holding hearings in Scotland on HR 6218. Additional field hearings through the end of September have been scheduled. The Senate Interior and Insular Affairs may complete action on OCS legislation during the week of July 7.
- o On June 25, the Aviation Subcommittee of the House Public Works and Transportation Committee held a briefing on fuel problems facing the aviation industry. Administration witnesses participated in the discussion.
- o The Subcommittee on Mines and Mining of the House Interior and Insular Affairs Committee is drafting legislation which will revise the present system of access to minerals on Federal lands. Hearings have been scheduled for mid-July and Administration witnesses will testify.
- o The House Interior and Insular Affairs Committee will resume consideration of land use legislation, HR 3510, during the week of July 7. After consideration of that measure, the Committee is expected to take action on HR 6721, Federal Coal Leasing Act Amendments. Senate Interior and Insular Affairs Committee action on similar legislation, S 391, is expected immediately after the July 4 recess.
- o No additional hearings have been scheduled on coal slurry legislation, HR 1863, in the House Interior and Insular Affairs Committee. House aides feel that it is very doubtful that such legislation will move this session. Senate action is also unlikely.



- o During the week of July 7, the Senate Interior and Insular Affairs Committee will hold hearings on S 740, legislation to establish a National Energy Production Board. Administration witnesses will testify:
- o The Joint Economic Committee has scheduled hearings after the July 4 recess on the economic impact of the decontrol of oil. Administration witnesses have been requested to testify.
- o The Subcommittee on Environment and the Atmosphere of the House Science and Technology Committee will hold hearings in mid-July on auto emission standards. Administration witnesses are expected to testify.



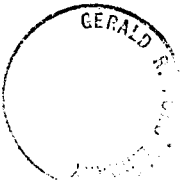
PROGRESS OF ENERGY LEGISLATION: June 23 - 27



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>On June 24, the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014. (Title II, Part 8 of HR 7014 provides for Strategic Reserves)</p>	<p>Armed Services Committee is expected to schedule hearings on Title I after the July Recess. Joint hearings with the Interior and Insular Affairs Committee were held in March.</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 has been scheduled for July 8 with Administration Amendments to be offered</p>
<p>Title III - Natural Gas Amendment</p>		<p>Interstate and Foreign Commerce Committee has not scheduled hearings on natural gas legislation as of this date.</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 23 - 27

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 appeared before the Senate Public Works Committee hearings during the week of June 23.</p>	<p>On June 24, the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014. Title VI of HR 7014 includes coal conversion authority and extension.</p>	<p>During the week of June 23, the Public Works Committee resumed hearings on S 1777, the National Petroleum and Natural Gas Conservation and Coal Substitution Act. Administration witnesses testified.</p>	<p>One provision of HR 4031 which is awaiting conference action, provides for an extension of ESECA. This legislation however, also restricts Presidential authority to decontrol old oil.</p>
<p>Title V - Clean Air Amendments Title VI - Significant Deterioration</p>	<p>Administration witnesses appeared before the Senate Public Works Committee hearings during the week of June 23.</p>	<p>On June 24, the Interstate and Foreign Commerce Committee reported 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>During the week of June 23, the Public Works Committee resumed hearings on S 1777, the National Petroleum and Natural Gas Conservation and Coal Substitution Act. Administration witnesses testified.</p>	<p>After the July recess, there may be a floor amendment offered during consideration of S 1849 which would extend ESECA authority which lapsed June 30.</p>
<p>Health and Environment</p>	<p>Health and Environment Subcommittee of Interstate and Foreign Commerce Committee will continue mark up sessions on Clean Air Act Amendments on July 8.</p>	<p>Health and Environment Subcommittee of Interstate and Foreign Commerce Committee will continue mark up sessions on Clean Air Act Amendments on July 8.</p>	<p>The Subcommittee on Environmental Pollution of the Public Works Committee has scheduled mark-up sessions on Clean Air Act Amendments for July 8,9,10.</p>	<p>The Subcommittee on Environmental Pollution of the Public Works Committee has scheduled mark-up sessions on Clean Air Act Amendments for July 8,9,10.</p>



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 on utility legislation in the near future. The Subcommittee may combine Title VII and Title VIII in an omnibus utility bill. Administration witnesses are expected to testify in the future hearings.	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 on this issue in the near future. The Subcommittee may combine Title VII and Title VIII in an omnibus utility bill. Administration witnesses are expected to testify in the future hearing.	Environment and Land Resources Subcommittee of the Interior and Insular Affairs Committee completed hearings on Title VIII and S 384, "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		On June 24, the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014. Title II, Part A, of HR 7014, precludes setting price floor using any of the allocation or pricing authority in the Allocation Emergency Petroleum Act.	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.	



PROGRESS OF ENERGY LEGISLATION: June 23 - 27

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACT
		HOUSE	SENATE	
Title X - Building Energy Conservation Standards		On June 19, the Housing and Community Development subcommittee of the Banking, Currency and Housing Committee reported HR 7958, winterization assistance legislation. Full committee is not expected to take action on HR 7958 until hearings have been held on Title X.	During the week of June 16, the Science and Technology Subcommittee of the Commerce Committee concluded hearings on S 1392, "Energy Conservation in Buildings Demonstration Act of 1975," and S 1908, "Industrial Energy Conservation Act." The Subcommittee reported S 1908.	Conference committee HR 4485, the "Emergency Middle-Income Housing Act of 1975" deleted President's Title X which had been incorporated in the Senate version. Separate legislation may be proposed energy conservation standards.
Title XII - National Appliance and Motor Vehicle Energy Labeling		On June 24, the Interstate and Foreign Commerce Committee reported 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. Floor action is expected prior to the August recess.	
Title XIII - Standby Authorities Act (S 620)		On June 24, the Interstate and Foreign Commerce Committee completed 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.



PROGRESS OF ENERGY LEGISLATION: June 23 - 27

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>B. <u>OTHER BILLS-</u> <u>SUPPLY</u></p> <p>Surface Mining Legislation (HR 3110, S 652)</p>			<p>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 during the week of July 8.</p>	<p>On June 10, the House sustained the President's veto of HR 25 by a margin of 278 to 143.</p>
<p>Nuclear Licensing and Siting Bill (HR 7002, S 1717)</p>	<p>Administration witnesses testified regarding the nuclear licensing and siting bill before the Joint Committee on Atomic Energy on June 25.</p>	<p>The <u>Joint Committee</u> on Atomic Energy held hearings beginning June 25 on the Administration's bill. (HR 7002 and S 1717 were introduced to Congress on May 14.)</p>		
<p>Nuclear Insurance Bill</p>	<p>The legislation is expected to be forwarded to Congress in the very near future.</p>			



PROGRESS OF ENERGY LEGISLATION: June 23 - 27

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p><u>C. TAX PROPOSALS</u></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>The bill, HR 6860, has been referred to the Finance Committee. Hearings have been Scheduled for July 10 and 14.</p>	<p>On June 19, the House passed HR 6860 by a margin of 291-130.</p>
<p>Tax Relief for Utilities (Labor-Management Committee Bill)</p>	<p>Administration's proposed legislation is expected to be introduced in early July.</p>			



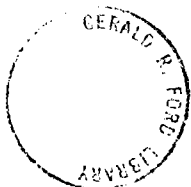
TAB B

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	74 final prohibition orders were issued to 25 utilities at 32 generating stations. Construction orders were issued to 74 utilities. Major survey of non-utility energy users conducted. Analysis being completed.	Issuance of further prohibition orders to utilities and non-utilities must await new legislative authority.



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>
4. Import Fee Implementation	FEA	Additional \$1 per barrel import fee became effec- tive June 1.	Further action will depend on evolving a compromise on the overall energy pro- gram.



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 ban on joint bidding by major oil companies to be issued by July 31. Final Programmatic EIS on accelerated leasing to be published on July 11.
2. Auto Emission Standards	EPA	Senate Public Works Subcommittee on Air and Water Pollution and House Subcommittee on Public Health and Environment will hold mark-up sessions after July 4 recess. New Presidential position was made public June 27.	Contact appropriate Members to fully explain Presidential decision.
3. Auto Efficiency Agreements	DOT	House and Senate Commerce Committees have reported out legislation setting mandatory auto-efficiency standards. HR 6860, passed June 19, includes mandatory standards.	Voluntary agreements with major manufacturers to be negotiated once new emission standards are set.



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	Commerce/NBS	Draft energy labeling legislation has been submitted to House Subcommittee on Energy and Power. Proposed program for room air conditioners, refrigerators and water heaters was published in the Federal Register in June.	Await Congressional action.
5. Emergency Storage	FEA	Feasibility study proposals have been received and evaluated. Five contracts were awarded June 30.	First phase analysis to be completed by July 31.



TAB C

Progress in Meeting Goal of One Million Barrels

Savings in 1975

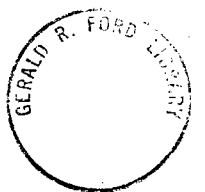
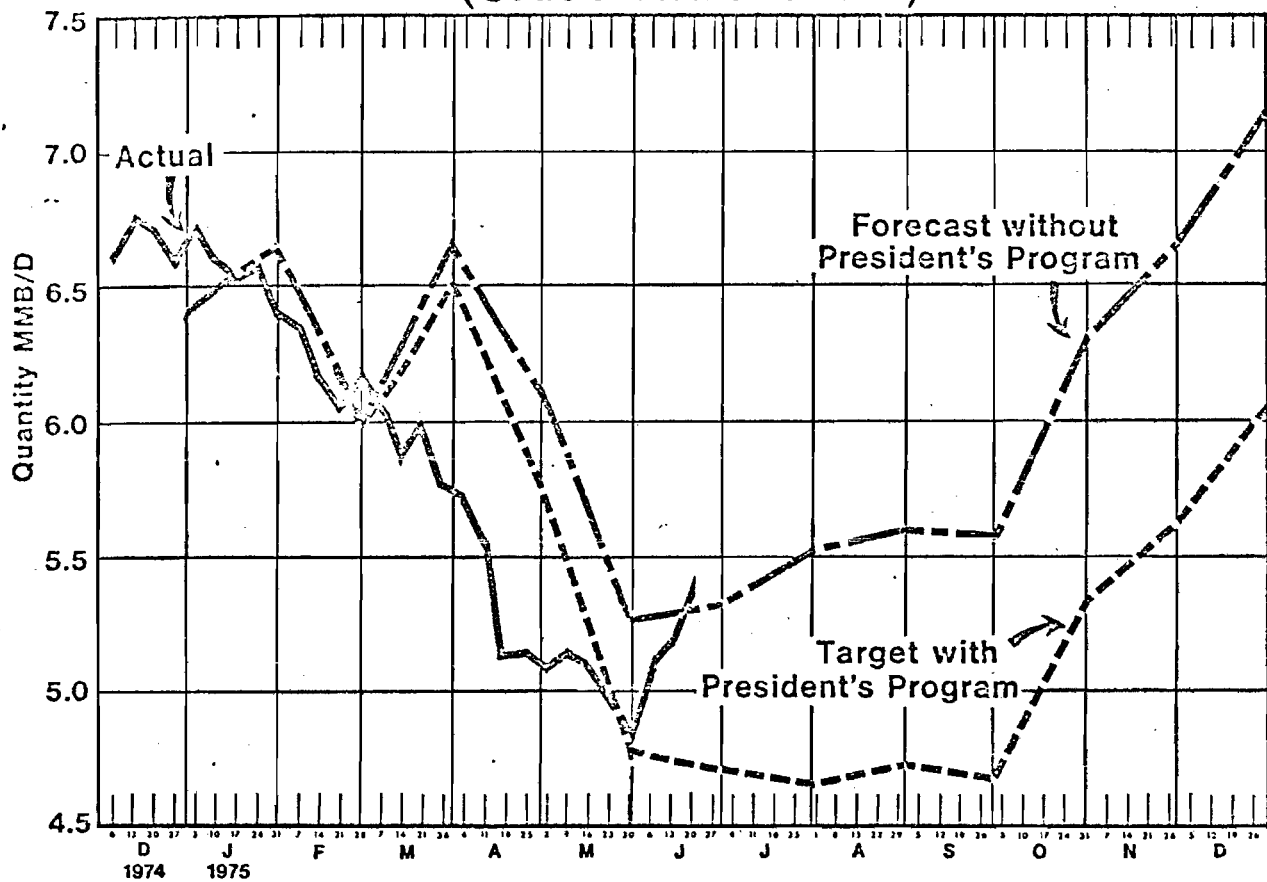


Figure 1

Total U.S. Petroleum Imports (Crude and Product)

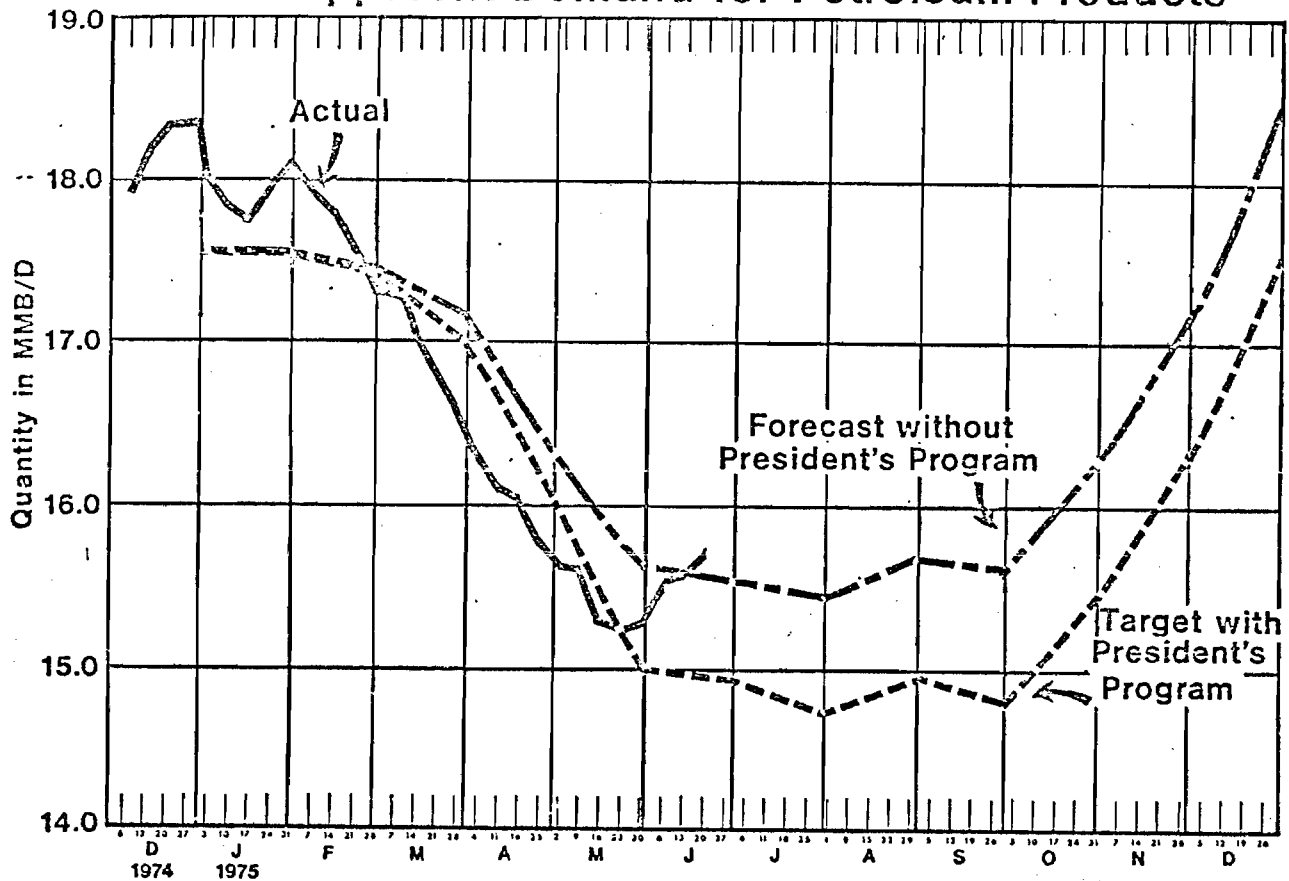


- o Imports during the 4-week period ending on June 20 averaged 5.44 million barrels per day, up 230,000 barrels per day since the last report. This was 720,000 barrels per day above the target with the President's program, and 110,000 barrels per day above the forecast.
- o When the revision to the 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.



Figure 2

Total Apparent Demand for Petroleum Products

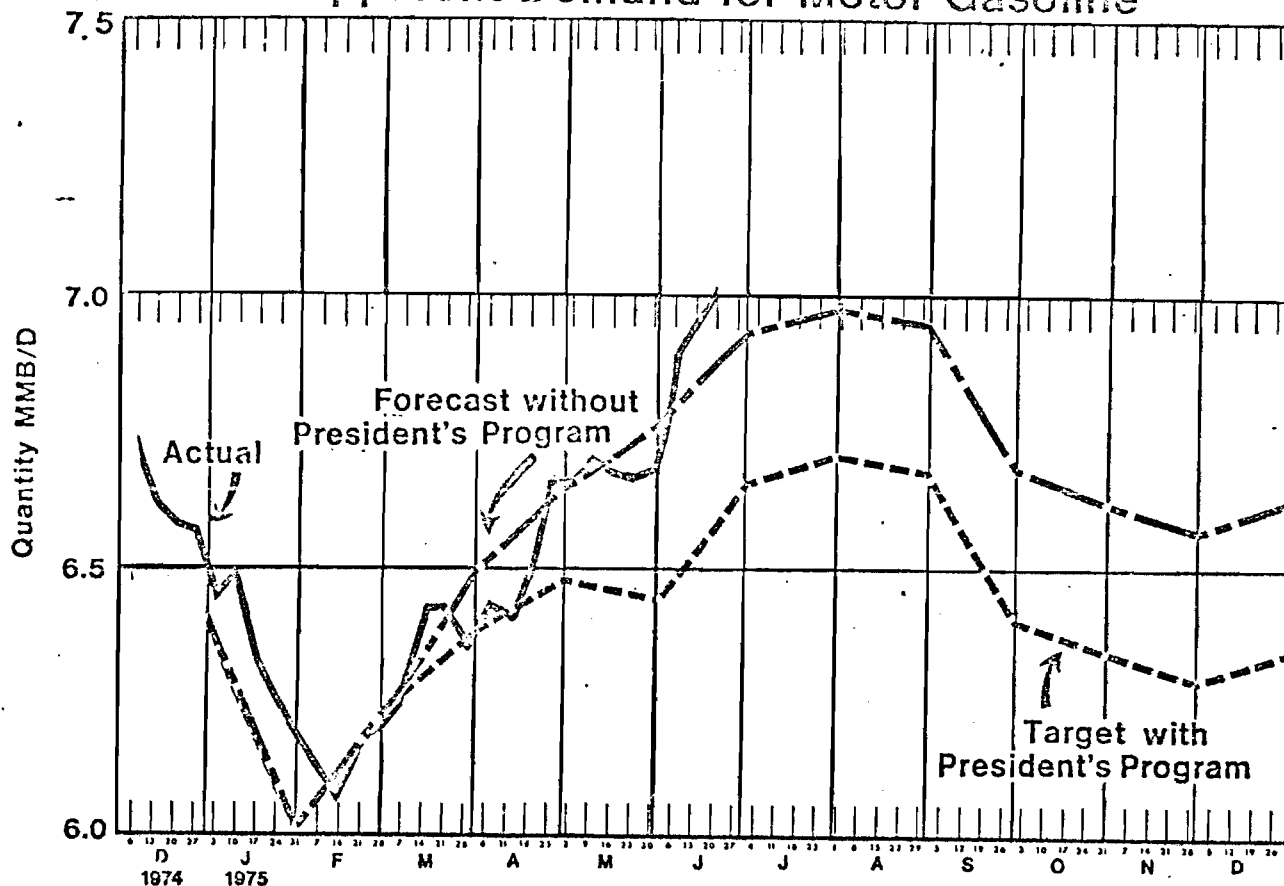


- o Total apparent demand during the 4 weeks ending June 20 increased to 15.75 million barrels per day. This level was 184,000 barrels per day above the level for the period ended June 6, 775,000 barrels per day above the target, but 15,000 below the forecast.
- o While FEA's forecasts of demand for 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.



Figure 3

Apparent Demand for Motor Gasoline

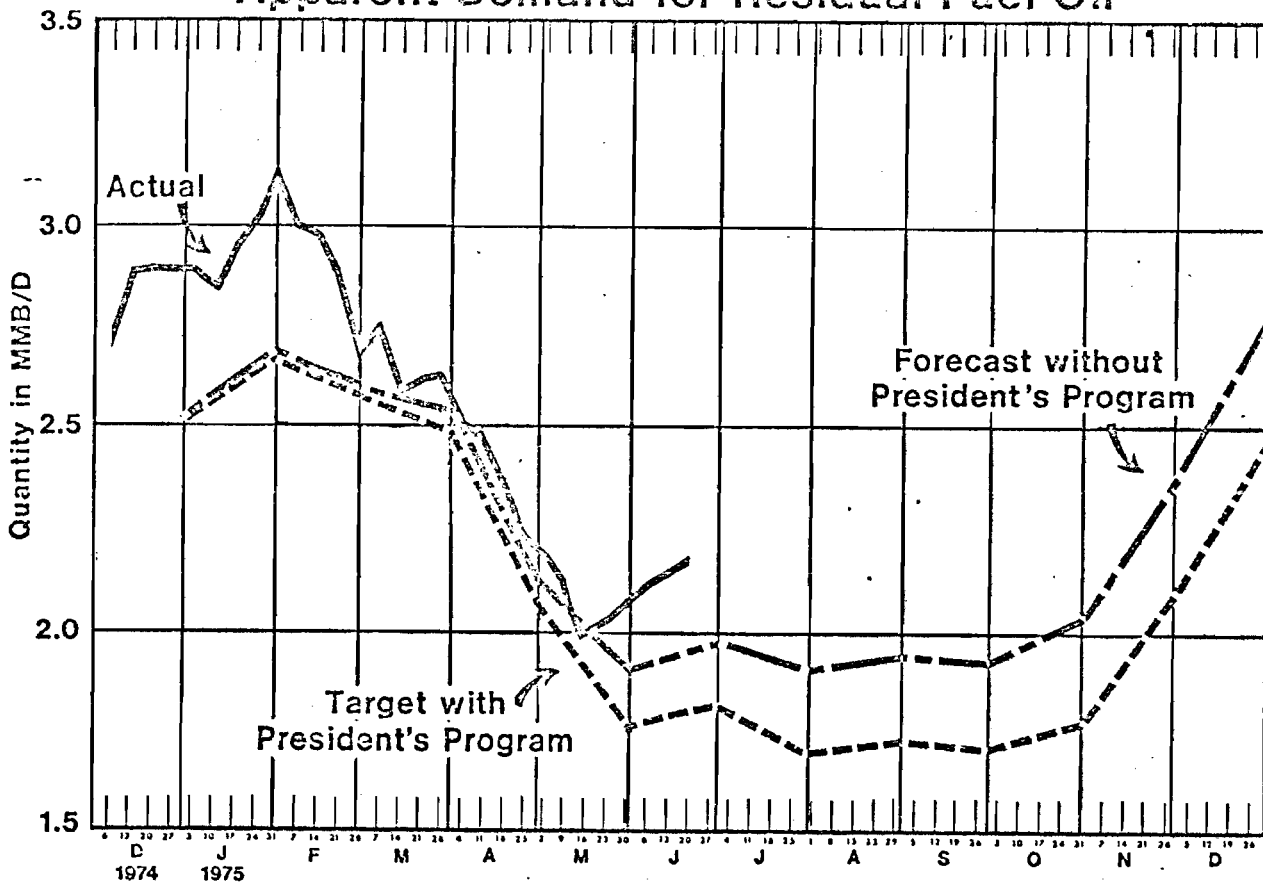


- o Apparent demand for motor gasoline in the 4 weeks ending June 20 averaged 7.01 million barrels per day, 420,000 barrels per day above the target and 130,000 above the forecast.
- o In recent weeks, stocks of motor gasoline, particularly in the area east of the Rockies, have been running below the levels of 1973, a period in which spot shortages were experienced. As a consequence, concern has been expressed about the possibility of spot shortages this summer. The FEA Administrator has discussed this situation with the major oil companies and is confident there will be few if any shortages.



Figure 4

Apparent Demand for Residual Fuel Oil



- o For the 4 weeks ending June 20, apparent demand for residual fuel oil was 2.18 million barrels per day, 400,000 barrels per day above the target and 230,000 above the forecast.

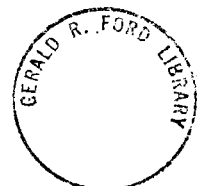
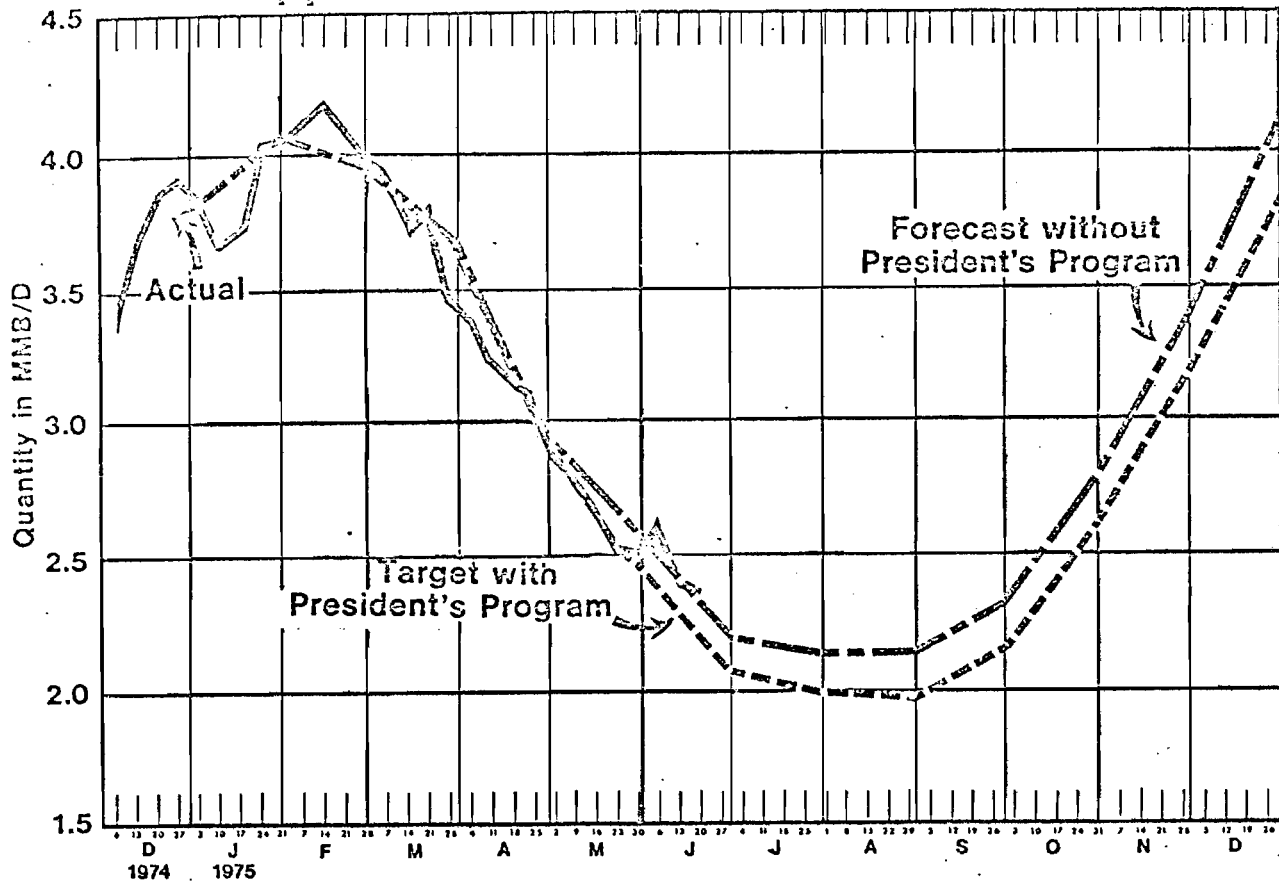


Figure 5

Apparent Demand for Distillate Fuel Oil

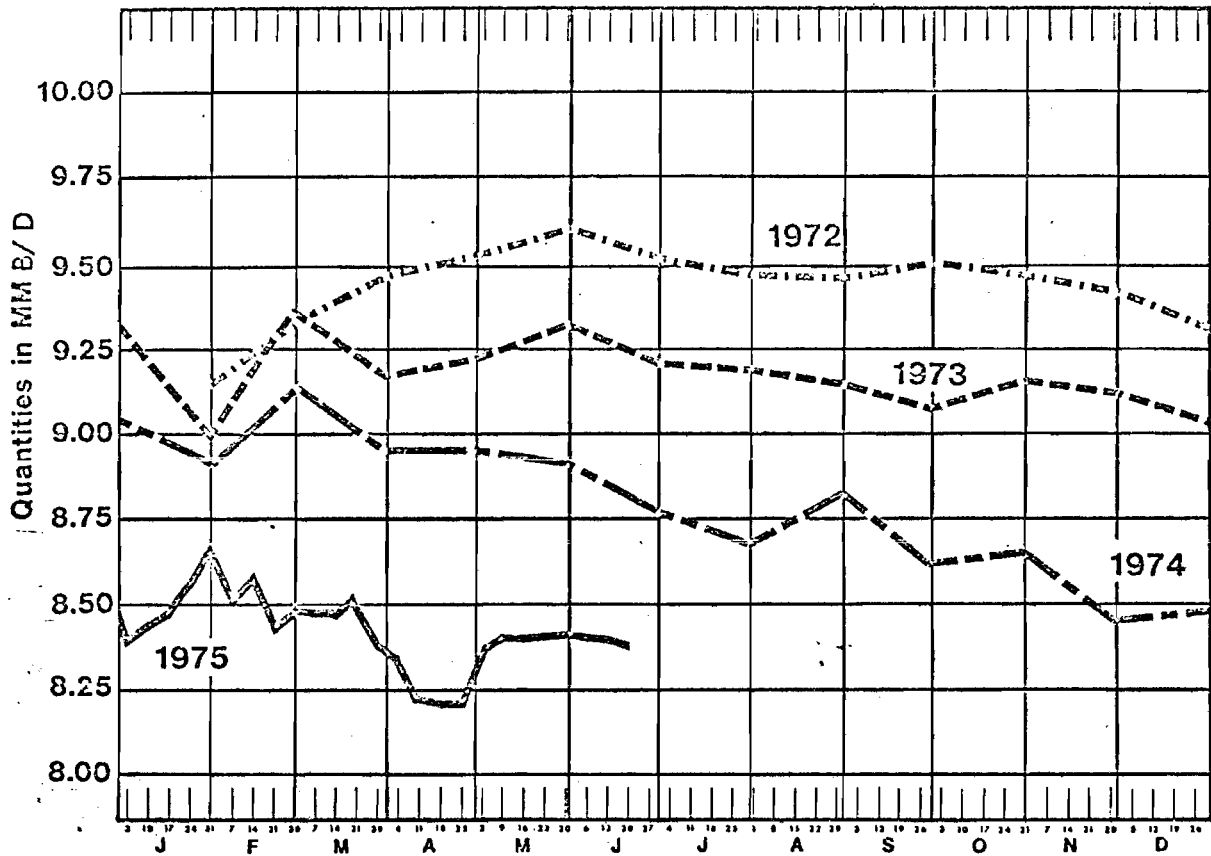


- o Apparent demand for distillate fuel oil for the 4-week period ending June 20 dipped slightly from 2 weeks ago, to 2.39 million barrels per day, 180,000 barrels per day above the forecast and 60,000 barrels per day above the target.



Figure 6

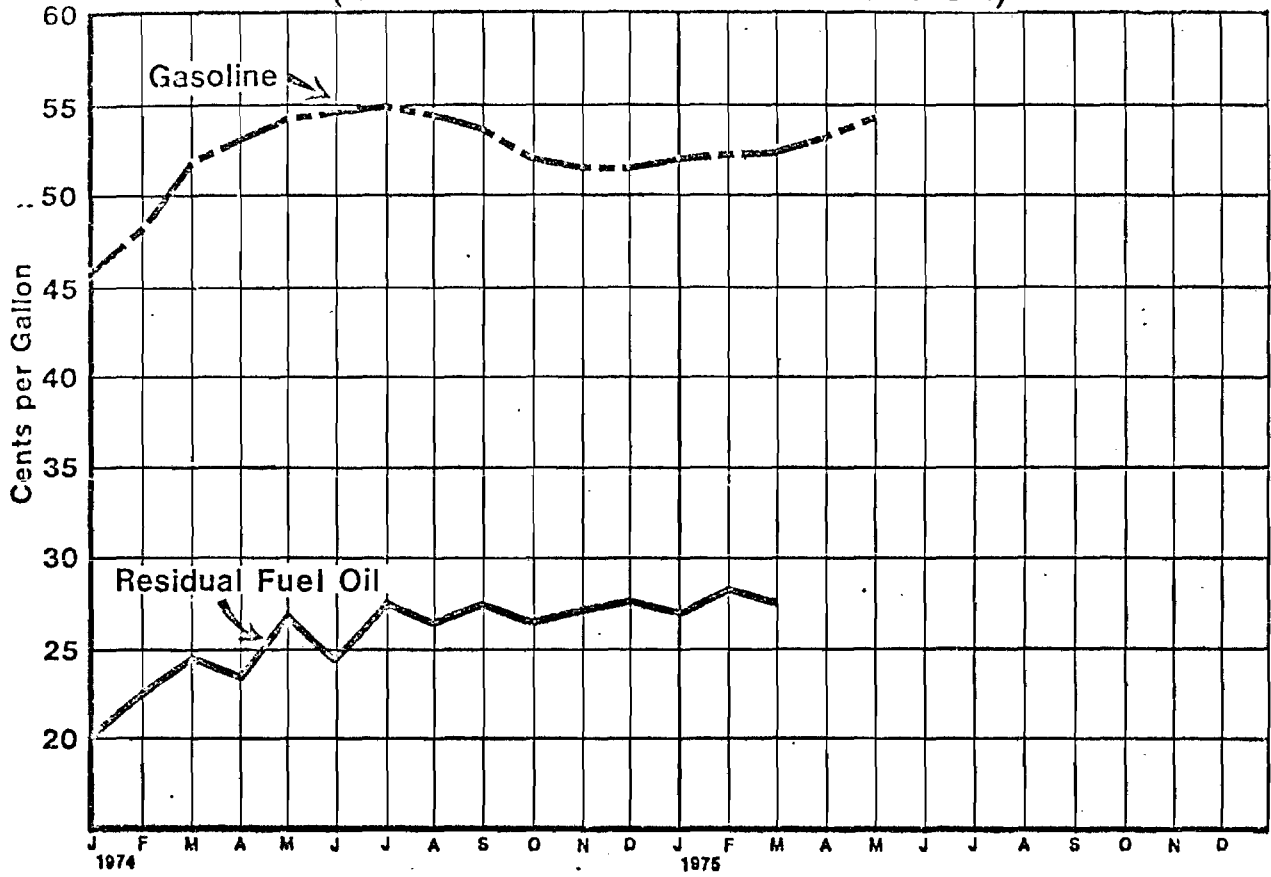
Domestic Crude Oil Production



- o Production of crude oil for the 4 weeks ending June 20, at 8.39 million barrels per day, was 6.7 percent below the same period of 1974, and 10.5 percent below the same period in 1973.



Retail Prices (Gasoline and Residual Fuel Oil)

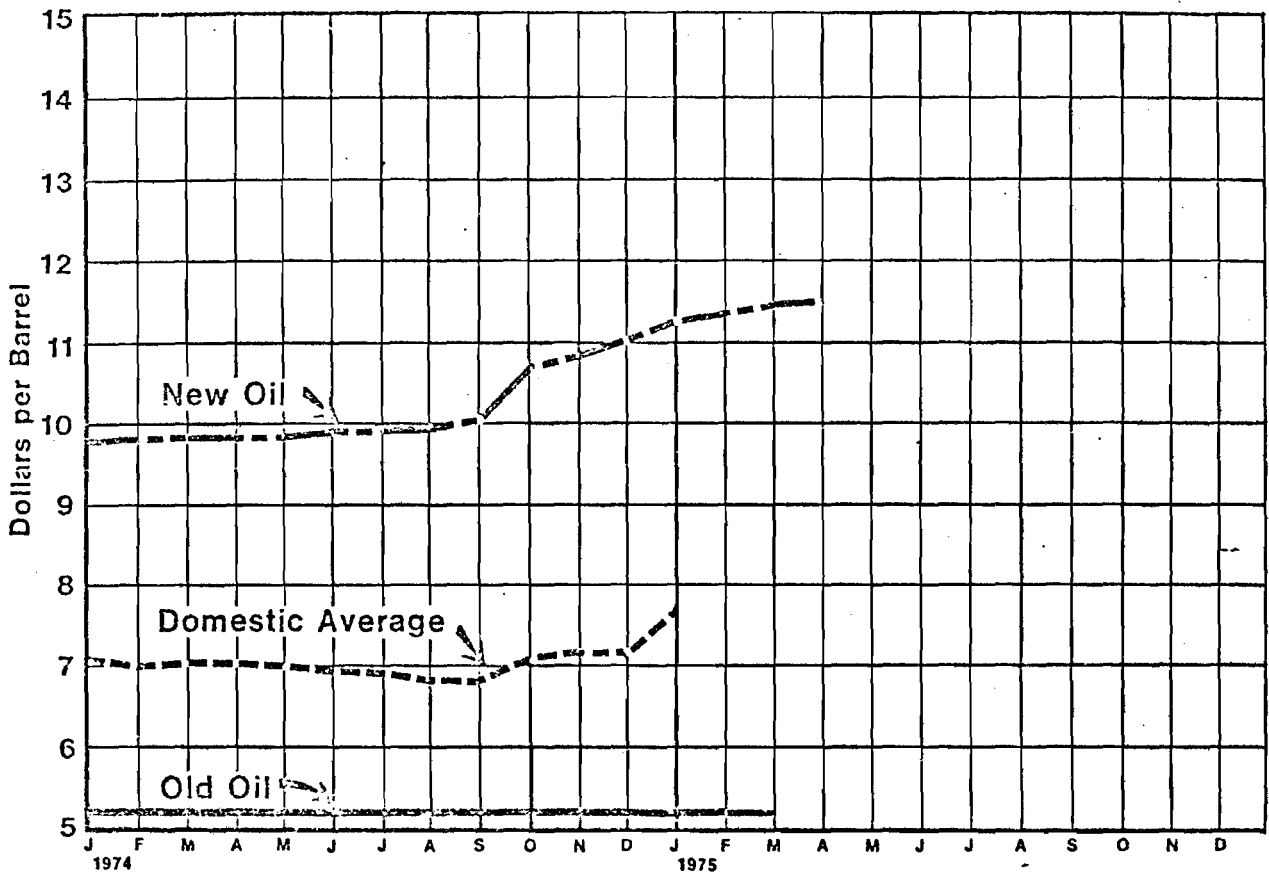


(No new data since last report.)



Figure 8

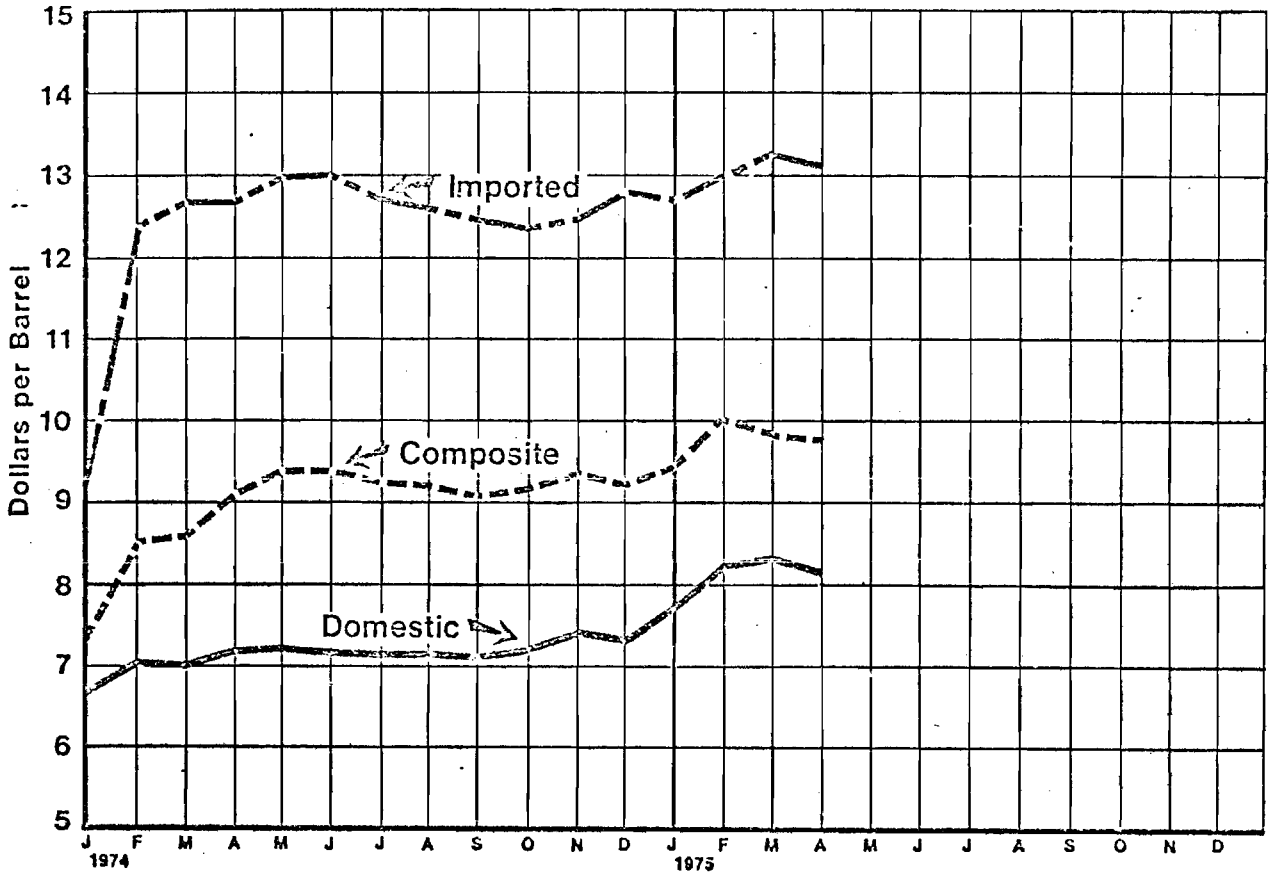
Crude Oil Wellhead Price



(No new data since last report.)



Crude Oil Refiner Acquisition Cost



(No new data since last report.)



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

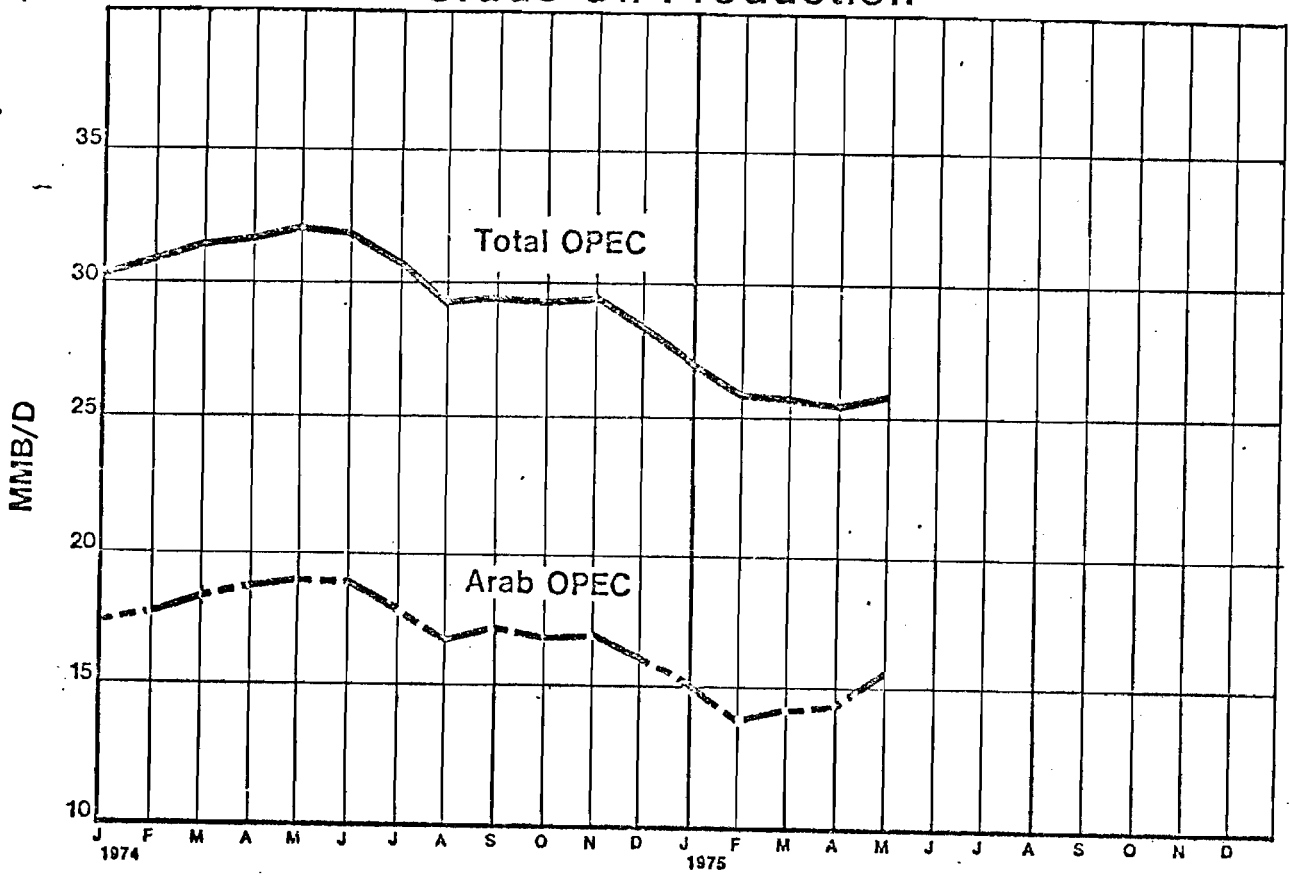


Major International Events

- o The ruling party in Venezuela, Accion Democratia, hopes to use its majority status to win approval of the oil nationalization bill now on the floor of the Chamber of Deputies. Final Congressional approval and enactment of the law is expected in July with nationalization of the properties to take effect 120 days after enactment.
- o Saudi Arabia's Oil Minister Zaki Yamani announced that his country, which accounts for about 27 percent of the Free World's crude oil proved recoverable reserves of about 636 billion barrels, expects to eventually discover an additional 100 billion barrels. Additional new proved reserves expected to be discovered in the Free World, mostly in offshore areas, are estimated at 616 billion barrels. This would give Saudi Arabia 22 percent, or 272 billion barrels of the 1,249 billion barrels of total Free World ultimate recoverable reserves.
- o Saudi Arabian output increased by 1.1 million barrels per day in May to 6.8 million barrels per day. At the same time, output fell in Iran, Kuwait and Qatar. The change probably resulted from slight price differentials as purchasers sought to improve their margins and the current demand for Saudi Arabia's high gasoline-yielding crude.
- o Iraq is about to take a big step in its drive to increase and diversify its crude oil export capability. In mid-July, it will inaugurate a new Persian Gulf deepwater terminal and a strategic pipeline linking its northern (Kirkuk) oilfields with the Persian Gulf terminal. The country will then have the flexibility for moving large quantities of crude from the northern fields to either the Mediterranean or Persian Gulf terminals.
- o British Energy Minister, John Smith, has estimated that British North Sea oil production should reach 400,000 to 450,000 barrels per day in 1976.



OPEC Countries Crude Oil Production



(No new data since last report.)





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

JUL 8 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

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

Legislative Status

The Ways and Means energy tax bill, HR 6860, has been referred to the Senate Finance Committee. Hearings have been scheduled for mid-July and Administration witnesses will testify.

On June 24, the Interstate and Foreign Commerce Committee reported its energy plan. The Administration has voiced strong opposition to this legislation, particularly to its provisions on crude oil pricing. This legislation includes: a rollback of prices for uncontrolled crude to \$7.50 per barrel; a price of \$8.50 per barrel for Alaskan, OCS, and tertiary crude; prices up to \$8.50 per barrel for certain crudes with high production costs; and decontrol of old oil at a rate of one percent per month, retroactive to May 1972.

Administrative Actions

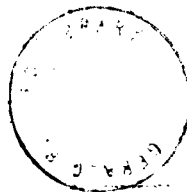
In recent weeks, stocks of motor gasoline, particularly in the area east of the Rockies, have been running below the levels of 1973, a period in which spot shortages were experienced. As a consequence, concern has been expressed about the possibility of spot shortages this summer. On June 20, I wrote to the chief executive officers of the 17 largest oil refineries to urge them to step up output of motor gasoline. I have followed up this action by personal telephone calls and the positive response thus far received, does not support a conclusion at this time that shortages are developing. As required by PL 93-275, the FEA Act of 1974, an initial report on U.S. oil and gas resources and reserves has been completed and submitted to the Congress. Preliminary estimates indicate that proven reserves of crude oil at year end 1974 totaled 38.2 billion barrels compared with 34.2 billion barrels reported by the American Petroleum Institute, a difference of approximately 10 percent.



Action on Energy Legislation

Congressional Action

- o The Interstate and Foreign Commerce Committee's omnibus energy plan, HR 7014, was reported on June 24 and is pending Rules Committee action. The Administration has charged that this legislation includes no action to increase domestic supplies, provides for a very weak conservation program and would result in revenue losses of over \$500 million in 1975 and over \$750 million in 1976.
- o Bills scheduled for possible floor action in the Senate during the week of July 7 are S 1849 (legislation to extend the Emergency Petroleum Allocation Act to March 1, 1976), S 677 (Strategic Oil Reserves), and possibly S 692 (natural gas legislation).
- o The Subcommittee on Conservation, Energy, and Natural Resources of the House Government Operations Committee held a hearing on June 26 on natural gas shortages. Administration witnesses testified in favor of the deregulation of new gas prices and accelerated OCS development.
- o The House Select Committee on OCS is holding hearings in Scotland on HR 6218. Additional field hearings through the end of September have been scheduled. The Senate Interior and Insular Affairs may complete action on OCS legislation during the week of July 7.
- o On June 25, the Aviation Subcommittee of the House Public Works and Transportation Committee held a briefing on fuel problems facing the aviation industry. Administration witnesses participated in the discussion.
- o The Subcommittee on Mines and Mining of the House Interior and Insular Affairs Committee is drafting legislation which will revise the present system of access to minerals on Federal lands. Hearings have been scheduled for mid-July and Administration witnesses will testify.
- o The House Interior and Insular Affairs Committee will resume consideration of land use legislation, HR 3510, during the week of July 7. After consideration of that measure, the Committee is expected to take action on HR 6721, Federal Coal Leasing Act Amendments. Senate Interior and Insular Affairs Committee action on similar legislation, S 391, is expected immediately after the July 4 recess.
- o No additional hearings have been scheduled on coal slurry legislation, HR 1863, in the House Interior and Insular Affairs Committee. House aides feel that it is very doubtful that such legislation will move this session. Senate action is also unlikely.



PROGRESS OF ENERGY LEGISLATION: June 23 - 27

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>On June 24, the Interstate and Foreign Commerce Committee reported its omnibus energy plan, HR 7014. (Title II, Part 8 of HR 7014 provides for Strategic Reserves)</p>	<p>Armed Services Committee is expected to schedule hearings on Title I after the July Recess. Joint hearings with the Interior and Insular Affairs Committee were held in March.</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 has been scheduled for July 8 with Administration Amendments to be offered</p>
<p>Title III - Natural Gas Amendment</p>		<p>Interstate and Foreign Commerce Committee has not scheduled hearings on natural gas legislation as of this date.</p>	<p>On June 12, Commerce Committee reported the bill S 692. Floor action is expected after the July 4th recess.</p>	




FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

July 8, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: Frank G. Zarb 
SUBJECT: Old Oil Decontrol

Attached is a draft statement to accompany the submission of administrative decontrol to the Congress. This plan represents a substantial compromise from your State of the Union proposal, including:

- A two and one-half year phase out which ends January, 1978.
- A cap on new oil prices at about \$13.50 per barrel.

This program will result in less import savings than your original proposals, about 1.4-1.5 million barrels per day versus 2 million barrels, but will insulate domestic oil prices from additional OPEC price increases and is a reasonable compromise with the Congress' desire for an even more gradual program.

I recommend that the program be forwarded to the Congress next Monday to provide ample time for Congressional action and compromise prior to the August 1 Congressional recess. If you approve, I will check the proposal with the White House Counsel.

Attachment

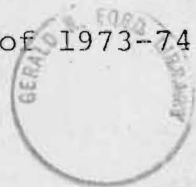


ADMINISTRATION STATEMENT
ON
OLD OIL DECONTROL

I am today submitting to the Congress, a program to maintain price controls on old oil, but phase them out gradually with all controls ending by January 1978. In addition, to assure that any OPEC price increase during this period does not result in similar increases in domestic oil, I am also putting a ceiling on domestic oil prices. I also again call on the Congress to enact a windfall profits tax to assure no unfair gains and allow rebating of these taxes to the American consumer.

This proposal will provide increased incentives for domestic oil production and energy conservation while cutting our import vulnerability and payments for foreign oil. By 1977, this action will lower imports by almost 300 thousand barrels per day and reduce American payments to foreign producers of oil by almost \$2 billion annually. By 1985, decontrol will add over one million barrels per day to production and cut demand by several hundred thousand barrels per day.

If we take no action to increase domestic oil production or cut consumption, we will be more than twice as vulnerable to an embargo by 1977 as we were in the winter of 1973-74.



The decontrol of old oil prices is the single most important step that can be taken to cut our growing dependence on foreign oil.

The plan I am submitting today is significantly different from my original proposal of immediate decontrol last spring. Although I believe that decontrol is vital, in the spirit of compromise I am willing to take a more gradual approach to achieve the desired objective. As a result of this program, by the end of 1975, prices of petroleum products will only rise by about 2¢ per gallon and it will be 1978 before the full effect is felt. While I am reluctant to establish another level of oil prices, I also understand the legitimate concerns that if we decontrol now, future unwarranted OPEC price rises will be needlessly mirrored in domestic prices. The ceiling I am proposing, which will last the duration of the price control phase out, will guarantee that this does not happen.

I am taking this action administratively because we cannot afford to wait indefinitely for a legislative solution by the Congress.

I proposed decontrol, along with a comprehensive legislative tax program over six months ago. Yet, even today, not one piece of constructive energy legislation has been passed. Had I not administratively imposed fees on imported petroleum, there would still be no energy conservation

measures implemented. The tax bill which passed the House and has not yet even been considered by the Senate saves no more energy in the next few years than the existing import fees and less than one-half million B/D ten years from now.

With respect to decontrol, Congressional action has been even more disappointing. The Senate has not even held hearings on this important subject. In the House, what started out as a realistic attempt to legislate a decontrol plan has turned into a decontrol plan which rolls back prices, stimulates energy use, reduces petroleum production and by 1980 could add more than one million B/D to our imports. Yet even this proposal has not been acted upon by the full House.

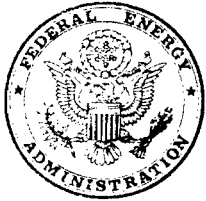
The Congress has just returned from its July 4 recess and will recess for the month of August. The Emergency Petroleum Allocation Act, under which the Federal Energy Administration controls petroleum prices, expires on August 31. Rather than legislate a decontrol plan, the Congress is now considering sending me a simple extension of the Allocation Act. I will veto such an extension and let immediate decontrol occur unless my administrative plan is accepted by the Congress or they enact a simple extension which includes an acceptable decontrol program. I cannot simply sign an extension, which will surely allow the Congress to put off any new action on decontrol until mid-1976. I am certain that at the end of that extension we would be more than one year away from my

original proposal last January and see no more action than we have to date. I have seen too much procrastination and delay in these last six months to allow continued inaction.

The American consumer is already paying too high a price because of our increasing vulnerability to foreign imports. I cannot and will not allow this to continue.

I do not want price and allocation controls for oil to expire on August 31, but if that is the only way to move forward on a constructive and effective energy program I will be forced to accept such a result. The phased decontrol plan I have submitted adequately balances our energy and economic concerns. I urge the Congress to approve it and add it to an extension of the Allocation Act and an appropriate windfall profits tax.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

July 10, 1975

MEMORANDUM FOR DON RUMSFELD
JIM CONNOR

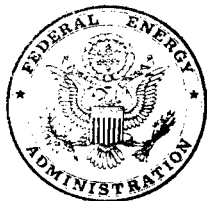
FROM: FRANK G. ZARB *FZ*
SUBJECT: ACTIONS TAKEN AT JULY 8, 1975, 2 PM MEETING WITH
PRESIDENT FORD

The President directed that we proceed directing a decontrol of old oil as follows:

- A 30 month program with all controls expiring on January 31, 1977.
- That we will place an administrative ceiling on new oil prices to \$2 above the February 1 new oil costs. The average ceiling will be \$13.50.
- He also directed that we be prepared to make a formal announcement Monday, July 14.
- That we brief the White House Press after his formal statement.
- That additional material be made available to all Members of Congress describing the importance of approving our program.

Joint responsibilities and follow-up involve Greenspan, Cheney and me.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

July 11, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB 

SUBJECT: Conference Session on Price and Allocation Controls

The Conference Committee established to reconcile S. 621 and H.R. 4035 reported a bill late Thursday, July 10. As you know, both of these bills involve modifications of FEA's allocation and price control authority.

The result of the conference action is a bill that extends the Emergency Petroleum Allocation Act and FEA's coal conversion authority until December 31, 1975 with the following modifications:

1. 20 days for either House to disapprove any major change to the allocation or price control program (such as decontrol) in place of the 5 day period in current law;
2. Establishment of a ceiling price for new oil of January 31, 1975 (approximately \$11.50);
3. Provision of Presidential authority to implement a one-time increase in the price of old oil by 50¢ without Congressional approval if the increase can be justified on the basis of costs;
4. Small refiners (50,000 barrels per day or less) are exempted from the entitlements program.

The conference report is currently being drafted and we expect final action on the report in both Houses no later than Wednesday, July 16. An all out effort will be made to ensure as many "no" votes as possible on the conference report.



Pres chm



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

July 16, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *FZ*

I thought you would be interested in the latest exchange with Mike Mansfield on our favorite subject. You might want to take special note of his P.S.

Attachment





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

July 16, 1975

OFFICE OF THE ADMINISTRATOR

Honorable Mike Mansfield
United States Senate
Washington, D. C. 20510

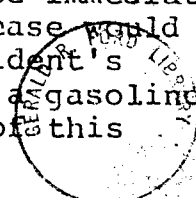
Dear Senator Mansfield:

Thank you for your letter of July 14 which responded to my statement in which I expressed our deep concern about provisions of S. 621 and H.R. 4035.

Your letter, though, itself is of deep concern to me in that it conveys certain claims by the Democratic Policy Committee staff on the impacts of H.R. 4035. This concern is two-fold; first because their analysis greatly exaggerates the price increases and economic impacts that would result from decontrol, and second because it suggests that the Nation can get something for nothing by legislation such as H.R. 4035.

For example, the staff claims that this legislation will prevent \$33 billion in total cost increases, save each family \$600 per year, and prevent a 28¢ increase in the price of gasoline. Simple arithmetic demonstrates that these numbers are fallacious. There are only about 5.2 million barrels of old oil produced per day, which would rise by about \$8.00 per barrel, or about a \$15 billion total, by the end of the 2-1/2 year period of phased decontrol. Dividing this number by the approximately 17 million barrels of oil this Nation uses each day reveals that decontrol would result in only 7¢ per gallon in price increases. Similarly, dividing by the Census Bureau number of households in this country yields about one-third the total of household cost impacts cited in your letter.

As you know, the President's program contemplates gradual decontrol, so that these cost impacts would not be immediate. Under the President's proposal the 7¢ price increase would not occur until the end of 1978, and if the President's proposal were adopted immediately it would cause a gasoline price increase of only 1¢ per gallon by the end of this year.



The staff analysis suggests the alternatives now considered by the Senate are immediate decontrol and enactment of H.R. 4035. As you know, this is inaccurate, for the President has proposed phased-in decontrol over a 30-month period. Not only are the cost increases resulting from decontrol substantially more modest than those suggested by the Policy Committee staff, but under the President's proposal they would be put into place gradually to avoid even the slightest risk of dislocation of the economy.

The staff analysis is disturbing as well because it fails to suggest the practical consequences of H.R. 4035, or of continuing the current mandatory controls. The facts are simple and stark. Enactment of H.R. 4035 would increase our reliance on imported petroleum by 70,000 barrels per day from the status quo and by 350,000 barrels per day when compared to adoption of the President's phased decontrol plan. The staff analysis further fails to address the economic dislocations associated with continuing to export the dollars necessary to exist with this increased reliance on imported oil.

Moreover, the staff prognosis which describes these added costs fails altogether to consider the progressive rebates to consumers proposed by the President's program. As you know, the President has just restated his request that the Congress act promptly to enact the legislation necessary that will return the energy taxes he proposes as consumer rebates.

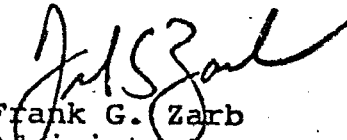
As you are aware, the recession appears at an end, and it was reported yesterday by the Federal Reserve Board that industrial production rose in June for the first time since last September. As we anticipate an increased pace of economic activity throughout this year and into next, we may also expect further pressure on petroleum consumption which makes it even more essential that we act now to start decontrol in order that the Nation use more wisely all of its energy resources.

While the economic effects of action are greatly overstated by the Policy Committee staff, they fail even to mention the costs we would sustain in a new embargo. By 1977, we could be more than twice as vulnerable to an embargo as we were in the winter of 1973-1974, which could cost our economy over \$40 billion if it lasted six months -- far greater than the costs of implementing the President's program.

The President has sought in good faith to compromise with those in the Congress who have expressed reservations as to certain elements of his energy program. As you know, he originally proposed immediate decontrol by last April. He has just submitted a decontrol plan which tempers considerably the pace he originally set for achieving this crucial objective in the energy program which the Nation must adopt. H.R. 4035 would have the effect of rebuffing the President's compromise proposal even before it is considered on its merits. Accordingly, I must restate the concerns I expressed in my letters of July 10 and July 15 and urge that the Senate reject the Conference Report on H.R. 4035.

I assure you that I and the Administration will continue our efforts to work constructively with you and the entire Congress to accomplish an effective national energy program that will achieve our crucial conservation goals while preserving the purchasing power of all the Nation's citizens.

Sincerely,



Frank G. Zarb
Administrator

cc: Honorable Hugh Scott

P.S. I know you are "betwixt and between" and regardless of our sometimes differing points of view, I respect and appreciate your honest and meaningful contribution toward recognizing and solving our energy crises.

FGZ



MIKE MANFIELD, MONT., CHAIRMAN
WARREN G. MAGNUSON, WASH.
JOHN O. PASTORE, R.I.
STUART SYMINGTON, MO.
PHILIP A. HART, MICH.
HERMAN E. TALMADGE, GA.
ERNEST F. HOLLINGS, S.C.
JAMES O. EASTLAND, MISS., EX OFFICIO
(AS PRESIDENT PRO TEMPORE)
ROBERT C. BYRD, W. VA., EX OFFICIO (AS WHIP)
FRANK E. MOSS, UTAH, EX OFFICIO
(AS SECRETARY OF CONFERENCE)

CHARLES D. FERRIS,
STAFF DIRECTOR AND GENERAL COUNSEL

ASSOCIATED
LEGISLATIVE REVIEW COMMITTEE
EDMUND S. MUSKIE, MAINE, CHAIRMAN
DANIEL K. INOUE, HAWAII
VANCE HARTKE, IND.
DALE BUMPERS, ARK.

United States Senate
Democratic Policy Committee

July 14, 1975

Honorable Frank G. Zarb
Administrator
Federal Energy Administration
Washington, D. C. 20461

Dear Mr. Zarb:

Thank you for your letter of July 10 expressing profound concern about the provisions of S. 621 and H.R. 4035. The conferees have now reached an accord on the items in disagreement. This measure represents the majority view of the Congress that controls should be kept on the price of energy. It is the only mechanism designed to avoid a serious impact on the American consumer, the farmer, business and the economy generally. The Nation cannot, as was brought out at the White House, tolerate at this time the shock of further petroleum price increases. Keeping the lid on oil now under control and even the roll-back feature on oil not under control could help to avoid additional economic difficulties that would be occasioned by large petroleum price increases, be they caused by import tariffs or taxes, by industry or by the cartel.

By extending the Petroleum Allocation Act of 1973 as provided by H.R. 4035, the Policy Committee staff informs me that the following will have been achieved:

- "(1) prevented an increase of 15 cents per gallon in the price of all petroleum products;
- (2) prevented a 28 cents increase in the price of gasoline;
- (3) prevented an exorbitant increase in the price of home heating oil;
- (4) barred the inflationary push against the cost of all goods and services - food, shelter, clothing and synthetics; and
- (5) saved the average family an additional \$600 in increased costs per year."

In more general terms, with regard to the economy, this legislation prevents an impact that could keep the recession from becoming much worse. Avoided, for example, will be a possible two percent increase in inflation, which would push us back into double-digit figures. Avoided also is a further increase in unemployment by saving anywhere from 200,000 to 600,000 jobs. Most importantly, perhaps, is the fact that if all the controls are now lifted, the price paid for petroleum by the

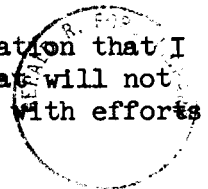
Honorable Frank G. Zarb
July 14, 1975
Page 2

people of this Nation will be set entirely by the foreign cartel. This would be neither fair nor equitable.

As to other elements of the energy program in the Senate, I am happy to report that many of the most important measures are well along in the legislative process and will soon be passed. Of course, we have already passed the standby authorities which would be triggered into effect in the event of embargo or other unforeseen shortage. The Strategic Reserves proposal has been passed and other key elements of the comprehensive Congressional program have now received the legislative refinement to the end that the main conservation measures, augmented supply measures and those measures designed to foster greater utilization of more abundant fuel sources will hopefully be passed within the next two or three weeks. I hope the Senate will receive the full cooperation of the entire Executive branch in this bipartisan Congressional effort to set the policy direction in the energy field for the decades to come. Among the energy bills set for consideration in July are the following:

- (1) S. 1849, to extend the emergency petroleum allocation act expiring on August 31, 1975 which if not extended will force the price of oil now controlled from \$5.25 to \$13.50 per bbl resulting in an additional annual energy cost to consumers of \$33 billion.
- (2) S. 1883 Mandatory fuel efficiency standards for new automobiles and light duty trucks.
- (3) S. 521 Outer continental shelf development and leasing S. 586 coastal zone act.
- (4) S. 391 Coal leasing and S. 1777 coal conversion, to accelerate the transition to greater coal usage.
- (5) S. 598 Energy research development act funding of synthetic fuels.
- (6) S. 692 Natural gas production and conservation act.
- (7) S. 740 Energy production board to oversee and coordinate the national energy efforts.

Beyond that, I would only concur in your observation that I am indeed interested in helping to implement a program that will not cause further damage to the American economy or interfere with efforts

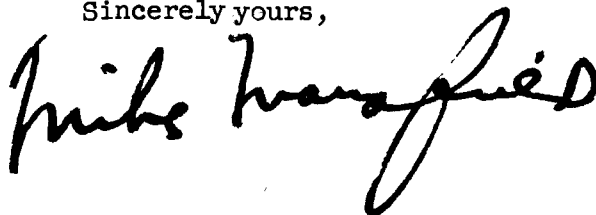


Honorable Frank G. Zarb
July 14, 1975
Page 3

to aid recovery. At the same time, I hope the Administration will cooperate in the Senate's efforts with these and other proposals to begin the process of making this Nation less vulnerable to the actions of the cartel and less dependent upon foreign sources of energy.

With best personal wishes, I am

Sincerely yours,

A handwritten signature in cursive script, reading "Mike Mansfield". The signature is written in black ink and is positioned below the typed name "Mike Mansfield".

P.S. As you are aware, on some of the proposals discussed at the White House, I am "betwixt & between".

Regards,

MM



75 JUL 16 AM 10:34

CONGRESSIONAL AFFAIRS

()
()
()
()
()

7/15 - Zarb via
Zarber
7/16 - 35 review

Not sent
Overlaken by
Bert's pet
Reg. B. on 7/16/75.
gl

FORD, Gerald R.

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Zarb
Rogers C.E. Morton

SUBJECT: Next Steps in Old Oil Decontrol

Background

We have reviewed your options with respect to the next steps on administrative decontrol of old oil and the extension of the Emergency Petroleum Allocation Act (EPA).

The following is our assessment:

- It will not be possible to reach a legislative compromise with the Congress between now and August 1.
- Any further compromise now on your 30 month plan will not improve the chances of acceptance by Congress and it might only confuse the public.
- In all likelihood your decontrol plan will be disapproved.
- A complicated and unacceptable bill which includes an extension of EPA and other objectionable provision will reach your desk first.
- A simple extension of EPA of 6 months or less will be ready for passage later this month.



Recommendations

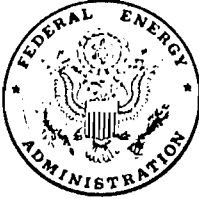
Based on these facts, your options are quite limited and we would recommend the following steps:

- Send your decontrol plan up the Congress Wednesday or Thursday.
- Veto the extension legislation which will then come to your desk, if your plan is disapproved as we expect.
- Make a major T.V. address explaining the energy situation, Congressional performance and your next steps.

Your next steps beyond this depend heavily on events which will unfold over the next several days. We will keep you apprised of them and develop your options for the announcement in the televised address.

AD:EZausner:maf:rm.3212:x8233:7/15/75
cc: AE ✓
Zausner





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

July 18, 1975

OFFICE OF THE ADMINISTRATOR

BRIEFING ON ENERGY POLICY OPTIONS
Saturday, July 19, 1975
11:00 a.m. (60 minutes)
The Cabinet Room

From: Frank G. Zarb

I. PURPOSE

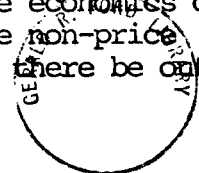
To review and discuss timing of decontrol events over the next two weeks and possible options regarding those events.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

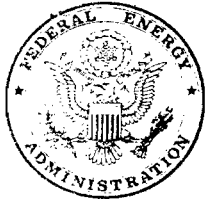
- A. Background: Several major actions will have to be taken during the next two weeks regarding price controls on old oil and the allocation act, including decisions on two separate extensions of controls. The actions, their timing, and alternatives for responding to Congressional actions will be discussed.
- B. Participants: Jack Marsh, Max Friedersdorf, Dick Cheney, Alan Greenspan, Bill Simon, Jim Lynn, Bill Seidman, John Hill, Eric Zausner.
- C. Press Plan: No press photo opportunity. Meeting to be announced.

III. TALKING POINTS

1. We are coming down to the wire on decontrol. I understand that the Congress will likely reject my phased plan and give me instead two extensions to sign or veto.
2. I want to keep my options open as long as possible, but Congress cannot be let off of the hook forever. We simply have to get on with the business of conserving and finding more oil.
3. Frank, I understand that you would like to go over the "calendar" of events for the next couple of weeks and discuss my options at each step of the way.
4. I do want to focus again during the discussion on the economics of immediate control Allen. I also want to focus on the non-price aspects of immediate decontrol -- what problems will there be out there if this act expires.
5. Frank, why don't you get started.



Pres. [unclear]



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

July 17, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *f*

Webster Otis, the Special Assistant to the Secretary for the Department of Interior, and the Federal Regional Council Chairman for Region IX asked me to pass along the enclosed "environmental tie." He said you commented on the tie he was wearing during your recent visit with the FRC Chairmen and he wanted you to have a copy.

I have attached an acknowledgement note which you may wish to send.

Attachment



THE WHITE HOUSE

WASHINGTON

Dear Webster:

Thank you very much for the Dellite Dilly. I continue to strive for a reasonable balance between our environmental-energy goals and the tie will help to remind me of how important that is.

Sincerely,

Honorable Webster Otis
Chairman
Western Federal Regional Council
450 Golden Gate Avenue
Room 14470
San Francisco, California 94102



WESTERN FEDERAL REGIONAL COUNCIL

REGION IX

P. O. BOX 36098
450 GOLDEN GATE AVENUE *Rm 14470*
SAN FRANCISCO, CALIFORNIA 94102
(415) 556-1970

7/2

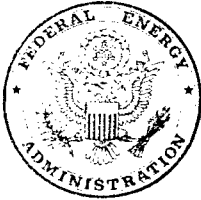
Frank-

*Please give this
file to the "Boss."*

Regards

Webster
Webster





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

July 18, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *FZ*

SUBJECT: Status of Naval Petroleum Reserves Legislation

After considerable delay in the House over a jurisdictional issue, it is now clear that use of the Naval Petroleum Reserves will be approved. The only questions are (a) when, and (b) ultimate provisions regarding use of the reserves.

As you know, our program for the Naval Petroleum Reserves has three basic goals:

- Immediate and unlimited production of NPRs 1 (Elk Hills), 2 and 3 (an estimated 300,000 barrels/day plus);
- Authorization of exploration and production of NPR-4 in Alaska; and
- Creation of a Special Fund out of the proceeds derived from the sale of NPR oil to develop and fill the Strategic Petroleum Reserve and finance further exploration and development of the NPRs.

The House passed bill accepted our provisions regarding NPRs 1, 2 and 3, and the establishment of the Special Fund to finance the Strategic Reserve and further explore the NPRs. The bill, however, does transfer jurisdiction of the NPRs from the Department of Defense to Interior and authorizes only exploration of NPR-4. Production from NPR 4 is prohibited without special congressional authorization, a problem that could lead to a costly government exploration program and possibly a government oil corporation.



Although action in the Senate has been stalled by Senator Cannon's involvement in the New Hampshire problem, he does plan to have his subcommittee report a bill to the Armed Services Committee before recess which will probably:

- . Authorize up to 350,000 barrels per day from NPRs 1, 2 and 3 for five years;
- . Require DOD to submit a proposal for development and production of NPR-4; and
- . Establish the Special Fund for use in financing the strategic reserve and further development of the NPRs (although with certain undesirable restrictions not contained in either our bill or the one passed in the House).

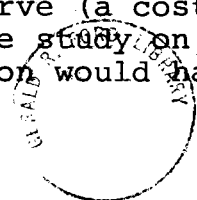
We are working to improve the bill to be reported by the subcommittee.

It should be noted that the Senate appears to be closely aligned with the objectives of our bill. During debate on S. 677 (Strategic Reserves), Cannon and Stennis expressed strong support for both the Strategic Reserves concept and use of the NPRs to finance the reserves. Senator Jackson included in S. 677 authority to use the NPRs to develop the Strategic Reserves which was approved by the Armed Services Committee.

POSSIBLE PROBLEMS

Although progress is slow, we should have a bill in the near future that authorizes use of the NPRs. There are several problems however that require special attention:

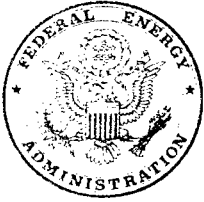
1. Interior's responsibility for the NPRs in the House bill and DOD's expected responsibility in the Senate bill could lead to further, possibly debilitating, delays in conference, particularly in light of the strength of the House's feeling on this issue. We are exploring ways to avoid this impediment, including the possibility of Senate agreement to the jurisdictional arrangements in the House bill.
2. Both Houses believe that authorization of production from NPR-4 is premature and should not occur until the government has explored the reserve (a costly effort) and completed a comprehensive study on the best way to produce the field. Cannon would have



DOD conduct the study, and S. 677 places responsibility for the study in FEA. The issues involved here largely centers around the role/relationship of government and industry. Although a maximum effort will be made to achieve production authority for NPR-4 in the Senate and in conference, chances of success are slim, at least during this session.

We will continue our efforts with Senator Cannon and keep you apprised of progress on a regular basis.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

July 18, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB 

SUBJECT: Status of Naval Petroleum Reserves Legislation

After considerable delay in the House over a jurisdictional issue, it is now clear that use of the Naval Petroleum Reserves will be approved. The only questions are (a) when, and (b) ultimate provisions regarding use of the reserves.

As you know, our program for the Naval Petroleum Reserves has three basic goals:

- . Immediate and unlimited production of NPRs 1 (Elk Hills), 2 and 3 (an estimated 300,000 barrels/day plus);
- . Authorization of exploration and production of NPR-4 in Alaska; and
- . Creation of a Special Fund out of the proceeds derived from the sale of NPR oil to develop and fill the Strategic Petroleum Reserve and finance further exploration and development of the NPRs.

The House passed bill accepted our provisions regarding NPRs 1, 2 and 3, and the establishment of the Special Fund to finance the Strategic Reserve and further explore the NPRs. The bill, however, does transfer jurisdiction of the NPRs from the Department of Defense to Interior and authorizes only exploration of NPR-4. Production from NPR 4 is prohibited without special congressional authorization, a problem that could lead to a costly government exploration program and possibly a government oil corporation.



Although action in the Senate has been stalled by Senator Cannon's involvement in the New Hampshire problem, he does plan to have his subcommittee report a bill to the Armed Services Committee before recess which will probably:

- . Authorize up to 350,000 barrels per day from NPRs 1, 2 and 3 for five years;
- . Require DOD to submit a proposal for development and production of NPR-4; and
- . Establish the Special Fund for use in financing the strategic reserve and further development of the NPRs (although with certain undesirable restrictions not contained in either our bill or the one passed in the House).

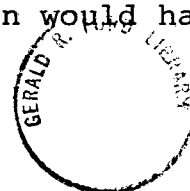
We are working to improve the bill to be reported by the subcommittee.

It should be noted that the Senate appears to be closely aligned with the objectives of our bill. During debate on S. 677 (Strategic Reserves), Cannon and Stennis expressed strong support for both the Strategic Reserves concept and use of the NPRs to finance the reserves. Senator Jackson included in S. 677 authority to use the NPRs to develop the Strategic Reserves which was approved by the Armed Services Committee.

POSSIBLE PROBLEMS

Although progress is slow, we should have a bill in the near future that authorizes use of the NPRs. There are several problems however that require special attention:

1. Interior's responsibility for the NPRs in the House bill and DOD's expected responsibility in the Senate bill could lead to further, possibly debilitating, delays in conference, particularly in light of the strength of the House's feeling on this issue. We are exploring ways to avoid this impediment, including the possibility of Senate agreement to the jurisdictional arrangements in the House bill.
2. Both Houses believe that authorization of production from NPR-4 is premature and should not occur until the government has explored the reserve (a costly effort) and completed a comprehensive study on the best way to produce the field. Cannon would have



DOD conduct the study, and S. 677 places responsibility for the study in FEA. The issues involved here largely centers around the role/relationship of government and industry. Although a maximum effort will be made to achieve production authority for NPR-4 in the Senate and in conference, chances of success are slim, at least during this session.

We will continue our efforts with Senator Cannon and keep you apprised of progress on a regular basis.



Pres Chan

THE WHITE HOUSE

WASHINGTON

July 19, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *F*

SUBJECT: NEXT STEPS IN DECONTROL

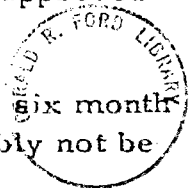
Background

The Congress has passed H. R. 4035, an extension of the Emergency Petroleum Allocation Act, which has now been enrolled. In addition to the six month extension of price and allocation controls, it rolls back the price of new oil to about \$11.30 per barrel and increases the Congressional review period on decontrol plans from five days to twenty days. This legislation is unacceptable. If it became law, it would result in 350,000 barrels per day greater imports than your 30 month decontrol plan.

Projected Sequence of Events

The next two weeks are still uncertain, but our best estimate of how events will unfold are summarized below:

<u>Date</u>	<u>Action</u>
Monday, July 21	- President vetoes H. R. 4035. - Press conference indicating that simple extension will also be vetoed if decontrol is disapproved.
Tuesday, July 22	- Thirty month decontrol plan is disapproved by either/or both Houses. - House decides on rule on a simple six month extension (a conference will probably not be needed).



<u>Date</u>	<u>Action</u>
July 23 - 25	- Simple extension passes and is enrolled.
July 25 - 28	- Veto statement on six month extension. - Presidential T. V. address. - Press conference on the economic impacts of immediate decontrol.

Options Regarding Timing and Possible Follow-Up Steps

The above schedule does not take account of two issues which should be considered:

Timing

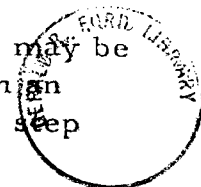
There are two alternatives regarding timing of the veto of the 6 months extension combined with a major Presidential address on decontrol:

1. Before the President leaves for Europe.
 - This will leave time for the Congress to attempt to override the veto and react publicly before they depart.
2. After the Congress is in recess, but before the ten days expire on the simple extension.
 - Congress will not be able to override the veto before the recess, but the President will be out of the country when the address is delivered.

Possible Further Steps

If the President ultimately vetoes a simple extension, it may be desirable for him to make one additional effort to reach an agreement with the Congress before the recess. Such a step could be undertaken in one of two ways.

1. Resubmittal of administrative decontrol plan by July 24, to allow the five days to elapse before the Congressional recess begins.



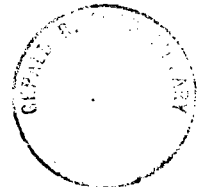
2. Submission of a 30 month extension combined with decontrol when the veto of the simple six month extension is announced.

Although neither option would likely be approved by the Congress, it may place the President in a better posture politically on immediate decontrol. The President would have tried one last time to avoid the full impact of decontrol. More importantly is the fact that it would put the final action back in the Congress' lap as they recess -- not in the President's.

Regardless of which option is chosen, we would not favor further substantive modifications of the decontrol plan at this time.

Summary of Options:

1. Veto H. R. 4035 on Monday and announce veto of 6 months extension if no agreement on Phase In Yes _____ No _____
2. After rejection of President's Phase Out Program, submit Administrative program or legislative package to put burden back with them. (Ask to stay in session.) Yes _____ No _____
3. Accept 6 months extension or work toward 30-90 day extension. Yes _____ No _____
4. Veto 6 months extension and work for compromise after recess. Yes _____ No _____
5. Decide now that we want abrupt decontrol and begin now to prepare for impacts. Yes _____ No _____



MICRO IMPACTS OF IMMEDIATE CONTROL

1. PROPANE

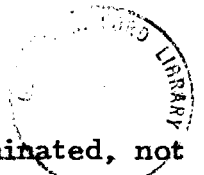
- . Big industrial users of propane or gas that are facing gas curtailments will soak up all available propane. These users, which include electric and gas utilities, Ford and GM, SNG plants, and large industrial boiler plants have huge economic power in the propane market. They would have soaked up the market by now in the absence of FEA price controls and physical prohibitions on the amount they can buy.
- . The loser in this economic game will be farmers and residents of rural areas who use propane to heat their homes and barns, heat their crops and fuel their equipment.
- . The loss will first show up in price increases that could be as high as three-fold (it happened during the embargo until FEA got control of the situation). There will be many farmers pay 400+ to heat their homes during winter. The loss will ultimately show up in the sheer unavailability of propane to these customers.

2. GASOLINE RETAILERS

- . Independent gasoline retailers (small businessmen) will be eliminated from the market in large numbers, whether branded or non-branded.
- . The driving forces here are powerful and could not be resisted even by the most "noble" oil company. The forces are (1) increase in crude prices, and (2) shifts in where the majors will have to earn their profits in the future now that they have lost their crude in OPEC nations.
- . These people have political clout; they were getting the allocation act drafted into law long before the embargo.

3. HEATING OIL RETAILERS

- . Small, independent heating oil retailers will also be eliminated, not only because of the forces that will lead to the elimination of the gasoline retailers, but also due to natural gas shortages. Heating oil refiners will provide their excess supplies this winter to people facing natural gas curtailments -- not to the mom and pop operation who sells heating oil to the home heating market.



4. INEFFICIENT REFINERS

- . Many small, very inefficient refiners will go down the tubes. They are only being kept alive today by FEA. While they will not be missed, in a strict energy sense, they have political clout, and can argue that decontrol is further concentrating the oil industry.

5. NATURAL GAS SHORTAGES

- . Some people facing natural gas curtailments may have difficulty getting heating oil as a substitute fuel in the absence of an allocation program.

6. AIRLINES

- . At least two airlines may fail during the next twelve months (Pan Am and TWA). Although decontrol will not be the cause, it will be blamed as the cause.

7. TIMING OF IMPACTS

- . The propane problem will occur at the worst time -- during winter and the crop drying season.
- . The heating oil price increase and related adjustments will occur during the worst time of the year and at the height of the gas shortage problem.



THE WHITE HOUSE

WASHINGTON

July 19, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB ³

SUBJECT: NEXT STEPS IN DECONTROL

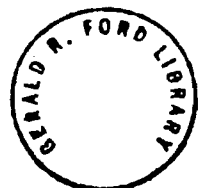
Background

The Congress has passed H. R. 4035, an extension of the Emergency Petroleum Allocation Act, which has now been enrolled. In addition to the six month extension of price and allocation controls, it rolls back the price of new oil to about \$11.30 per barrel and increases the Congressional review period on decontrol plans from five days to twenty days. This legislation is unacceptable. If it became law, it would result in 350,000 barrels per day greater imports than your 30 month decontrol plan.

Projected Sequence of Events

The next two weeks are still uncertain, but our best estimate of how events will unfold are summarized below:

<u>Date</u>	<u>Action</u>
Monday, July 21	- President vetoes H. R. 4035. - Press conference indicating that simple extension will also be vetoed if decontrol is disapproved.
Tuesday, July 22	- Thirty month decontrol plan is disapproved by either/or both Houses. - House decides on rule on a simple six month extension (a conference will probably not be needed).



MICRO IMPACTS OF IMMEDIATE CONTROL

1. PROPANE

- Big industrial users of propane or gas that are facing gas curtailments will soak up all available propane. These users, which include electric and gas utilities, Ford and GM, SNG plants, and large industrial boiler plants have huge economic power in the propane market. They would have soaked up the market by now in the absence of FEA price controls and physical prohibitions on the amount they can buy.
- The loser in this economic game will be farmers and residents of rural areas who use propane to heat their homes and barns, heat their crops and fuel their equipment.
- The loss will first show up in price increases that could be as high as three-fold (it happened during the embargo until FEA got control of the situation). There will be many farmers pay 400+ to heat their homes during winter. The loss will ultimately show up in the sheer unavailability of propane to these customers.

2. GASOLINE RETAILERS

- Independent gasoline retailers (small businessmen) will be eliminated from the market in large numbers, whether branded or non-branded.
- The driving forces here are powerful and could not be resisted even by the most "noble" oil company. The forces are (1) increase in crude prices, and (2) shifts in where the majors will have to earn their profits in the future now that they have lost their crude in OPEC nations.
- These people have political clout; they were getting the allocation act drafted into law long before the embargo.

3. HEATING OIL RETAILERS

- Small, independent heating oil retailers will also be eliminated, not only because of the forces that will lead to the elimination of the gasoline retailers, but also due to natural gas shortages. Heating oil refiners will provide their excess supplies this winter to people facing natural gas curtailments -- not to the mom and pop operation who sells heating oil to the home heating market.



4. INEFFICIENT REFINERS

- Many small, very inefficient refiners will go down the tubes. They are only being kept alive today by FEA. While they will not be missed, in a strict energy sense, they have political clout, and can argue that decontrol is further concentrating the oil industry.

5. NATURAL GAS SHORTAGES

- Some people facing natural gas curtailments may have difficulty getting heating oil as a substitute fuel in the absence of an allocation program.

6. AIRLINES

- At least two airlines may fail during the next twelve months (Pan Am and TWA). Although decontrol will not be the cause, it will be blamed as the cause.

7. TIMING OF IMPACTS

- The propane problem will occur at the worst time -- during winter and the crop drying season.
- The heating oil price increase and related adjustments will occur during the worst time of the year and at the height of the gas shortage problem.



Pac, ch...



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

July 20, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *F*
SUBJECT: VETO MESSAGE FOR H.R. 4035

Attached is a draft copy of the veto message for H.R. 4035, the Petroleum Price Review Act, which was enrolled by the Congress on Friday. The speech writers and others are standing by for any revisions you may suggest early Monday morning.

I met last night with Congressmen Tim Wirth (D-Colo), Joe Fisher (D-Va), Clarence Brown (R-Ohio), John Brademus (D-Ind), Charles Wilson (D-Texas), and Robert Krueger (D-Texas). We had a two hour discussion on general parameters for potential compromise. Nothing conclusive resulted from that meeting. We agreed to meet again on Sunday evening at 7 P.M.

I will report to you the substance of the Sunday meeting early Monday morning.

Attachment



VETO MESSAGE

H.R. 4035

PETROLEUM PRICE REVIEW ACT

I am returning without my approval H.R. 4035, the Petroleum Price Review Act, because it would increase petroleum consumption, cut domestic production, increase reliance on insecure petroleum imports and avoid the issue of phasing out unwieldy price controls.

H.R. 4035 would go counter to the Nation's need to conserve energy and reduce dependence on imported oil. It would increase petroleum imports by about 350,000 barrels per day in 1977, compared to import levels under my phased decontrol plan. It would even increase imports by about 70,000 barrels per day over continuation of the current system of mandatory controls through 1977.

The provisions in this bill to roll back the price of domestic oil not now controlled, to repeal the "stripper well" exemption from price controls and to establish a three-tier price system which would require even more complex regulations would be counterproductive to the achievement of energy independence.

The bill does contain an Administration requested provision which would continue the coal conversion program through December 31st. Since coal conversion authorities authorized last year in the Energy Supply and Environmental

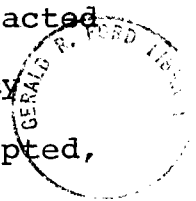


Coordination Act expired June 30th, I urge rapid enactment of a simple one year extension of these authorities.

Last Wednesday, July 16, I submitted to Congress a compromise plan to phase out price controls on crude oil over a thirty-month period. Coupled with administratively imposed import fees, this plan will reduce the Nation's imports by 900,000 barrels per day by 1977. It will reduce our vulnerability to another embargo by adding slightly over 1¢ per gallon to the price of all petroleum products by the end of 1975 and seven cents by 1978.

If Congress acts on this compromise and on other Administration proposed energy taxes, including the "windfall profits" tax and energy tax rebates to consumers, the burden of decontrol will be shared fairly, and our economic recovery will continue.

I veto H.R. 4035, because it increases our vulnerability to unreliable sources of crude oil and does not deal with the need to phase-out rigid price and allocation controls enacted during the embargo. I urge Congress not to disapprove my administrative plan of gradual decontrol. If it is accepted, I will accept a simple extension of price and allocation authorities. If decontrol is not accepted, I will have no choice but to veto the simple six-month extension of these authorities now being considered by Congress.



For too long, the Nation has been without an energy policy, and I cannot approve a drift into greater energy dependence.

Picked up by: 14A

FEDERAL ENERGY ADMINISTRATION
FEDERAL ENERGY ADMINISTRATION
Washington, D.C. 20461

July 22, 1975

Office of the Administrator

MEMORANDUM FOR THE PRESIDENT

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

Legislative Status

During the weeks of July 7 and 14, both the House and Senate passed the Petroleum Products Conference Report, HR 4035/S 621, and sent the report to the White House for consideration. Also during this period the Senate passed Strategic Reserves Legislation, S 677; Truth in Energy, S 349; and S 1849, extending the Emergency Petroleum Allocation Act, amended to extend ESECA authorities. The bill, S 1849, will be considered by the House Rules Committee on July 22. House floor consideration of S 1849 possibly will be dependent upon White House action on the conference report on HR 4035.

On July 9, the House passed HR 49, legislation transferring the management of the Naval Petroleum Reserves to the Department of Interior.

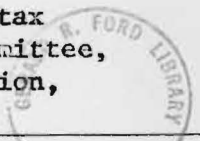
The President's decontrol plan was submitted to Congress on July 16. The Senate Interior Committee reported S Res 145, which disapproves the President's plan. Senate floor action is expected on July 22. On Friday, July 18, the House Rules Committee granted a two hour open rule, for general debate only, with an additional hour available prior to general debate for consideration of the rule on H Res 439. Passage of either disapproval resolution would block the President's decontrol action.

The Senate Finance Committee is expected to begin mark up of HR 6860, the Ways and Means omnibus energy tax bill, during the week of July 21.

The House is expected to take final action on HR 7014, the energy tax measure submitted by the House Interstate and Foreign Commerce Committee, during the week of July 21. Senate action on natural gas legislation, S 692, may be taken during that week also.

CONCURRENCES

SYMBOL							
		<i>GC</i>	<i>J</i>	<i>John Hill</i>	<i>signed</i>	<i>J</i>	
SURNAME		<i>GC</i>	<i>H</i>	<i>signed</i>	<i>to 7/24 A.M.</i>	<i>J</i>	
DATE		<i>7-23</i>	<i>7-23</i>	<i>7/24 A.M.</i>			



Ford, Gerald

cc: Official file AE2
Dwyer
Corn
Zausner
Zarb sig
Rathbun
P:OES:RJCorn:vm:rm 7219:7/22/75

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:

- o Gasoline demand for the 4 weeks ending July 4--including the first half of the Independence Day weekend--averaged 7.06 million barrels per day. This, however, was just about the same level as in 1973 and 1974. Normal demand for the 4-week period had been increasing at an annual rate of 4.6 percent a year prior to 1973.
- o The average retail price of regular gasoline increased during June by 1.3 cents per gallon to 55.6 cents per gallon. Preliminary figures indicate an additional increase during July of 3.3 cents.
- o Stocks of motor gasoline, after reaching a low point over the Fourth of July weekend, increased during the week ending July 11 for the first time since mid-April, to a level of 196.5 million barrels.

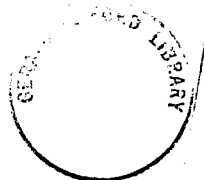
Major International Developments

Saudi Arabia's long-anticipated 100 percent takeover of Aramco could be wrapped up by September. The Saudis are reported to be willing to meet the companies' insistence for large, guaranteed volumes of crude oil, possibly as much as 7 million barrels per day, compared to their average 1974 liftings of 3 million barrels per day. Surprisingly, the Saudis are said to be providing substantial incentives for a massive new exploration drive by the Aramco partners, which could add considerably to the country's surplus productive capacity and, thus, to the strains within OPEC.



TAB A

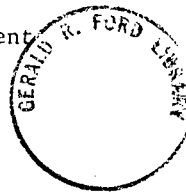
Action on Energy Legislation



Action on Energy Legislation

Congressional Action

- o On July 16, the Senate passed the conference report on HR 4035/S 621 by a margin of 57 to 40; on July 17, the House passed the conference report by a margin of 239 to 172. The measure has been sent to the White House for consideration. This report extends from 5 to 20 days the period in which either House can disapprove a decontrol exemption plan or price increase of old crude of more than 50 cents per barrel; sets a ceiling price on "new oil" as of January 31, 1975; extends the current Emergency Petroleum Allocation Act and the authority to issue coal conversion orders under ESECA through December 31, 1975; and exempts from entitlements purchases the first 50,000 barrels per day of small refiners (less than 400,000 barrels per day). The Conferees deleted the Senate bill's provision for enhanced oil recovery, which would have allowed production above a pre-determined declining base curve to be sold at the proposed controlled new oil prices.
- o On July 11, the Senate Interior and Insular Affairs Committee voted to report out S 521, legislation to provide for the management of OCS. The Subcommittee on Energy Research, Development and Demonstration of the House Science and Technology Committee held a series of hearings on the adequacy of OCS research and development during the week of July 7. The House Select OCS Committee held field hearings on OCS policy and its bill, HR 6218, in New York City on July 18-19.
- o Over the last two weeks, the Joint Committee on Atomic Energy continued its hearings on the national breeder reactor program.
- o On July 14, the Senate Interior and Insular Affairs Committee held a hearing on S 740, legislation to establish a National Energy Production Board. Witnesses testifying before the Committee, representing both the oil industry and environmental groups, voiced their opposition to the legislation. Administration witnesses will appear before the Committee during the week of July 21.
- o On July 15, the Senate Budget Committee held the first of a series of four hearings on the economic context of the energy issue.
- o On July 16, the Subcommittee on Investigations of the Senate Government Operations Committee and the Subcommittee on Oil and Natural Gas Production and Distribution held a joint hearing on gasoline supply and prices. Administration witnesses explained the rise in gasoline prices (estimated between 2 cents and 5 cents) expected before Labor Day.
- o The Antitrust and Monopoly Subcommittee of the Senate Judiciary Committee concluded its hearings on S 478, legislation to prohibit petroleum companies from owning other energy companies.



- o On July 11 and 14, the Energy and Power Subcommittee of the House Interstate and Foreign Commerce Committee held hearings on the impact of decontrol of domestic oil prices on the economy. A staff study stated that decontrol could result in forcing gasoline up to 90 cents by the end of 1975, and placing an immediate hardship on consumers and businesses. Administration witnesses testified in support of the President's program on July 14.

- o During the weeks of July 7 and 14, the Subcommittee on the Environment and the Atmosphere of the House Science and Technology Committee held hearings on R&D on sulfates in the atmosphere. Various Administration witnesses testified.



PROGRESS OF ENERGY LEGISLATION: July 7 - July 18

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>A. <u>OMNIBUS ENERGY BILL (HR 2633, HR 2650, S 594)</u></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>On June 17, the Interior and Insular Affairs Committee reported out S 677, the "Strategic Energy Reserves Act of 1975."</p> <p>On July 11, the National Stockpile and Naval Petroleum Reserves Subcommittee of the Armed Services Committee completed markup of naval petroleum reserve legislation.</p> <p>Full Committee consideration is expected in the near future.</p>	<p>On July 9, the House passed HR 49 by a margin of 391-20. Passage of the legislation came after the House defeated the Armed Services Committee effort to retain military control over these reserves by a 102-305 vote.</p> <p>On July 8, the Senate approved S 677 unanimously. The bill has been jointly referred to the House Armed Services and House Interstate and Foreign Commerce Committees.</p> <p>On July 15, the House began debate on HR 7014, the omnibus energy plan submitted by the House Interstate and Foreign Commerce Committee. Title II, Part B, provides for a national civilian strategic petroleum reserve.</p>
<p>Title III - Natural Gas Amendment</p>		<p>Energy and Power Subcommittee of the Interstate and Foreign Commerce Committee has not scheduled hearings on natural gas legislation as of this date.</p> <p>During the week of July 14, the Subcommittee on Oversight and Investigations of the Interstate and Foreign Commerce Committee continued hearings on natural gas supplies.</p>	<p>On July 12, Commerce Committee reported the bill S 692.</p>	<p>There is the possibility of Senate floor action on S 692 during the week of July 21.</p>



PROGRESS OF ENERGY LEGISLATION: July 7 - July 18

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>Health and Environment Subcommittee of Interstate and Foreign Commerce Committee continued markup sessions on Clean Air Act Amendments during the week of July 7.</p>	<p>The Subcommittee on Environmental Pollution of the Public Works Committee has continued markup sessions on Clean Air Act Amendments during the weeks of July 7 and 14.</p> <p>During the week of June 23, the Public Works Committee resumed hearings on S 1777, the National Petroleum and Natural Gas Conservation and Coal Substitution Act. Administration witnesses testified.</p>	<p>On July 15, the House began debate on HR 7014, the omnibus energy plan submitted by the House Interstate and Foreign Commerce Committee. Title VI of HR 7014 includes coal conversion authority and extension.</p> <p>On July 15, the Senate passed S 1049 amended to extend ESECA authority (which lapsed June 30) to December 31, 1975. House Rules Committee consideration is scheduled for July 22.</p> <p>The House and Senate passed the conference report on HR 4035/S 621. The measure has been sent to the White House for its consideration. The report provides for an extension of ESECA authorities to December 31, 1975. This legislation, however, contains many provisions objectionable to the Administration, including restrictions on the President's authority to decontrol old oil.</p>
<p>Title V - Clean Air Amendments Title VI - Significant Deterioration</p>		<p>Health and Environment Subcommittee of Interstate and Foreign Commerce Committee continued markup sessions on Clean Air Act Amendments during the week of July 7.</p>	<p>The Subcommittee on Environmental Pollution of the Public Works Committee continued markup sessions on Clean Air Act Amendments during the weeks of July 7 and 14.</p> <p>During the week of June 23, the Public Works Committee resumed hearings on S 1777, the National Petroleum and Natural Gas Conservation and Coal Substitution Act. Administration witnesses testified.</p>	<p>On July 15, the House began debate on HR 7014, the omnibus energy plan submitted by the House Interstate and Foreign Commerce Committee. Title V, Part V of the bill provides for automobile fuel economy and efficiency standards and Title VI includes coal conversion.</p>



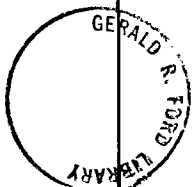
PROGRESS OF ENERGY LEGISLATION: July 7 - July 18

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 on utility legislation in the near future. The Subcommittee may combine Title VII and Title VIII in an omnibus utility bill. Administration witnesses are expected to testify in the future hearings.	The Government Operations Committee and the Commerce Committee are drafting legislation. Markup 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 on this issue in the near future. The Subcommittee may combine Title VII and Title VIII in an omnibus utility bill. Administration witnesses are expected to testify in the future hearing. On July 15, the Interior and Insular Affairs Committee defeated the motion to report HR 3510, Land Use Legislation, by a vote of 23 to 19, 1 present.	Environment and Land Resources Subcommittee of the Interior and Insular Affairs Committee completed hearings on Title VIII and S 984, "Land Resources Planning Assistance Act," on May 2. The Committee plans to begin markup of S 984 in either September or October.	
Title IX - Energy Development Security			On April 10, the Senate passed S 622 which includes a provision prohibiting the use of certain authorities by the President for the purpose of establishing a floor price for imported petroleum.	On July 15, the House began debate on HR 7014, the omnibus energy plan submitted by the House Interstate and Foreign Commerce Committee. Title II, Part A of HR 7014, precludes setting a price floor with any of allocation or pricing authorities in EPA. The House and Senate passed the conference report on HR 4035/S 621. The report was sent to the White House for consideration. The Conferees deleted a provision in S 621 which would have curtailed Presidential authority with regard to floor prices.



PROGRESS OF ENERGY LEGISLATION: July 7 - July 18

ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>Title X - Building Energy Conservation Standards</p> <p>Title XI - Winterization Assistance</p>		<p>On July 15, the Banking, Currency and Housing Committee reported out HR 8650, Energy Conservation Standards Act of 1975.</p>	<p>During the week of June 16, the Science and Technology Subcommittee of the Commerce Committee concluded hearings on S 1392, "Energy Conservation and Buildings Demonstration Act of 1975," and S 1908, "Industrial Energy Conservation Act."</p>	
<p>Title XII - National Appliance and Motor Vehicle Energy Labeling</p>		<p>On July 14, the Interstate and Foreign Commerce Committee received the Senate passed bill, S 349, for consideration.</p>	<p>On June 16, the Commerce Committee ordered reported the bill, S 349, Truth in Energy.</p>	<p>On July 15 the House began debate on HR 7014, the omnibus energy plan submitted by the House Interstate and Foreign Commerce Committee. Title V, Part A provides for Energy Efficiency standards for automobiles and Title V, Part B, for other consumer products.</p> <p>On July 11, the Senate passed the bill S 349. On July 14, the bill was referred to the House Interstate and Foreign Commerce Committee.</p>
<p>Title XIII - Standby Authorities Act (S 620)</p>			<p>Interior and Insular Affairs reported S 622, Standby Authorities Legislation, on March 5. The report number is 94-26.</p>	<p>On July 15, the House began debate on HR 7014, the omnibus energy plan submitted by the House Interstate and Foreign Commerce Committee. Title II of HR 7014 includes Standby Authorities.</p> <p>On April 10, the Senate passed S 622 by a margin of 60-25.</p>



ADMINISTRATION BILL OR COMPONENT	ADMINISTRATION ACTION	CONGRESSIONAL ACTION		SIGNIFICANT CONGRESSIONAL ACTION
		HOUSE	SENATE	
<p>B. OTHER BILLS-SUPPLY</p> <p>Surface Mining Legislation (HR 3110, S 652)</p>			<p>On July 17, the Interior and Insular Affairs Committee reported S 391, Federal Coal Leasing Act Amendments. This legislation includes various provisions of the vetoed bill, HR 25.</p>	
<p>Nuclear Licensing and Siting Bill (HR 7002, S 1717)</p>		<p>The <u>Joint Committee</u> on Atomic Energy, held hearings beginning June 25 on the Administration's bill which was introduced to Congress on May 14. No further hearings have been scheduled as of this date.</p>		
<p>Nuclear Insurance Bill</p>	<p>The Administration has submitted draft legislation to the Joint Committee on Atomic Energy. The draft bill extends the Price-Anderson Act to August 1, 1987, provides for a contingency fee method of phasing out Government indemnity and provides for a floating limit on liability above a floor value.</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
(Mid Term Programs)

<u>Administrative Activity</u>	<u>Lead Agency</u>	<u>Status</u>	<u>Next Steps</u>
1. OCS Leasing	FEA	Final Programmatic EIS on accelerated leasing was published on July 11. Sale of second half of Central Gulf tract to be held July 29. Call for nominations of the Cook Inlet sale to be published in Federal Register in August 1975.	Final rulemaking on ban on joint bidding by major oil companies to be issued by July 31.
2. Auto Emission Standards	EPA	Senate Public Works Subcommittee on Environmental Pollution voted on new auto emission standards on July 18 in connection with the mark up sessions on the Clean Air Act. The House Subcommittee on Public Health and Environment is continuing its mark up sessions.	Contact appropriate members to fully explain Presidential decision of June 27.
3. Auto Efficiency Agreements	DOT	House and Senate Commerce Committees have reported out legislation setting mandatory auto-emission standards. HR 6860, passed June 19, includes mandatory standards.	Voluntary agreements with major manufacturers to be negotiated once new emission standards are set.



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	Commerce/FEA	S 349 passed by Senate July 11, 1975. Proposed procedures for ranges, washers, dryers, TV receivers and dishwashers were published in the Federal Register for comment. Amendments drafted for Title V, HR 7014.	Await Congressional action.
5. Emergency Storage	FEA	Technical, analytical and monitoring, and control proposals have been received and evaluated. Five contracts were awarded June 30.	First phase analysis to be completed by mid-October.



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	Conference Committee reported out a bill (HR 4035) restricting the President's authority to lift crude price controls and requiring Congressional review of any decontrol plan.	Bill will probably be voted on week of July 21.
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	Second-round survey of utilities being conducted in anticipation of new legislation granting authority to issue further prohibition orders.	Await Congressional action.
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.

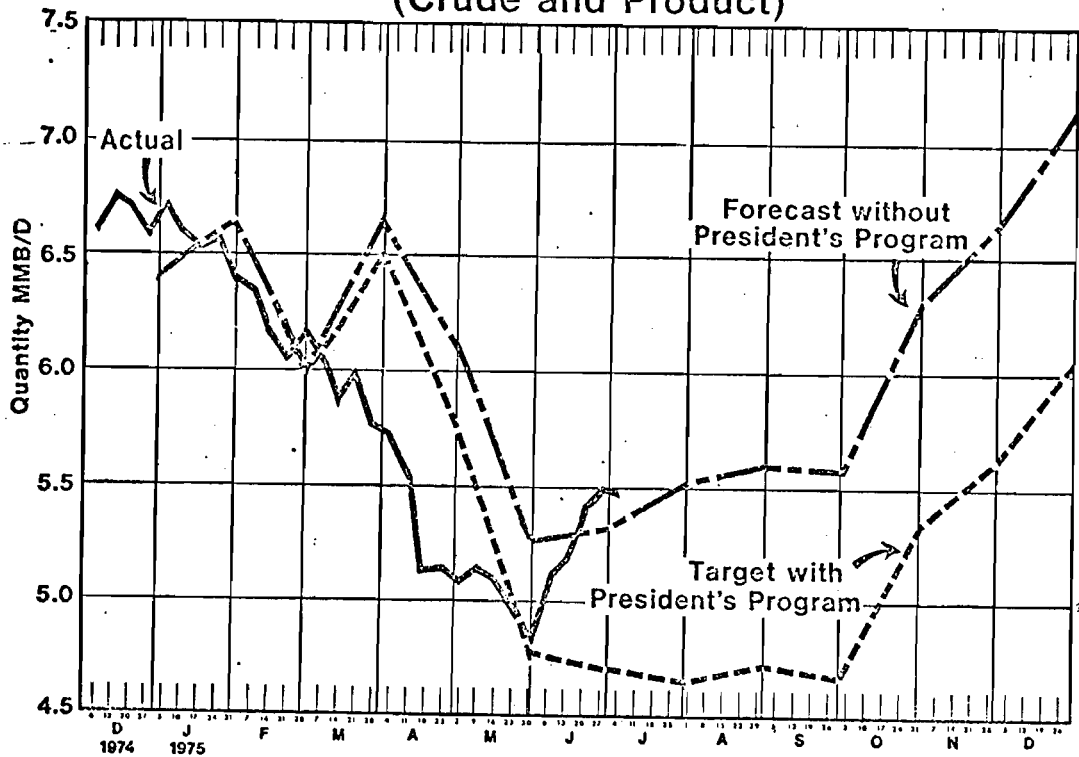
TAB C

Progress in Meeting Goal of One Million Barrels

Savings in 1975



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

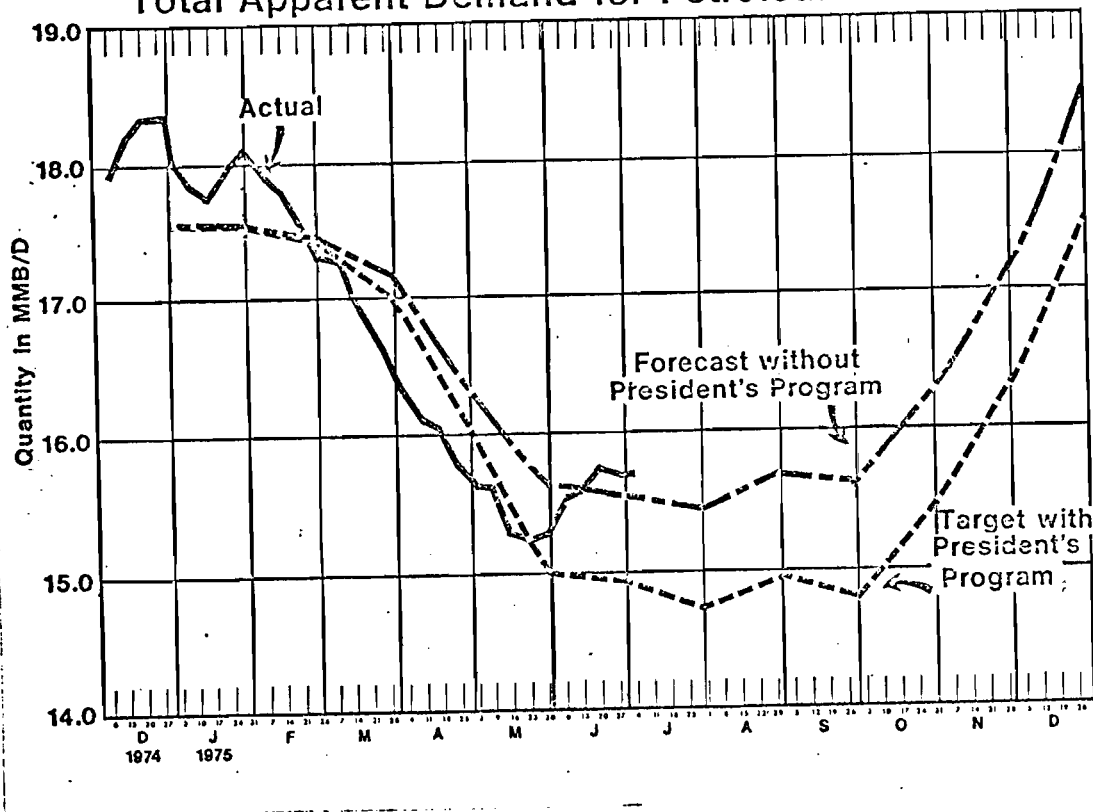


- o During the 4-week period ending on July 4, total imports averaged 5.49 million barrels per day, 130,000 barrels per day above the forecast.
- o When the revision to the forecast for total demand is completed (see note to Figure 2), the import forecast is expected to be lowered by several hundred thousand barrels per day.



Figure 2

Total Apparent Demand for Petroleum Products

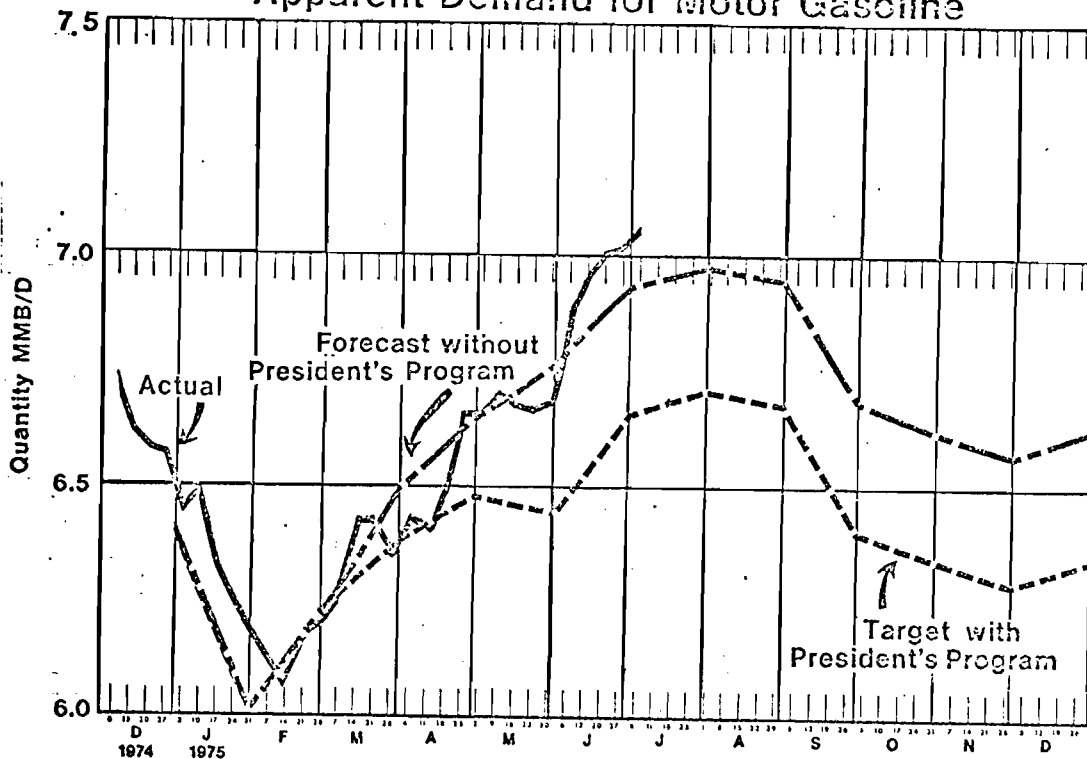


- o Total apparent demand during the 4-weeks ending July 4 was 15.73 million barrels per day, 180,000 above the forecast.
- o While FEA's forecasts of demand for the major products have proved to be reasonably good, the forecasts for "other" products have been consistently low. When planned revisions 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.



Figure 3

Apparent Demand for Motor Gasoline

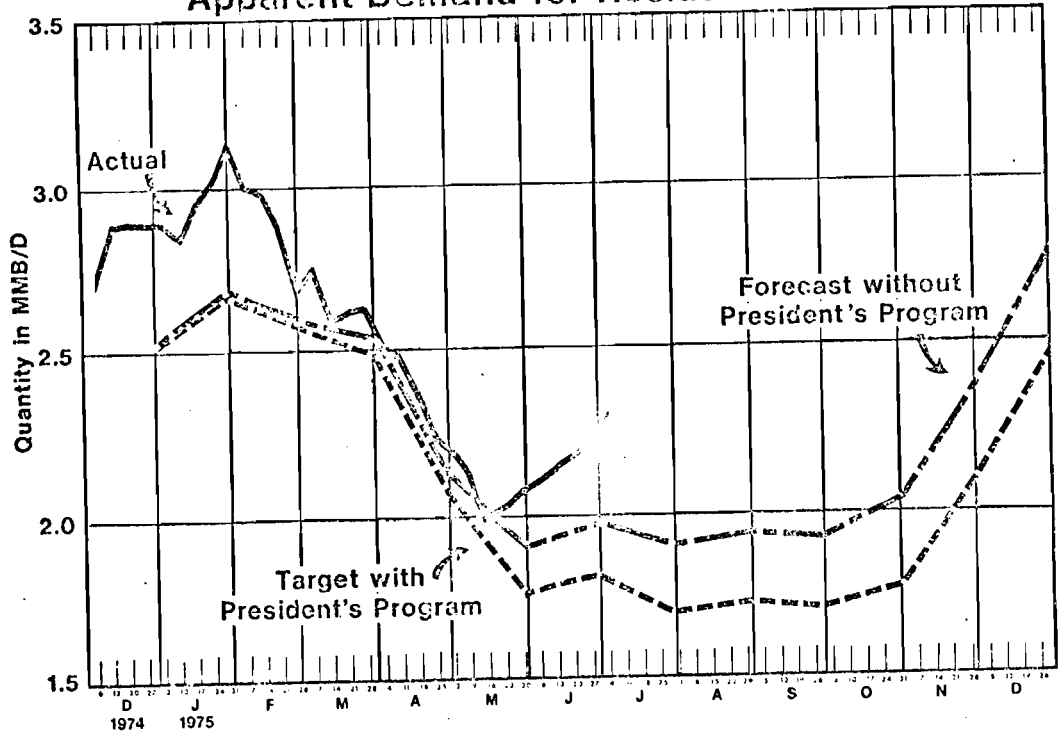


- o Apparent demand for motor gasoline in the 4 weeks ending July 4 (and including the first half of the Independence Day weekend) averaged 7.06 million barrels per day, 120,000 above the forecast.
- o It should be noted that demand for this period, which had been increasing 4.6 percent per year from 1968 to 1973, has remained about constant since 1973.
- o Stocks of motor gasoline increased during the week ended July 11 for the first time since a precipitous decline started in mid-April. The increase was 770,000 barrels and the level attained was 196.5 million barrels.



Figure 4

Apparent Demand for Residual Fuel Oil

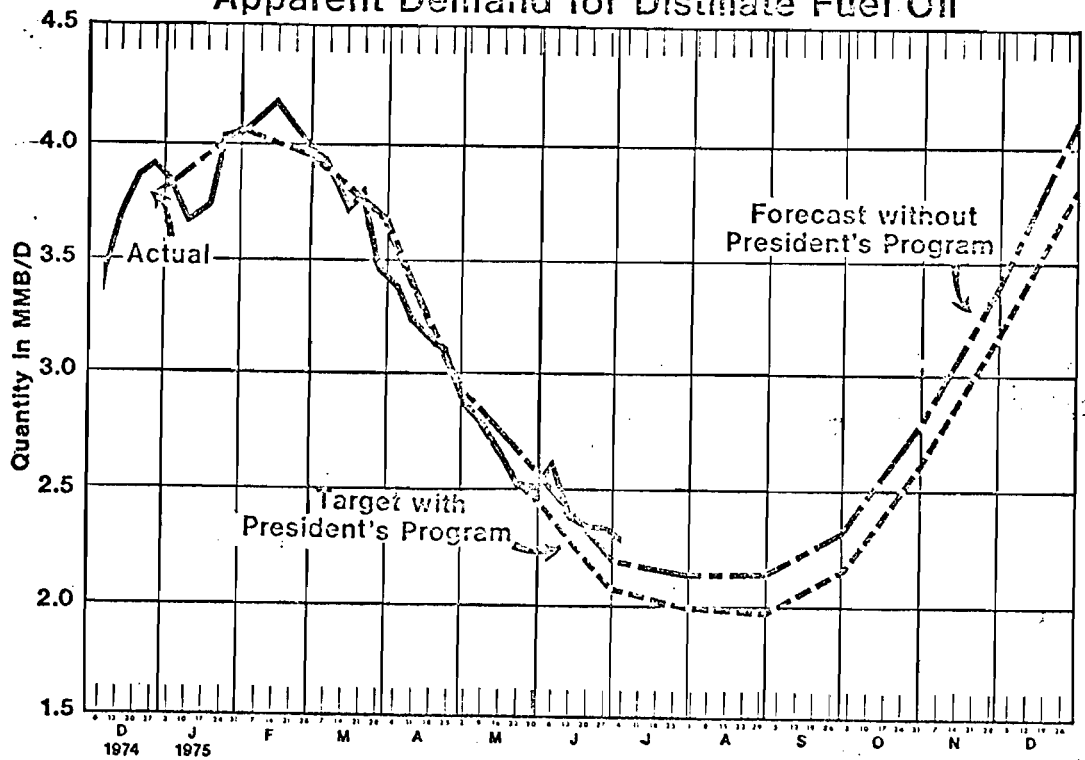


o For the 4 weeks ending July 4, apparent demand for residual fuel oil was 2.31 million barrels per day, 360,000 above the forecast.



Figure 5

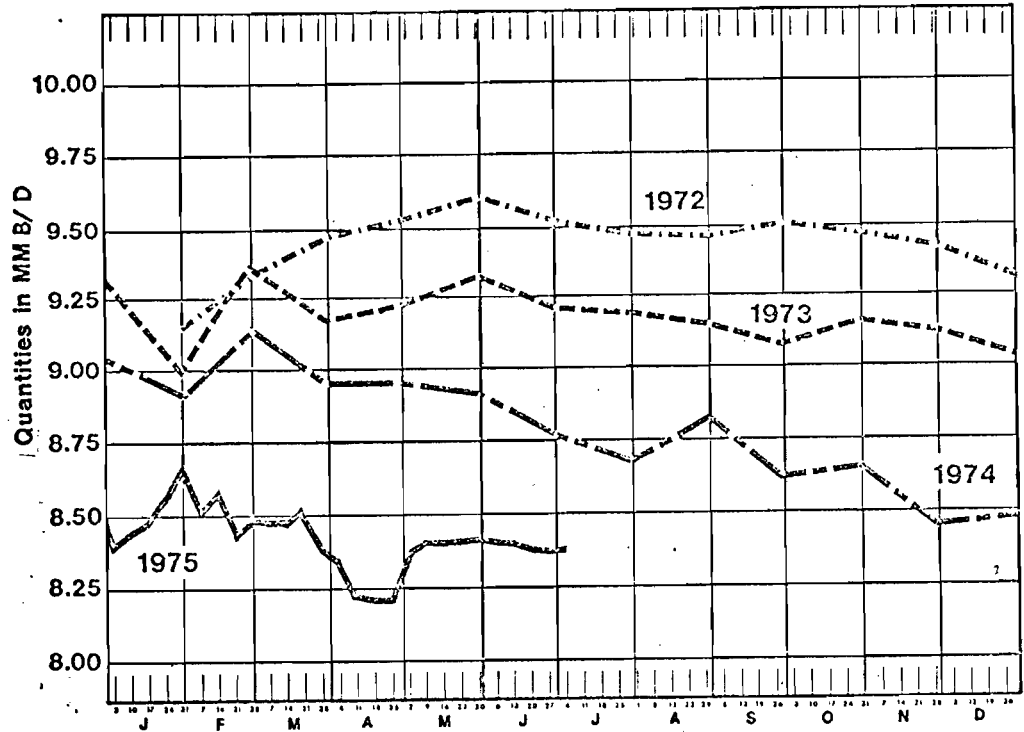
Apparent Demand for Distillate Fuel Oil



- o Apparent demand for distillate fuel oil for the 4-week period ending July 4 continued to decline seasonally, dropping to 2.30 million barrels per day, which is 110,000 barrels per day above the forecast.



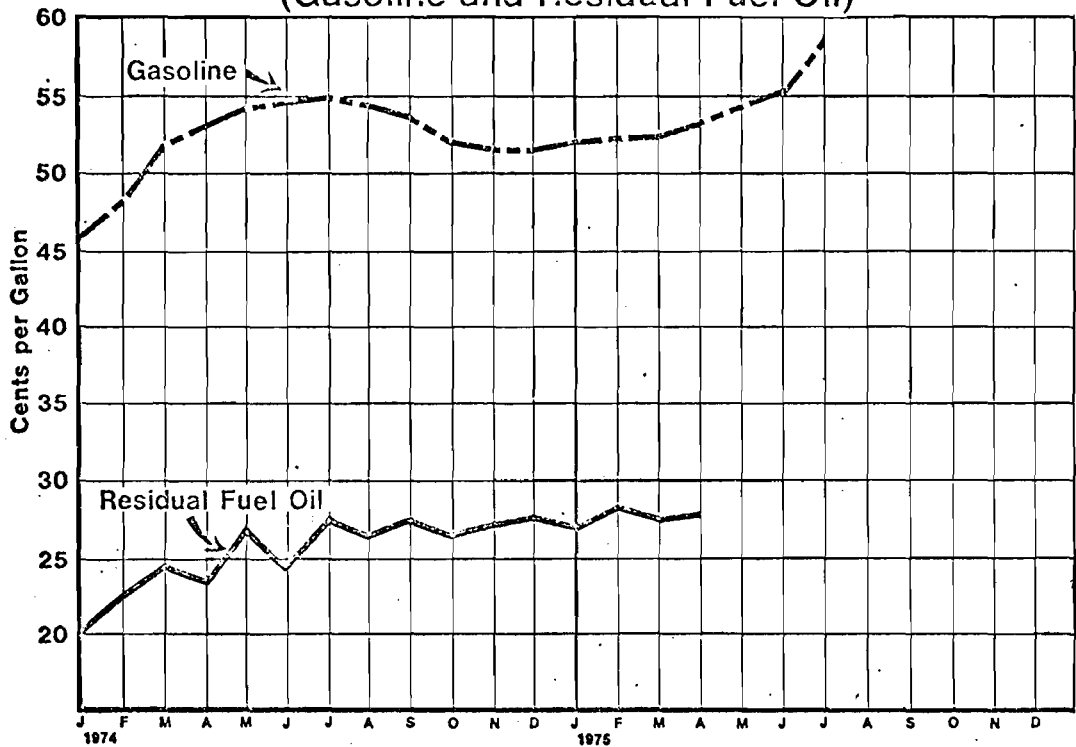
Figure 6
Domestic Crude Oil Production



- o Production of crude oil for the 4-weeks ending July 4, at 8.38 million barrels per day, was 6.5 percent below the same period of 1974 and 10.5 percent below the same period in 1973.



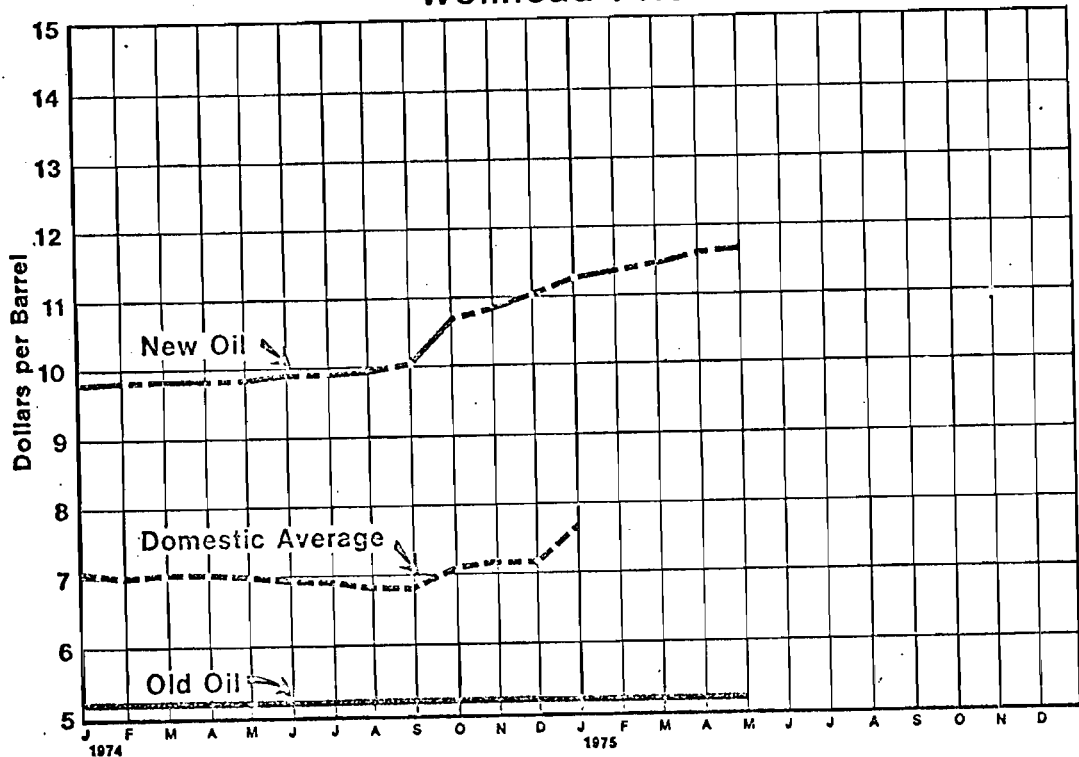
Figure 7
Retail Prices
 (Gasoline and Residual Fuel Oil)



- o Reflecting price increases by nearly all of the Nation's retailers of gasoline, the average retail price of regular gasoline increased during June by 1.3 cents per gallon to 55.6 cents per gallon. Preliminary figures during July indicate a 3.3 cents per gallon increase over the June price, to 58.9 cents per gallon.
- o The average residual fuel price during April was 28.0 cents per gallon, an increase of 0.2 cents per gallon over the March figure of 27.8 cents per gallon.



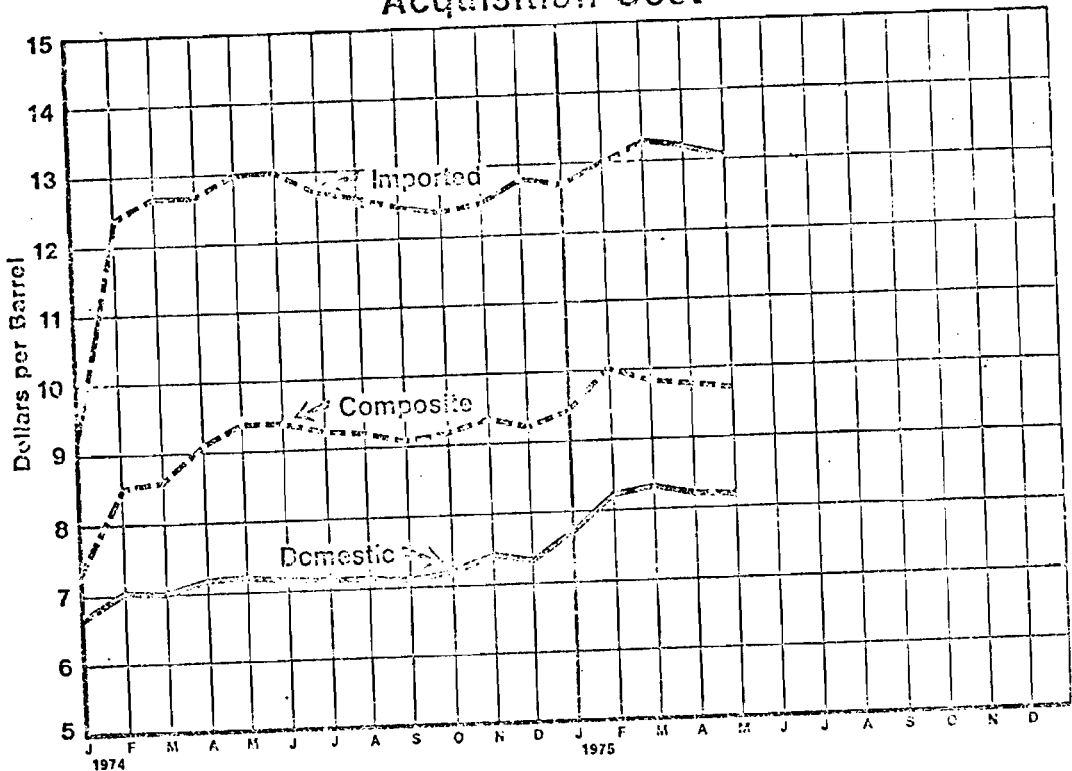
Figure 8
Crude Oil
Wellhead Price



- o During May the average new oil price was \$11.70 per barrel, an increase of 6 cents over the revised April figure of \$11.64 per barrel.



Figure 9
**Crude Oil Refiner
 Acquisition Cost**



- o The cost of imported crude petroleum to refiners during May was \$13.11 per barrel, 15 cents below the revised April figure of \$13.26. A major portion of this decline was due to an 87 cent drop in the average landed cost of Canadian crude oil.
- o The average domestic refiner acquisition cost during May was \$8.22 per barrel, 1 cent below the revised April figure of \$8.23.
- o The composite cost of crude petroleum to refiners during May was \$9.76 per barrel, 7 cents below the revised April figure of \$9.83.



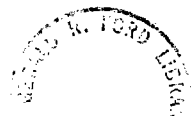
DEFINITIONS

- 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

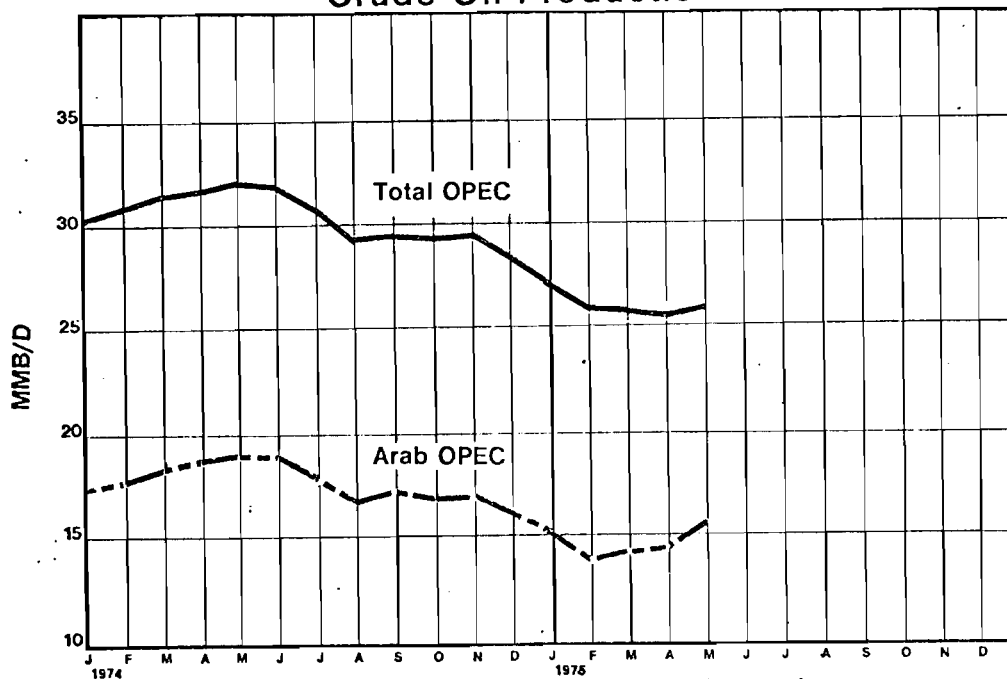
Major International Events



Major International Events

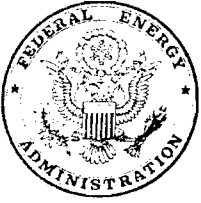
- o Saudi Arabia's long-anticipated 100 percent takeover of Aramco could be wrapped up by September. The Saudis are reported to be willing to meet the companies' insistence for large, guaranteed volumes of crude oil, possibly as much as 7 million barrels per day, compared to their average 1974 liftings of 8 million barrels per day. Surprisingly, the Saudis are said to be providing substantial incentives for a massive new exploration drive by the Aramco partners, which could add considerably to the country's surplus productive capacity and, thus, to the strains within OPEC.
- o Although Alberta's natural gas reserves increased in 1974 to 52.8 trillion cubic feet, the province's crude oil reserves decreased for the fifth year in a row, by 3.9 percent, to 6.4 billion barrels. Reserves of synthetic crude in Athabasca (those considered amenable to surface mining methods) are now estimated at 26.5 billion barrels.
- o Price differentials among OPEC members have created a problem, but one not believed at this time to be of sufficient magnitude to threaten the OPEC price line. Ecuador recently lowered its crude price to improve its competitive position and resolve the long-standing government/industry pricing dispute. Nigeria is reassessing its pricing policy. Algeria has criticized Libya and Iraq for underpricing crude. This problem will be dealt with at the third quarter OPEC meeting in September.
- o The IEA has deferred its decision on a "minimum safeguard price," pending the formulation of a long-term IEA cooperative program and the resumption of the producer/consumer dialogue. The IEA has offered to resume the dialogue, based on a modification of the Kissinger plan, in which three equal commissions (energy, economic development, and raw materials) would meet and develop their own agendas.

Figure 10
OPEC Countries
Crude Oil Production



(No new data since last report.)





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

JUL 22 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *FZ*

SUBJECT: Tuesday Meeting with Congressman Rhodes

Congressman Rhodes and representatives of the Associated General Contractors of America will be meeting with you this afternoon to discuss the impact of the \$2.00 import fee on their industry.

We have been in discussions with this group for the past several months regarding their claim that the tariff has placed a hardship on their industry not shared by other industries. From these discussions, we have concluded that many of the companies in this industry have been adversely affected not by increases in fuel used to power their construction equipment (which they are willing to absorb along with other industries), but by major increases in the price they pay for asphalt. The problem here centers around the facts that:

- . Asphalt is made from crude oil, much of which is imported;
- . The price of asphalt is not controlled by FEA (by law), and has received an inordinate amount of the tariff and other cost increases;
- . Many of the contracts in this industry are fixed price contracts with State and local governments that cannot be renegotiated under existing State laws.

In summary, the tariff is significantly increasing costs of completing contract work signed up prior to the implementation of the tariff, and the companies are being severely squeezed.

Although we have concluded that limited remedial action is appropriate here, particularly since the need for conservation does not relate to asphalt, we have been reluctant to take any direct action pending the outcome of Congressional action on energy taxes and decontrol. Both issues bear a direct relationship to the asphalt problem.



I have discussed this issue with Larry Woodworth, the senior staff member for both Ways and Means and Senate Finance, and he has agreed to put relief for this industry into the Senate Finance Committee mark-up of energy tax legislation. He believes that this relief, which would apply only to those contracts written 12 months prior to the imposition of the first dollar of the tariff and take the form of a specified tax deduction, should have no problem being accepted by the Congress.

This effort with Senate Finance is not known outside of the Administration and the Committee.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

July 30, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: HOUSE ACTION ON DECONTROL

As you remember last week the House rejected both the Krueger and Eckhardt pricing provisions and left H.R. 7014 without any decontrol program.

Today, the House considered and passed a Staggers amendment. This provision rolls back the price of new and released oil to \$7.50 per barrel, but provides that (high cost) oil can sell for as much as \$10.00 per barrel. Old oil prices will remain at \$5.25 per barrel. The amount of old oil under controls would not be reduced by a fixed percentage each month. It would only decline as old oil reservoirs are depleted. This could take ten years or more.

The net effect of this provision, which was only narrowly accepted by the House, would be to perpetuate old oil as well as establish three other tiers. The net effect is a roll back in domestic petroleum prices which could increase imports by 500,000 barrels per day in 1977. It would also be an administrative nightmare and a disincentive to domestic production.

The House has also defeated your Administration compromise program by a vote of 228 to 189. Attached is a copy of a statement I released in Washington tonight.

Attachment



We are extremely disappointed that the Congress disapproved the President's compromise plan to decontrol domestic oil over a 39-month period. That plan represented yet another attempt on the part of the Administration to demonstrate bi-partisan cooperation in the design and implementation of a National energy policy.

With foreign oil producers scheduled to meet shortly on oil pricing it is unfortunate that a majority of the Congress is not willing to make the hard choices needed to lessen this Nation's dependence on foreign oil.

This Nation cannot afford further delay in establishing a firm energy policy. Our increasing vulnerability leaves no choices but to act now. At the President's direction, FEA is making necessary preparations for an orderly transition upon expiration of the Emergency Petroleum Allocation Act on August 31.

