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[Sept. 1976]

KEY CRITICISMS AND RESPONSES  
CONCERNING H.R. 12112  
AS RECOMMENDED BY THE CHAIRMEN OF THE  
COMMITTEES ON SCIENCE AND TECHNOLOGY; BANKING  
CURRENCY AND HOUSING; WAYS AND MEANS

<u>Page</u>	<u>Issue</u>
1	Program will promote obsolete technologies
2	Decreased competition and increased concentration in energy industry
3	\$4 Billion "camel's nose" under \$100 Billion "Tent"
4	Deregulation and decontrol would obviate need for program
5	H.R. 12112 will cause excessive socioeconomic impacts
6	Government involvement/subsidies will never end
7	Program costs too much money
8	H.R. 12112 is "off-budget"
9	Program will unfavorably affect U. S. capital markets and divert capital away from near-term energy projects
10	Program is a "giveaway to big oil"
11	Synthetic fuels will never be price competitive
12	Government takes risks, industry gets benefits
13	ERDA's ongoing energy R&D program can provide all needed information
14	Synthetic fuels production requires too much water
15	Environmental impact of program under H.R. 12112 is too great
16	Congress should await further ERDA studies before authorizing program
17	GAO says synthetic fuels program is not needed now
18	Price guarantees should be eliminated from H.R. 12112
19	No private financing data will result from H.R. 12112 since Federal Financing Bank (FFB) will buy all ERDA guarantees

## CRITICISM

This program will promote obsolete Lurgi gasification technology--we should await the development of "second-generation" technology of higher efficiency.

## ARGUMENTS IN RESPONSE TO CRITICISM

- This program will not "promote obsolete technology." The existing Lurgi technology has been improved significantly over the past ten years and represents the only commercially available and proven approach to high Btu gasification from coal at the present time. It will take at least 8 to 10 years to bring second-generation technologies to the point where Lurgi technology is today. Thus, ERDA views the commercial demonstration of first-generation technology as fully compatible with and complementary to its aggressive research, development and demonstration programs on second-generation synthetic fuel technologies.
- The objective of this program is to gain environmental, economic, regulatory, institutional, socioeconomic and other vital information from constructing a limited number (10-15) of large commercial-scale demonstration plants using existing technology. Most of the information developed with the first-generation Lurgi plants will be applicable to future coal gasification plants, since the gasification section of the Lurgi plants accounts for only 15-20 percent of the total plant cost, and is the only section that could be substantially improved by second-generation technology. Thus, most of the knowledge gained from first-generation plants will be common to second-generation plants and the experience gained will speed the commercialization of the second-generation technologies when they become available.
- Successful operation of plants based on first-generation technology will increase the confidence of the financial community, regulators and others involved in coal gasification, so that they will be more likely to finance plants using first and second-generation technologies, without any Federal financial incentives.

## CRITICISM

The program would decrease competition and increase concentration in industry.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Section 18(b) (6) and (c) of H.R. 12112 provides that loan guarantees, to the extent possible, be issued on the basis of competitive bidding to assure that a competitive evaluation will be made of all proposals received by ERDA. Section 18(B) (6) (c) requires that ERDA give due regard to industry competition in carrying out this program. As stated in the Science Committee Report "The Committee is concerned that concentration in the energy business not be further aggravated through Federal loan guarantees. The Administrator is expected to be sensitive to this concern."
- While section 18(B) (6) (c) requires ERDA to consider the need for competition in making loan guarantees, the Science Committee also added section 18(d) which requires ERDA to solicit from the Attorney General and the Chairman of the Federal Trade Commission written views, comments, and recommendations concerning the impact of each proposed loan guarantee and cooperative agreement on competition and concentration in the energy supply industry. Furthermore, page 33 of the Science Committee Report states that: "The Committee in its deliberation on this section (18(d) of H.R. 12112) emphasized that the Administrator carefully review the effect of approving a loan guarantee on the continued concentration of ownership in existing energy companies, particularly the integrated companies. The Administrator in carrying out the purpose of this section is urged to give appropriate priorities to those applicants for guarantees whose ownership is held by independent users of oil, coal, or natural gas."
- A key point in any discussion about decreasing competition and increasing concentration in the energy industry is that without the type of program provided by H.R. 12112, only the very largest companies could possibly undertake the large capital investments required for synthetic fuel plants. H.R. 12112 therefore provides a major opportunity to increase competition and decrease concentration by providing access to smaller companies who could not otherwise afford to participate in the development of this major new industry.

## CRITICISM

H.R. 12112 is the inevitable "camel's nose" inside the \$100 billion "Energy Independence Authority Tent."

## ARGUMENTS IN RESPONSE TO CRITICISM

- H.R. 12112 is not the inevitable first step toward the establishment of the proposed Energy Independence Authority. Pages 45 and 46 of House Report No. 94-1170 by the Committee on Science and Technology emphatically state:

"The Committee furthermore does not view (H.R. 12112) as the initial part of a more ambitious program. The program authorized by this measure is viewed as an independent and complete program as it now stands."

- Furthermore, any program beyond that contained in H.R. 12112 --regardless of how necessary ERDA believes an expanded effort to be -- would require subsequent Congressional approval in the form of specific authorization and appropriations.

## CRITICISM

The Nation would not need the synthetic fuels program if gas is deregulated and oil is decontrolled.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Domestic supplies of oil and gas are projected to decline beginning in the late 1980's. Production of domestic oil and natural gas has already fallen in the last several years and deregulation is expected to extend domestic oil and gas supplies for only a 5 to 10 year period. Even using advanced oil and gas recovery techniques, extensive production from the Outer Continental Shelf and Alaska, improved energy conservation, expansion of nuclear power capacity, and greater direct burning of coal, imports will rise rapidly in the 1990's if synthetic fuels are not available in substantial quantities by then. This projection assumes substantial growth in nuclear power as well as optimistic projections of the contributions from energy conservation and from alternative supply sources such as solar and geothermal. If any of these domestic energy actions fails to provide its expected contribution, then the need for synthetic fuels would be more than the currently estimated demand for 1995 of 5 million barrels per day.
- To develop this national synthetic fuels capability of about 100 major plants by 1995 requires an early commercial demonstration program to resolve uncertainties related to regulation, environment, financing, labor, economics, and transportation. These uncertainties must be resolved by the middle 1980's in order to enable adequate plant investment in the late 1980's. Thus, the lead times involved require the construction and operation over the next 5 to 10 years of a representative mix of synthetic fuels plants to obtain all the necessary data and information needed prior to the required major industry expansion.

## CRITICISM

Synthetic fuels plants will cause excessive socioeconomic impacts.

## ARGUMENTS IN RESPONSE TO CRITICISM

- The socioeconomic impacts caused by construction and operation of synthetic fuels plants are similar to those caused by the construction of any large energy-related facility. However, H.R. 12112 offers a unique opportunity to develop a comprehensive plan and methodology to mitigate these impacts that, failing such an effort, will continue to plague the large-scale development of any or all our various energy resources.
- Section 18(k) of H.R. 12112 provides for a comprehensive \$300 million socioeconomic assistance program to ensure the timely financing of needed community infrastructure development to accommodate these projects. Further, Section 18(e)(1) requires the affected State Governor's approval of any proposed project before ERDA may proceed to make an award. Section 18(m) requires a full ERDA Report to the Congress on all proposed projects and provides for a Congressional veto of any such project with a total cost in excess of \$200 million.
- H.R. 12112 provides the following direct financial assistance to aid affected states and municipalities plan for and mitigate these impacts:
  - Planning/management grants. These will enable state and local governments to assess their public facility needs, and to prepare themselves for effective utilization of impact assistance with detailed management, budget, housing, and land use plans. This assistance also can be used to provide local government with management expertise.

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- A \$300 million impact assistance fund. This is designed to assist communities in securing the necessary front end money to finance the necessary facilities - schools, roads, hospitals, sewers, and water. The specific mechanisms for implementing the impact assistance program are Federal loan guarantees, and loans, Federally guaranteed payment of taxes, required prepayment of taxes, and measures to require the owner of the synthetic fuels plant to bear the costs of essential community facilities.

## CRITICISM

Once the Government gets involved in these projects, it would stay involved.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Subsection (b)(1) of H.R. 12112 prohibits the award of any ERDA guarantees after September 30, 1986.
- It is not the intent of this program to have Federal participation continue until the end of the project, or the maturity of the bonds. Instead, the Administrator should be able to determine the feasibility and advisability of terminating the Federal participation in the project. Such determination should include consideration of whether the Government's needs for information to be derived from the project have been substantially met, and whether the project is capable of commercial operation. Nor is it ERDA's intent in any way to preclude negotiation between borrower and lender of a call protection period shorter than 10 years, nor preclude the exercise of such earlier call if provided for in that agreement.
- Subsection (c)(9) of H.R. 12112 would legislate this intent. This "call" feature provides a positive incentive to the private borrower to subsequently refinance any such project without a federally-guaranteed loan. There would be benefits to the borrower, lender, ERDA and the Nation as a whole in termination of the Government's guarantee when the lender's perception of risk and the borrower's of market conditions permit the guaranteed loan to be re-financed by a non-guaranteed loan. Such re-financing would relieve the borrower of his obligation to pay a guarantee fee to the Administrator. This, in turn, should permit the borrower to offer a more competitive rate on refunding obligations.



## CRITICISM

The program will cost the taxpayer a great deal of money.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Although H.R. 12112 provides authority of \$2 billion each in FY-1977 and FY-1978, the actual Budget Authority needed to cover possible defaults will only be 25 percent of the loan guaranty authority -- that is, \$500 million for each of the two years. If all plants are successful there will be no cost to the taxpayer, excepting about \$15 million/year in administrative costs.
- Furthermore, the cost to the Nation and the taxpayer of delaying the initiation of this program, and therefore not having the commercial experience when needed, could be quite large.
- Finally, H.R. 12112 provides for the collection of annual fees for guarantees issued of (up to) 1 percent of the outstanding indebtedness covered by the guarantee. Barring a major project default(s), the collection of the guaranty fees will actually produce a net revenue to the government from this program.

## CRITICISM

The proposed program is off-budget.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Section 18(w) of H.R. 12112 requires full Congressional appropriations and is fully consistent with the new budget process. In fact, \$500 million in budget authority for FY 1977 has been requested to cover possible loan guarantee defaults. The amounts of the loan guaranties themselves are not included in the budget totals as they were specifically excluded as were all loan guaranty amounts by Section 401 of The Congressional Budget and Impoundment Control Act of 1974.
- Furthermore, Section 18(b) (3) and (k) (2) of H.R. 12112 requires the concurrence of the Secretary of the Treasury in the administration of all loan guaranties so as to minimize the impact on the capital market and coordinate these efforts with other Administration programs which affect fiscal policy.

## CRITICISM

The Synthetic Fuels Commercial Demonstration Program will have a serious impact on the U.S. capital markets and divert needed capital away from nearer-term more economic energy projects.

## ARGUMENTS IN RESPONSE TO CRITICISM

- The Federal Energy Administration (1976 National Energy Outlook) estimates total capital investment in energy production during the decade 1975-1984 will range from \$478 billion to \$634 billion. The capital requirements of the Synthetic Fuels Commercial Demonstration Program represents a total of \$4 billion spread over eight years. This will result in capital investment of about one-half billion dollars per year compared with a total of \$200 billion annually in U.S. fixed business investment and \$40 billion a year in energy investment. Thus, the synthetic fuels program will require less than 2 percent of the projected total capital requirements for the energy sector during this period. Most economists and financial experts would consider such a relatively small percentage to have a virtually immeasurable impact on future interest rates.
- Moreover, the extensive diversification of investments of major energy companies (e.g., Mobile in Montgomery Ward; Gulf Oil in real estate) clearly shows that these companies are not constrained by capital acquisition from additional energy investment, but rather are attracted to other non-energy projects because of the favorable rate of return on investment.
- In any event, Section 18(b)(3) and (k)(2) require the concurrence of the Secretary of the Treasury in the administration of all loan guarantees so as to minimize the impact on the capital market and coordinate these efforts with other Administration programs which affect fiscal policy.

## CRITICISM

The program is a giveaway to the big oil companies.

## ARGUMENTS IN RESPONSE TO CRITICISM

- The financial incentives proposed to be offered under H.R. 12112 would provide for the Government sharing only a part of the risk associated with first-of-a-kind synthetic fuel plants. Thus, all recipients of assistance--"big" or "small" would be at substantial risk and will in no case be recipients of a "giveaway."
- In the case of loan guaranties, the maximum guarantee that would be provided would be 75 percent of the total project cost. For a \$1 billion plant this would represent a \$250 million exposure by the industry sponsors. By any measure, this represents a substantial risk to any company or group of companies participating in this program.
- Finally, the "big" oil companies are primarily interested in shale oil projects which represent only 10 percent of the total \$4 billion in loan guarantees authorized by H.R. 12112. The balance of the authorized assistance is for projects which have not attracted "big" company interest and relate to the development of coal, renewable resource and conservation resources and technologies.

## CRITICISM

Synthetic fuel product prices will not be competitive with alternatives.

## ARGUMENTS IN RESPONSE TO CRITICISM

- ERDA has, based on reasonable assumptions, estimated approximate prices without Federal incentives for the following synthetic fuel products:

Oil Shale	\$14.45/bbl
High Btu Pipeline Gas	3.28/Mcf
Medium Btu Non Pipeline Gas	
Regulated	2.64/Mcf
Unregulated	4.23/Mcf

While these prices are now only slightly higher than their nearest competitors, these alternatives (oil imports at \$13/bbl or liquefied natural gas at \$2.50 to 3.50/Mcf) are expected to become more expensive in the next 5 to 10 years as the supply position of the oil exporting nations further improves.

- Furthermore, U.S. consumers of pipeline gas are already paying higher prices than synthetic fuels for gas produced from imported petroleum products. There are at the present time 11 of these plants already operating in the U.S. producing gas in the range of \$3.50 to 5.50 per million Btu.
- ERDA believes that as economic, technical, and environmental information is gained from initial synthetic fuels plants -- and with the addition of second-generation technologies, -- synthetic fuel prices will become increasingly competitive. The potential for some reduction in the real price of synthetic fuels and further increases in world energy prices is expected to make the production of most synthetic fuels fully competitive by the mid to late 1980's.

## CRITICISM

The Government takes all the risks, while industry gets all the benefits.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Although Federally-guaranteed loans will require that both public and private dollars are at risk, the public risk is on a contingent basis: unless there is a plant failure, the Government will not bear any costs in connection with the guaranteed loans, since the fees which will be charged for the guarantee will be more than sufficient to offset the administrative costs of the program.
- It should be emphasized that substantial private funds will be at risk under H.R. 12112 by virtue of the minimum 25 percent equity investment imposed on the project sponsor. In this connection, ERDA notes that while tax benefits provided by the Congress to encourage production may assist in raising some of the cash required, the major part of such benefits are subject to recapture should the plant default and therefore constitute a part of the after tax risk for these plants.
- The nation will benefit substantially by laying the necessary foundation for an orderly industry expansion when synthetic fuels are needed in large quantities by conducting this program to resolve current financing, environmental, economic, institutional, technical and other potential problems now blocking this expansion. It is also expected that there will be significant foreign relations benefits that would accrue from the Synthetic Fuels Program. The program will, to the extent that existing and planned domestic energy production is supplemented, undoubtedly reduce U.S. reliance on imported oil and will permit and indicate the possibility of further substantial reductions in the future. In addition, successful synthetic fuel processes will be exportable to those nations with an economically supportable resource base, thus placing further downward pressure upon oil prices after 1990. Finally, the program will demonstrate the U.S. commitment to develop its abundant coal and oil shale resources to the world which, in turn, will have a positive influence upon the major oil-consuming nations.

## CRITICISM

ERDA's existing fossil energy R&D program can provide all needed information thus obviating need for commercial demonstrations authorized by H.R. 12112.

## ARGUMENTS IN RESPONSE TO CRITICISM

- ERDA's fossil energy R&D program is intended to develop new technologies through laboratory research and the construction and operation of testing facilities. ERDA's commercial demonstration program is intended to resolve the non-technological uncertainties that now block the use of existing technologies. Through the construction and operation of a critical number of commercial-scale facilities using domestic energy resources, the program will produce the following kinds of information:
  - Economic Feasibility: What are actual product costs based upon the efficiencies of continuous operations, the economies of scale achieved and the utilization of technically-proven system designs and components.
  - Environmental Feasibility: What are the actual environmental impacts from ongoing commercial-scale plant operations and can they be confined within acceptable standards.
  - Socioeconomic Impact: What are the impacts upon local communities that result from their accommodation of commercial-scale plants and can mechanisms be developed to sufficiently mitigate them to gain widespread community acceptance for these plants.
  - Resource Requirements: What are the actual water, mining, transportation and labor requirements of commercial plants in various parts of the country.
  - Capital Cost and Financing: What amounts of private capital will be required at what cost from the financial community and what conditions will be established for access to this capital.
  - Regulatory Constraints: What will be required by Federal and state regulatory commissions to authorize the construction and operation of commercial plants and which synthetic fuel products will be subject to what kind of regulation.

## CRITICISM

Water requirements for synthetic fuels plants are excessive.

## ARGUMENTS IN RESPONSE TO CRITICISM

- Synthetic fuel plants actually require substantially less water than conventional coal-fired power plants and are more energy-efficient. For example, a 250 million cubic feet per day coal gasification plant located in the West is expected to have a water requirement between 4,300 and 6,300 acre feet per year. By comparison, the Kaiparowits Power Plant, a conventional coal-fired power plant which would have produced slightly lower energy output would have required about ten times as much water--54,300 acre feet per year. Further, a 10,000 barrel per day oil shale module, which could be constructed under the provision of H.R. 12112, would require about 1,200 acre feet per year of water. Thus, the water requirements of synthetic fuels plants will not be excessive.
- Furthermore, synthetic fuels plants, especially those proposed for the arid western region, are incorporating measures as dry cooling, and improved water re-use systems to minimize expected water use.



## CRITICISM

Synthetic fuels plants cause excessive environmental impact.

## ARGUMENTS IN RESPONSE TO CRITICISM

- The program authorized in H.R. 12112 provides for rigorous plant environmental monitoring, compliance with all Federal and State environmental regulations and full compliance with the National Environmental Impact Statements for each proposed project.
- Beyond this, it should be clearly recognized that these plants are environmentally superior to conventional coal fired power plants. For example, on an equivalent useable energy basis, the Council on Environmental Quality estimates that air emissions are generally five times smaller for a coal gasification or an oil shale plant and water use is considerably less than that for a coal-fired power plant. Specifically:
  - Air Pollution. Data from a recent CEQ study show that, using similar grades of coal, it would take about ten (10) full-scale coal gasification plants to pollute the air as much as the single Kaiparowits 3000-megawatt coal-burning power plant that had been proposed for southern Utah.
  - Water Pollution. Synthetic fuels plants, especially those planned for sites in the arid western regions, will be designed for a minimum aqueous discharge. Such designs minimize water pollution from plant wastes and reduce plant water requirements as well.
  - Solid Wastes. The most significant solid waste problem associated with synthetic fuels is the waste produced in processing oil shale. Under the modular shale approach specified in H.R. 12112, only a small fraction of the waste piles foreseen in the upper Colorado River region will occur and will provide a means of developing better ways to control these wastes in the future.
- Land Impacts. The greatest land disturbance from synthetic fuels projects is caused by the mining associated with the raw material extraction--the coal or the oil shale. These same impacts occur, however, if coal is mined for conventional electric power generation.

## CRITICISM

Congress should await the outcome of further studies before authorizing program.

## ARGUMENTS IN RESPONSE

- The Stanford Research Institute (SRI) is currently conducting two studies scheduled to be completed later this year regarding (1) strategy and criteria appropriate for optimum plant mix; and (2) information as a function of plant size.
- These SRI studies will not address the need for the program but rather develop information concerning actual program implementation, i.e., facilitating ERDA evaluation and selection among the various proposals submitted by industry to obtain the best set of projects. Thus, information resulting from the SRI studies would not materially assist the Congress in making the decision whether to lay the foundation for a domestic synthetic fuels industry.
- The need for the program has already been thoroughly and completely addressed through:
  1. The 2,200 page Interagency Task Force Report on Synthetic Fuels.
  2. Over 40 days of hearings over the past 8 months involving public and government officials before the House of Representatives Committee on Science and Technology, Banking and Currency, Interstate and Foreign Commerce, and Ways and Means.
  3. Over 10 days of hearings before the Senate Budget Committee and the Senate Appropriations Committee.
  4. Extensive amounts of detailed data furnished the Congress in response to individual requests, a summary fact book and a Contingency Plan detailing the proposed implementation schedule if H.R. 12112 is enacted.
  5. Numerous authoritative economic projections (Ford Foundation, Stanford Research Institute, etc.) indicating the need for a synthetic fuel industry in the 1990's if the U. S. is to avoid a growing reliance upon imported energy.
- Any proposal that the Congress should await the results of these two relatively minor studies is simply a tactic to delay the deliberations on H.R. 12112.

## CRITICISM

GAO believes the Synthetic Fuels Program is not needed now.

## ARGUMENTS IN RESPONSE TO CRITICISM

The GAO report presented strong conclusions and recommendations to the Congress without any substantive analysis which questions the basic rationale for synthetic fuels and other energy technologies embodied in H.R. 12112. The major points raised in the GAO report are addressed below.

- The GAO report consistently understates the timing and extent of our need for synthetic fuels and overstates the degree to which renewables and conservation measures can satisfy this future energy gap. The fact is that domestic production of oil and natural gas peaked in the early 1970s and continues to decline. A second fact is that imports of foreign oil have been steadily rising over the past 15 years. Just before the Arab oil embargo of October 1972, 29 percent of all oil consumed in the U. S. was imported; today, that figure exceeds 40 percent.

Now consider the future. All major forecasts of domestic supplies of oil and gas project that even with complete decontrol of oil and gas prices, vigorous exploration and development of our Outer Continental Shelf and Alaskan resources and extensive use of tertiary oil and gas recovery technologies, domestic conventional oil and gas production will resume its decline sometime in the late 1980s or early 1990s. This means that even assuming rather optimistically that conservation efforts can reduce total demand growth for energy from the historical rate of over 3 percent to 2 percent, the requirement for synthetic fuels in the mid-1990s will be on the order of four to five million barrels per day. If this capacity of synthetic fuels is not available then the only other alternative for the Nation is to import more Arab oil at an unknown cost both in economic terms and national security terms. The GAO report fails to make this clear.

- The second major issue raised by GAO is the question of whether Federal financial assistance is needed to lay the foundation for initiating an industry which might need to grow to a capacity of five million barrels per day by 1995 and ten million barrels per day by the year 2000. It is estimated that five million barrels per day will require 100 major plants and ten million barrels per day will require 200 plants. If we started today to build this industry, it would have to grow at a compounded annual rate of 17 percent per year to meet these projected capacity requirements. Such a sustained growth rate for a large capital intensive industry is, by all measures, an enormous undertaking. Each of these plants will be a multi-million dollar investment. Without Federal assistance, the environmental, regulatory and political uncertainties are such that potential investors are faced today with major financial risks and will not make commitments to synthetic fuel plants.
- The GAO report incorrectly compares the estimated prices of synthetic fuels with regulated well-head gas prices and imported crude oil. The report should have compared the price of synthetic fuels with the price of alternatives with which they would compete at the margin. For example, while it is true that regulated interstate gas prices are presently at \$1.42 per million Btu's this gas, which is the cheapest of all domestic gas supplies, provides only a fraction of the total domestic gas requirements--a fraction which is continuing to shrink. This means that an increasingly large share of gas consumed must come from higher priced alternatives of which synthetic fuels is one. Failure to recognize this fact is a serious deficiency in the GAO report.
- GAO questioned whether a loan guarantee program is the most effective and least costly method to accelerate the construction of these facilities. Last year the Interagency Task Force on Synthetic Fuels under the President's Energy Resources Council analyzed, for each major synthetic fuels technology, the comparative costs and benefits of each major incentive type including loan guarantees, direct loans, price guarantees, purchase agreements, tax incentives, etc. This analysis forms a comprehensive basis for the legislative proposals contained in H.R. 12112. While the GAO suggested that loan guarantees are not an effective or preferred approach, again there is no analysis to dispute the recommendation for loan guarantees made in the Synthetic Fuels Interagency Task Force's extensive analysis.

### Criticism

Price guarantees should be eliminated from H.R. 12112 as amended since the authority for such guarantees is already established under the Nonnuclear Research and Development Act of 1974.

### Arguments In Response

- The \$500 million provided in H.R. 12112 for price support payments represents a compromise provision painstakingly arranged between the House Science and Technology and Banking and Currency Committees.
- The time lag and related requirements associated with obtaining dollar authorization for price supports from the Congress on a project-by-project basis under the Nonnuclear Research and Development Act of 1974 could impede rapid development of the new energy technologies.
- Price supports are a vital part of the incentives program for synthetic fuels since they address product price uncertainty which is not addressed by loan guarantees. Price uncertainty is of particular concern to oil shale and other unregulated utility/industrial fuels. The price of these fuels is very sensitive to the future price of world oil and Liquefied Natural Gas (LNG) over which there is considerable uncertainty.
- Insofar as bidders have a choice between either loan guarantees or price supports for their projects, greater flexibility will be built into the program. The possibility for achieving an optimum mix of technologies and information gained by the government from its investment is, therefore, greatly increased.
- Finally, H.R. 12112 as amended already provides the Congress with a 90-day review period for major projects during which time the adequacy and appropriateness of the proposed Federal incentives can be determined.

## CRITICISM

Loans guaranteed under this program will be funded through the Federal Financing Bank (FFB) and such funding may extend to unguaranteed debt, thus minimizing or eliminating risk to the project sponsors.

Further the lesser interest expense to the borrower of an FFB financed loan would constitute a "windfall profit" to the project sponsor.

## ARGUMENTS IN RESPONSE TO CRITICISM

- One of the most important benefits of the program is the economic and financial information which would be gained through the experience of private sector financing of projects in this program. This information includes appraisal of the ability of project sponsors to raise and employ capital at private sector market rates. Because of this, ERDA intends to evaluate the financing arrangements of project applicants for ERDA assistance and will favor applicants for ERDA loan guarantees seeking partial as opposed to 100 percent guarantees. It is therefore logical to expect that such competition would result in proposals involving U. S. Government guarantees for less than 100 percent of the debt funding of the project. A clear advantage of providing only partial guarantees is that private lenders will thus have a stake in the project and will make a careful appraisal of the project before committing their funds. This will not only help to protect the interests of the Federal Government as guarantor but will also assure that private lenders will develop experience in the financing of these projects.
- It is Treasury's stated position that the Federal Financing Bank would not buy any securities which were not fully guaranteed. Thus, the concern that the Federal Financing Bank would purchase entire debt issues, only a portion of which was guaranteed and thereby remove risk from the project sponsors is unfounded since the project sponsors will be at risk for their contribution of at least 25 percent of project cost.
- It is conceivable that lenders to certain projects may prove unwilling to assume any of the credit risks. If ERDA, in such cases, determines that a full guarantee of both principal and accrued but unpaid interest is necessary to achieve the purposes of H.R. 12112, FFB financing may be in the best interests of the Government. The alternative of permitting 100 percent Government-guaranteed obligations to be issued in the market in direct competition with the Treasury's own securities and at higher interest rates than those paid by the Treasury would be undesirable from the standpoint of Treasury debt management policy and not in accord with the intent of Congress as expressed in the Federal Financing Bank Act of 1973.
- The difference in project cost for a \$1 billion project financed by FFB, as opposed to one financed in the private sector would be less than \$7 million. If the project is financed by FFB this amount would, for regulated projects, benefit rate payers rather than project sponsors. For both regulated and unregulated sponsors the interest rate differential can be retained for the benefit of the taxpayers through adjustment by ERDA of the guarantee fee.

History of Synthetic Fuels  
Program and Legislation

1975

- January - President proposed Synthetic Fuels Commercialization Program in State of the Union Message.
- February - A 13-agency Task Force under the President's Energy Resource Council (ERC) formed to examine alternatives.
- July - Task Force completes a 2,200 page study and makes recommendations to ERC for a 350,000 bbl/d initial program utilizing loan and price guaranties.
- Senators Randolph and Jackson successfully amend ERDA's authorization bill with \$6 billion loan guaranty in the Interior Committee.
- On July 31 Senate passes ERDA authorization bill with \$6 billion loan guaranty program (Sec. 103) by a vote of 92-2.
- September - President decides to support \$6 billion program adopted by Senate.
- Extensive hearings begin before House Science and Technology Committee and Subcommittees (Sept. 18, 25, 29; Oct. 1, 6, 7, 8, 9, 20, 21, 22, 23, 25, 27, 30).
- November - House Conferees accept, with modification, Senate-backed \$6 billion loan guaranty program.
- December - Conference bill passes Senate 80-10 but fails in House 263-140.

1976

- February - Chairman Teague introduces scaled-down \$2 billion loan guaranty program for Synthetic Fuels in House (H.R. 12112).
- March - Extensive hearings by House Science and Technology begin (March 31; April 1, 6, 7, 8, 13).
- May - \$4 billion loan guaranty bill (H.R. 12112) reported by Science and Technology Committee by 27-8 vote.
- H.R. 12112 sequentially referred to Committees on Interstate and Foreign Commerce, Banking, Currency and Housing and Ways and Means. Hearings held: Banking and Currency (May 24, 25, 26 and June 1); Interstate and Foreign Commerce (May 25, 26, 27, June 1).
- June - H.R. 12112 reported favorably from Banking and Currency Committee by 20-8; Ways and Means by voice vote. Interstate and Foreign Commerce reported a substitute bill.
- August - Compromise version of H.R. 12112 agreed to by Chairmen of Committees of Science and Technology, Banking, Currency and Housing and Ways and Means.
- September - Committee on Rules hears testimony from 16 members. Open rule requested.

KEY PROVISIONS OF H.R. 12112  
AS RECOMMENDED BY THE CHAIRMEN OF THE  
COMMITTEES ON SCIENCE AND TECHNOLOGY; BANKING  
CURRENCY AND HOUSING; WAYS AND MEANS

GENERAL PROVISIONS

- Authorizes a \$3.5 billion loan guaranty and a \$.5 billion price guaranty program in ERDA to demonstrate a critical number of synthetic fuel, renewable resource and energy conservation technologies to resolve current economic, environmental, regulatory and socioeconomic uncertainties that now block industry's ability to finance, construct and operate such energy projects.
- Requires that up to 50% (but no less than 20%) of the total \$4 billion guaranty authority be used to demonstrate renewable energy resource (including solar) and energy conservation technologies.
- Limits initial oil shale projects to "commercial modules" rather than full-scale commercial plants and authorizes "cost-sharing" agreements.
- Encourages maximum participation in program by small business.
- Provides strong incentives to borrower(s) to privately re-finance the government-guaranteed portion of total obligation after projects are built and successfully operating.
- Mandates ERDA Annual Reports to Congress on all major aspects of the program including any significant potential adverse impacts which may result and all funds received and disbursed.
- Requires that all proposed projects costing over \$200 million be subject to Congressional review and possible veto.
- Requires competitive bidding procedures for ERDA awards.

KEY SAFEGUARDS INCLUDED IN H.R. 12112

- A comprehensive \$300 million guaranty program for assisting local communities to finance essential public facilities needed as a result of a synthetic fuels plant.
- Environmental monitoring of each plant along with full compliance with the National Environmental Policy Act including site-specific Environmental Impact Statements.
- Review and approval, by the Governor of the potentially affected State, of each proposed demonstration project.
- Compliance with all applicable Federal and State environmental laws and regulations.
- Preparation of an assessment of water availability and the impact on water supplies of each proposed project.
- Review by the Attorney General and the Chairman of the FTC of all proposed guaranties to ensure no adverse impacts on competition or concentration in the energy industry.
- Government takes title to inventions conceived in course of demonstration project although ERDA can grant waivers.
- Dissemination of information generated from the program to all interested parties except proprietary information and trade secrets.
- Establishes stringent conflict of interest requirements for ERDA officials administering program including public disclosure.
- Requires a minimum of 25% of total project cost to be at risk by private participants.
- Establishes a statutory advisory panel to ensure adequate consideration of views of affected States, Indian tribes, industry, environmental organizations, and the general public on the impact of the program.

ERDA COMMENTS ON  
INTERSTATE AND FOREIGN COMMERCE COMMITTEE'S  
SUBSTITUTE TO H.R. 12112

ERDA believes that the substitute bill (to the loan guaranty program in H.R. 12112 which is aimed at demonstrating synthetic fuel and other emerging energy technologies) reported by the Committee on Interstate and Foreign Commerce is seriously defective for the following reasons:

1. America's most abundant fossil fuel resource, coal, has been totally excluded from loan guaranty assistance under this bill. This includes vital projects to demonstrate the commercial viability of high B.t.u. gasification to produce pipeline quality gas for residential, industrial, and commercial use, as well as low and medium B.t.u. gasification and the production of methanol and boiler fuels for electric utility and industrial use.
2. Because of the elimination of coal-related projects from assistance through loan guaranties, there is no practical or rational way to expend the \$2 billion of loan guaranty authorization on the remaining categories of projects without gross duplication and waste. Much of the \$2 billion would either not be obligated or, if it were, it would have to be used for projects of marginal value.
3. Financial assistance for modular shale oil conversion facilities has been limited to loan guaranties. Because these plants will be less than economical scale, the elimination of the cost-sharing cooperative agreement incentive included in H.R. 12112 may preclude the initiation of shale oil projects.
4. The proposed legislation requires mandatory licensing of background patents (i.e., those developed completely with private funds prior to the demonstration project) and further provides that the ERDA Administrator have the discretion to establish the licensing fee. This provision, by threatening private property rights, would inhibit industrial participation in the demonstration program.
5. The proposed legislation, in effect, sets aside 25 percent of the \$2 billion in loan guaranty authority (i.e., \$500 million) for projects costing less than \$10 million. It is not at all clear what such projects would be, whether or not projects of this scale are worthwhile and whether there would be enough projects of sufficient merit to justify such a large "set-aside."
6. Title II of the proposed legislation purports to provide an alternative mechanism for initiating high B.t.u. coal gasification demonstration projects. However, the proposed approach of using direct contracts for purchase does not address the fundamental obstacle now facing these projects: that of obtaining the required front-end capital financing to construct the plants. Thus, the proposed legislation will not facilitate the construction of any high B.t.u. coal gasification plants.
7. Title III of the proposed substitute which deals with price guaranties and purchase agreements, provides no flexibility to purchase fuel above the world oil price at the time the guaranty is provided. Thus, it fails to recognize the possibility of increasing world energy prices. Moreover, many of the safeguards and other desirable features of the Nonnuclear Energy R&D Act of 1974 are not included.



THE WHITE HOUSE

WASHINGTON

September 7, 1976

MEMORANDUM FOR:

MAX FRIEDERSDORF

FROM:

CHARLES LEPPERT, JR. *CLJ.*

SUBJECT:

Vote Check of House Rules Committee on Synthetic Fuels Bill

In response to our question "Will you support the rule requested by Chairman Teague for consideration of the synthetic fuels legislation," the results are as follows:

Madden	No.
Delaney	Yes.
Bolling	Undecided. Depends on how vote will affect race for majority leader.
Sisk	Out of town.
Young (Tex.)	Yes.
Pepper	Yes.
Matsunaga	Out of town. Will not return.
Murphy	Out of country on Speaker's business.
Long (La.)	Leaning yes.
Moakley	Undecided.
Young (Ga.)	No.
Quillen	Yes.

Memo re synfuels.

Anderson	Yes.
Latta	Yes.
Clawson	Out of town. Will not return for this bill.
Lott	Yes.

Totals	Yeas - 8
	Nays - 2
	Undecided - 2
	Out of town - 4

File

THE WHITE HOUSE  
WASHINGTON

September 7, 1976

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FROM:

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Latta	Yes.
Clawson	Out of town. Will not return for this bill.
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Totals	Yeas - 8
	Nays - 2
	Undecided - 2
	Out of town - 4

THE WHITE HOUSE  
WASHINGTON

Date

9/9/76

TO: \_\_\_\_\_

Leppert

FROM: Max L. Friedersdorf

For Your Information

X

Please Handle \_\_\_\_\_

Please See Me \_\_\_\_\_

Comments, Please \_\_\_\_\_

Other

SEP 9 1976

Five

THE WHITE HOUSE  
WASHINGTON

RECOMMENDED TELEPHONE CALL

TO: The Speaker and Representative Dick Bolling (D-MO)

DATE: Before Wednesday, September 15, 1976

RECOMMENDED

BY: Max L. Friedersdorf *MLF*

PURPOSE: To urge the Speaker and Representative Bolling to support a rule for H.R. 12112, the Synthetic Fuels bill.

BACKGROUND:

The House Rules Committee postponed action yesterday until next Wednesday on the Synthetic Fuels bill. Chairman Olin "Tiger" Teague has requested the President call the Speaker and Representative Bolling to urge their support for a rule.

Our vote count on the Rules Committee yesterday showed:

<u>YES</u>	<u>NO</u>	<u>UNDECIDED</u>	<u>OUT OF TOWN</u>
Delaney	Madden	Bolling	Sisk
Young (Tex)	Young (GA)	Long (LA)	Matsunaga
Pepper		Moakley	Murphy
Quillen			
Anderson			
Latta			
Lott			
Clawson			

SUGGESTED TALKING POINTS: See TAB A

DATE SUBMITTED: September 9, 1976

ACTION: \_\_\_\_\_

1. As you know, the Rules Committee did not complete action yesterday on the Synthetic Fuels bill, H.R. 12112. We need House passage as soon as possible of the compromise bill that Tiger Teague has put forward on behalf of his committee, Ways and Means, and Banking and Currency.
2. We must develop the capability to tap our vast resources of coal and oil shale in a way that is economic and environmentally acceptable. We need to have a synthetic fuels industry in place in the early 1990's to fulfill a significant part of our energy needs:
  - In 1972, we were importing 29% of our oil. Today we are importing over 40%.
  - Domestic production of oil and natural gas are continuing to decline.
  - We will still need a major contribution from synthetic fuels even with (a) increased energy conservation, (b) deregulation and decontrol of oil and natural gas, and (c) increased use of nuclear energy.
  - Newer energy sources such as the breeder, fusion, solar and geothermal cannot possibly make a major contribution in time.
3. The action that is needed now is the commercial scale demonstration of synthetic fuels technology. Industry will not proceed on its own because of the risks, high costs, and regulatory uncertainties. Loan guarantees will provide the limited sharing of risks needed by industry to proceed.
4. More delay by the Congress will mean greater reliance on imports in the 1990's, greater vulnerability to disruption from any future embargo, and increased out flow of dollars and jobs.

# REPUBLICAN WHIP—ROBERT H. MICHEL

Date: 14 Sept. - H.R. 12112- Will you support H.R. 12112  
 Question: The Synthetic Fuel Loan Guarantee Bill, which is  
 scheduled for Floor action this week?

94th Congress  
Tally Sheet

## Western and Plains (Talcott)

	Yes	No	Und.	N/R
<i>California</i>				
Bell			/	/
Burgener			/	/
Clausen	/			
Clawson			/	/
Goldwater		/		
<del>Tom Sta</del>			/	/
Ketchum			/	/
Lagomarsino (ARW)		/		
McCloskey	/			
Moorhead			/	/
Rousselot			/	/
Talcott	/			
Wiggins			/	/
Wilson	/			
Pettis			/	/
<i>Alaska</i>				
Young			/	/
<i>Arizona</i>				
Conlan			/	/
Rhodes	/			
Steiger	/			
<i>Colorado</i>				
Armstrong (ARW)	/			
Johnson	/			
<i>Idaho</i>				
Hansen			/	/
Symms		/		
<i>New Mexico</i>				
Lujan	/			
<i>Washington</i>				
Pritchard			/	/
<i>Kansas</i>				
Sebelius	/			
Shriver			/	/
Skubitz			/	/
Winn			/	/
<i>Nebraska</i>				
McCollister		/		
Smith			/	/
Thone (ARW)	/			
<i>North Dakota</i>				
Andrews	/			
<i>Oklahoma</i>				
Jarman			/	/
<i>South Dakota</i>				
Abdnor	/			
Pressler			/	/
<b>Total</b>	<b>13</b>	<b>5</b>	<b>9</b>	<b>8</b>
<b>Total pages 1 and 2</b>	<b>52</b>	<b>29</b>	<b>37</b>	<b>26</b>

## Midwestern States (Myers)

	Yes	No	Und.	N/R
<i>Indiana</i>				
Hillis	/			
Myers	/			
<i>Iowa</i>				
Grassley		/		
<i>Michigan</i>				
Broomfield	/			
Brown			/	/
Cederberg	/			
Esch	/			
Hutchinson			/	/
Ruppe	/			
Vander Jagt			/	/
<i>Minnesota</i>				
Frenzel (ARW)		/		
Hagedorn		/		
Quie			/	/
<i>Wisconsin</i>				
Kasten		/		
Steiger		/		
<i>Ohio</i>				
Ashbrook		/		
Brown (ARW)	/			
Clancy	/			
Devine		/		
Gradison			/	/
Guyer	/			
Harsha	/			
Kindness			/	/
Latta		/		
Miller			/	/
Mosher	/			
Regula			/	/
Stanton	/			
Whalen			/	/
Wylie			/	/
<i>Illinois</i>				
Anderson	/			
Crane		/		
Derwinski	/			
Erlenborn		/		
Findley (ARW)		/		
Hyde			/	/
Madigan			/	/
McClory	/			
Michel	/			
O'Brien	/			
Railsback			/	/
<b>Total</b>	<b>17</b>	<b>10</b>	<b>12</b>	<b>2</b>



REPUBLICAN WHIP—ROBERT H. MICHEL

94th Congress  
Tally Sheet

Date:  
Question: *Syn. Fuel*

Border and Southern (Young)					New England and Mid-Atlantic (McDade)				
	Yes	No	Und.	N/R		Yes	No	Und.	N/R
<i>Maryland</i>					<i>Connecticut</i>				
Gude	/				McKinney	/			
Holt		/			Sarasin	/			
Bauman		/			<i>Delaware</i>				
<i>Missouri</i>					duPont			/	
Taylor (ARW)			/		<i>Maine</i>				
<i>Kentucky</i>					Cohen	/		/	
Carter			/	/	Emery	/			
Snyder			/		<i>Massachusetts</i>				
<i>Tennessee</i>					Conte (ARW)	/		/	
Beard	/				Heckler			/	
Duncan	/		/		<i>New Hampshire</i>				
Quillen	/				Cleveland	/			
<i>Florida</i>					<i>New Jersey</i>				
Bafalis			/	/	Fenwick	/		/	
Burke			/	/	Forsythe	/			
Frey		/		/	Rinaldo			/	
Kelly		/		/	<i>Vermont</i>				
Young		/	/		Jeffords <i>Leaning</i>			/	
<i>North Carolina</i>					<i>New York</i>				
Broyhill		/		/	Conable		/		
Martin				/	Fish		/		/
<i>South Carolina</i>					Gilman			/	
Spence				/	<del>Glavin</del>			/	
<i>Virginia</i>					Horton	/			
Butler <i>Leaning</i>	/			/	Kemp			/	
Daniel				/	Lent			/	
Robinson		/		/	McEwen			/	
Wampler				/	Mitchell (ARW)	/			
Whitehurst (ARW)	/			/	Peyser			/	
<i>Alabama</i>					Walsh	/		/	
Buchanan	/			/	Wydler	/			
Dickinson	/			/	<i>Pennsylvania</i>				
Edwards			/	/	Biester			/	
<i>Arkansas</i>					Coughlin			/	/
Hammerschmidt			/	/	Eshleman			/	/
<i>Louisiana</i>					Goodling	/		/	
Moore <i>is S+T IN 40</i>	/			/	Heinz			/	
Treen			/	/	Johnson (ARW) <i>0/T</i>	/		/	/
<i>Mississippi</i>					McDade			/	
Cochran	/			/	Myers	/		/	
Lott				/	Schneebeli	/		/	
<i>Texas</i>					Schulze			/	/
Archer		/		/	Shuster			/	/
Collins		/		/					
Steelman		/		/					
Paul		/		/					
<b>Total</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>10</b>	<b>Total</b>	<b>13</b>	<b>6</b>	<b>9</b>	<b>6</b>



Western and Plains (Talcott)

Midwestern States (Myers)

	Yes	No	Und.	N/R
<i>California</i>				
Bell			/	
Burgener			/	
Clausen	/			
Clawson		/	/	
Goldwater		/		
<del>_____</del>				
Ketchum			/	
Lagomarsino (ARW)		/		
McCloskey	/	/		
Moorhead	/			
Rousselot			/	
Talcott	/			
Wiggins	/		/	
Wilson	/			
Pettis			/	
<i>Alaska</i>				
Young			/	
<i>Arizona</i>				
Conlan			/	
Rhodes	/			
Steiger	/			
<i>Colorado</i>				
Armstrong (ARW)	/		/	
Johnson	/		/	
<i>Idaho</i>				
Hansen			/	
Symms		/		
<i>New Mexico</i>				
Lujan	/			
<i>Washington</i>				
Pritchard			/	
<i>Kansas</i>				
Sebelius	/			
Shriver			/	
Skubitz			/	
Winn	/			
<i>Nebraska</i>				
McCollister		/	/	
Smith			/	
Thone (ARW)	/			
<i>North Dakota</i>				
Andrews	/			
<i>Oklahoma</i>				
Jarman			/	
<i>South Dakota</i>				
Abdnor	/			
Pressler			/	
<b>Total</b>	<b>13</b>	<b>5</b>	<b>9</b>	<b>8</b>
<b>Total pages 1 and 2</b>	<b>52</b>	<b>29</b>	<b>37</b>	<b>26</b>

	Yes	No	Und.	N/R
<i>Indiana</i>				
Hillis	/			
Myers	/			
<i>Iowa</i>				
Grassley		/		
<i>Michigan</i>				
Broomfield	/			
Brown			/	
Cederberg	/			
Esch	/			
Hutchinson			/	
Ruppe	/			
Vander Jagt			/	
<i>Minnesota</i>				
Frenzel (ARW)		/	/	
Hagedorn		/	/	
Quie			/	
<i>Wisconsin</i>				
Kasten		/	/	
Steiger		/	/	
<i>Ohio</i>				
Ashbrook		/	/	
Brown (ARW)	/			
Clancy	/			
Devine		/	/	
Gradison			/	
Guyer	/			
Harsha	/			
Kindness			/	
Latta		/	/	
Miller			/	
Mosher	/			
Regula	/			
Stanton	/			
Whalen			/	
Wylie			/	
<i>Illinois</i>				
Anderson	/			
Crane		/	/	
Derwinski	/			
Erlenborn		/	/	
Findley (ARW)			/	
Hyde			/	
Madigan			/	
McClory	/			
Michel	/			
O'Brien	/			
Railsback			/	
<b>Total</b>	<b>17</b>	<b>10</b>	<b>12</b>	<b>2</b>

Date: \_\_\_\_\_  
 Question: *Syn. Fuel*

Border and Southern (Young)

New England and Mid-Atlantic (McDade)

	Yes	No	Und.	N/R		Yes	No	Und.	N/R
<i>Maryland</i>					<i>Connecticut</i>				
Gude	/				McKinney	/			
Holt		/			Sarasin	/			
Bauman		/			<i>Delaware</i>				
<i>Missouri</i>					duPont			/	
Taylor (ARW)			/		<i>Maine</i>				
<i>Kentucky</i>					Cohen	/			/
Carter				/	Emery	/			
Snyder				/	<i>Massachusetts</i>				
<i>Tennessee</i>					Conte (ARW)	/			
Beard	/				Heckler			/	
Duncan			/		<i>New Hampshire</i>				
Quillen	/				Cleveland	/			
<i>Florida</i>					<i>New Jersey</i>				
Bafalis				/	Fenwick			/	
Burke				/	Forsythe	/			
Frey				/	Rinaldo			/	
Kelly		/			<i>Vermont</i>				
Young			/		Jeffords <i>Leamy</i>			/	
<i>North Carolina</i>					<i>New York</i>				
Broyhill		/			Conable		/		
Martin				/	Fish		/		
<i>South Carolina</i>					Gilman			/	
Spence				/	<del>Glavin</del>			/	
<i>Virginia</i>					Horton	/			
Butler <i>Leamy</i>	/				Kemp			/	
Daniel				/	Lent			/	
Robinson		/			McEwen			/	
Wampler				/	Mitchell (ARW)	/			
Whitehurst (ARW)	/				Peyser			/	
<i>Alabama</i>					Walsh	/			
Buchanan	/				Wydler	/			
Dickinson	/				<i>Pennsylvania</i>				
Edwards			/		Biester			/	
<i>Arkansas</i>					Coughlin			/	
Hammerschmidt				/	Eshleman			/	
<i>Louisiana</i>					Goodling	/			
Moore <i>is J+T 7/10/70</i>	/				Heinz			/	
Treen			/		Johnson (ARW) <i>o/t</i>			/	
<i>Mississippi</i>					McDade			/	
Cochran	/				Myers	/			
Lott				/	Schneebeli	/			
<i>Texas</i>					Schulze			/	
Archer				/	Shuster			/	
Collins		/							
Steelman		/							
Paul		/							
<b>Total</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>10</b>	<b>Total</b>	<b>13</b>	<b>6</b>	<b>4</b>	<b>5</b>



THE WHITE HOUSE  
WASHINGTON

$\sqrt{2}$   
18  
15  

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85-24-19-11

78  

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163

91 - cap  
78 - demo  

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169

163  
190  

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3

218  
163  

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55

THE WHITE HOUSE  
WASHINGTON

Charlie --

Udall amendment - per Holly Cantus

Carole FYI

2112 PHOB

SYNFUELS TALLY SHEET as of Sept <sup>20</sup>/<sub>16</sub>th

FOR LEANING FOR	<del>207</del>	210
	<del>32</del>	35
Subtotal	239	245
UNDECIDED	<del>89</del>	85
LEANING AGAINST AGAINST	<del>26</del>	26
	<del>73</del>	71
Subtotal	99	97
NOT VOTING VACANCIES	<del>4</del>	4
	<del>4</del>	4
TOTAL	435	435

244

99

83

DEMO WHIP CHECK

YEAR  
78



FOR

<u>Dem</u>	<u>Dem</u>	<u>Dem</u>	<u>Rep.</u>	<u>Rep.</u>
ALEXANDER	JOHNSON, CA	RONCALIO	ABDNOR	MILLER, OH
AMBRO	JONES, TN	ROSTENKOWSKI	ANDERSON, IL	MITCHELL
ANNUNZIO	JONES, OK	RUNNELS	ARMSTRONG	MOORHEAD, CA
BADILLO	JONES, AL	SHIPLEY	BEARD	MOSHER
BENNETT	JONES, NC	SIKES	BELL	MYERS
BERGLAND	KAZEN	SIMON	BROOMFIELD	MYERS
BEVILL	LANDRUM	SISK	BROWN, OH	O'BRIEN
BIAGGI	LEHMAN	SLACK	BROWN, MI	PETTIS
BLANCHARD	LEVITAS	SMITH	BUCHANAN	PRESSLER
BOGGS	LLOYD, TN	STANTON	BURGENER	QUILLEN
BOLLING	LLOYD, CA	STEED	CARTER	RAILSBACK
BOLAND	MCCORMACK	STEPHENS	CEDERBERG	RHODES
BONKER	MCDONALD	STRAITTON	CLAUSEN	ROBINSON
BOWEN	MCFALL	STUCKEY	CLAWSON	ROUSSELOT
BRECKINRIDGE	MCKAY	SYMINGTON	CLEVELAND	RUPPE
BRINKLEY	MAHON	TEAGUE	COCHRAN	SARASIN
BROWN, CA	MATHIS	THORNTON	CONTE	SEBELIUS
BURLESON	MAZZOLI	VAN DEERLIN	DERWINSKI	STANTON
BURLISON	MEEDS	WAGGONER	DICKINSON	STEIGER, WI
BYRON	MILFORD	WHITE	DUNCAN, TN	VANDER JAGT
CHAPPELL	MILLS	WHITTEN	EDWARDS, AL	WALSH
CORMAN	MOLLOHAN	WILSON, TX	EMERY	WAMPLER
COTTER	MONTGOMERY	WILSON, CA	ESCH	WHITEHURST
D'AMOURS	MOORHEAD, PA	WIRTH	EVANS, IND	WILSON
DANIEL, D.	MORGAN	WRIGHT	FORSYTHE	WINN
DANIELSON	MURPHY	YATRON	FREY	WYDLER
DE LA GARZA	MURTHA	YOUNG, TX	GILMAN	WYLIE
DODD	NATCHER	ZABLOCKI	GOODLING	YOUNG, AK
DOWNING	NICHOLS	PICKLE	GRADISON	
ENGLISH	NIX	<b>DAVIS</b>	GUIDE	<b>ANSEN</b>
EVINS, TN	OBEY		GUYER	<b>PHONE</b>
FARY	OBERSTAR		HAMMERSCHMIDT	
FASCELL	O'HARA		HEINZ	
FLOOD	O'NEILL		HILLIS	
FLOWERS	PASSMAN		HYDE	
FLYNT	PATTEN		JARMAN	
FOLEY	PATTERSON		JOHNSON, PA	
FUQUA	PATTISON		JOHNSON, CO	
GIAIMO	PEPPER		KASTEN	
GINN	PERKINS		KETCHUM	
GONZALEZ	POAGE		LATTA	
HALEY	PREYER		LENT	
HALL	PRICE		LOTT	
HARKIN	RANDALL		LUJAN	
HEBERT	REES		MCCLORY	
HICKS	REUSS		MCDADE	
HIGHTOWER	RISENHOVER		MCKINNEY	
HOWE	ROBERTS		MADIGAN	
HUBBARD	RODINO		MARTIN	
ICHORD	ROGERS		MICHEL	



<u>DEM</u>	<u>DEM</u>	<u>REP</u>	<u>REP</u>
ALLEN	RYAN	ANDREWS,ND	
ANDREWS,NC	SATTERFIELD	CLANCY	
ASHLEY	TAYLOR,NC	CONLAN	
BALDUS	<del>TRAXLER</del>	FINDLEY	
BRADEMUS	<del>CARE</del>	HARSHA	
CARNEY		HORTON	
DELANEY		KINDNESS	
DENT		MOORE	
FITHIAN		REGULA	
HUGHES		SCHNEEBELI	
LA FALCE		SHRIVER	
LEGGETT		SKUBITZ	
MINISH		TALCOTT	
MURPHY,NY		SMITH, NB.	
NEDZI			
ROONEY			

UNDECIDED

ADDABBO	JORDAN	BALMAN
ANDERSON,CA	KARTH	BURKE,FL
ASPIN	KEYS	BUTLER
BEARD,RI	KREBS	COHEN
BOLAND	LONG,MD	CONABLE
BREAUX	LONG,LA	CRANE
BROOKS	LUNDINE	DANIEL,VA
BURKE,MA	MANN	DUPONT
CORNELL	MEYNER	ESHLEMAN
DANIELS,NJ	MCHUGH	HANSEN-
-DAVIS	MATSUNAGA	HECKLER
DERRICK	MOAKLEY	KEMP
DUNCAN,OR	MOTIL	MCCLOSKEY
EARLY	NEAL	MCEWEN
EDWARDS,CA	NOLAN	PEYSER
EILBERG	NOWAK	PRITCHARD
EVANS,CO	PIKE	SMITH,NB
FISHER	ROSE	SNYDER
FORD,TN	ROUSH	SPENCE
FOUNTAIN	ROYBAL	TAYLOR,MO
GAYDOS	ST GERMAIN	-THONE
GIBBONS	SARBANES	TREEN
GREEN	SOLARZ	WHALEN
HAMILTON	STOKES	WIGGINS
HANLEY	STUDDS	YOUNG,FL
HARRIS	THOMPSON	
HAWKINS	<del>TRAXLER</del>	
HEFNER	ULLMAN	
HELSTOSKI	VANDER VEEN	
HENDERSON	ZEFFERETTI	
HOLLAND	<del>BRODHEAD</del>	
HOWARD		
HUNGATE		
JENRETTE		





DEM

DEM

DEM

REP

REP

ADAMS  
 AU COIN  
 BAUCUS  
 BURKE, CA  
 DIGGS  
 FORD, MI  
 JACOBS  
 MINETA  
 MITCHELL  
 SCHEUER  
 SPELLMAN  
 STAGGERS  
 SULLIVAN  
 WAXMAN

ARCHER  
 FISH  
 HOLT  
 JEFFORDS  
 McCOLLISTER  
 QUIE  
 RINALDO  
 SCHULZE  
 SHUSTER  
 STEELMAN  
 STEIGERS, AZ  
 SYMMS

AGAINST

ABZUG  
 BEDELL  
 BINGHAM  
 BLOUIN  
~~BROTHMAN~~  
 BURTON  
 BURTON  
~~CARR~~  
 CHISHOLM  
 CLAY  
 COLLINS, IL  
 CONYERS  
 DELLUMS  
 DINGELL  
 DOWNEY  
 DRINAN  
 ECKHARDT  
 EDGAR  
 FLORIO  
 FRASER  
 HANNAFORD  
 HARRINGTON  
 HAYES  
 HECHLER  
 HOLTZMAN  
 KASTENMEIER  
 KOCH  
 KREUGER  
 MADDEN  
 MAGUIRE  
 MELCHER  
 METCALFE  
 MEZVINSKY  
 MIKVA  
 MILLER, CA  
 MINK

MOFFETT  
 MOSS  
 OTTINGER  
 RANGEL  
 RICHMOND  
 REIGLE  
 ROE  
 ROSENTHAL  
 RUSSO  
 SANTINI  
 SCHROEDER  
 SIEBERLING  
 SHARP  
 STARK  
 THOMPSON  
 UDALL  
 VANIK  
 VIGORITO  
 WEAVER  
 WOLFF  
 YATES  
 YOUNG, GA

ASHBROOK  
 BIESTER  
 BROYHILL  
 COLLINS, TX  
 COUGHLIN  
 DEVINE  
 ERLENBORN  
 FENWICK  
 FRENZEL  
 GOLDWATER  
 GRASSLEY  
 HAGEDORN  
 KELLY  
 LAGOMARSINO  
 PAUL

NOT VOTING

ALBERT (FOR)  
 BAFALIS (FOR)  
 TSONGAS (AGAINST)  
 HINSHAW (?)

VACANCIES -- 4



person, owner or similar event connected with an interregional exhibit, or event sponsored by trade or industry associations where substantial numbers of member companies participate and share in the cost of such event."

By Mr. ROUSSELOT:

Section 17 of the bill be amended by striking subsection (a) on lines 7 through 9 of page 39; by striking "(b)" on line 10 of the same page; and by striking the words "sections 4, 5, and 6 and the provisions of sections 10, 13 and 14," substituting therefor the words "this Act."

By Mr. SISK:

Section 3(a)(1) of the bill be amended by striking everything beginning with the word "or" on line 8, page 22, up to and including the word "communication" on line 10 of the same page.

Section 5(b) of the bill be amended by deleting the word "five" on line 19, page 25, and substituting therefor the word "two."

By Mr. SYMMS:

Section 6(b)(4) of the bill be amended by striking "(A)" on line 7 of page 27; by striking the word "or" on line 12 of the same page; and by striking everything on lines 13, 14 and 15 of the same page.

By Mr. WAGGONNER:

Section 2(8) of the bill be amended by striking everything beginning with the word "national" on line 21, page 20 up to and including "employees" on line 25 of the same page.

Section 3(a) of the bill be amended by striking everything after the number "(1)" on line 21 of page 21 up to and including the word "person" on line 23 of page 21, substituting therefor the following: "retains another person who spends 20 percent of his time or more in any quarterly filing period."

Section 3(b) of the bill be amended by adding at the end thereof on line 4, page 24, a new paragraph (7) to read as follows:

"(7) activities of organizations that have been granted Section 501(c)(3) tax treatment under the Internal Revenue Code."

By Mr. WIGGINS:

Page 20, line 25, strike out "and" insert in lieu thereof "or"

Page 21, line 2, insert immediately before the period the following: ", but does not include any government or governmental agency"

H.R. 12112

By Mr. HECHLER of West Virginia:

(Amendment to the amendment recommended by the Interstate and Foreign Commerce Committee to section 1 of amendment in the nature of a substitute offered by Mr. TEAGUE (page and line references to Union Calendar bill No. 674).)

On page 125, strike line 9 and all that follows down through the period on line 5 on page 126 and insert therein the following:

#### SUNSHINE IN GOVERNMENT

"(s)(2) Each officer or employee of the Administrator and the Secretary of the Treasury who—

"(A) performs any function or duty under this Act; and

"(B) has any known financial interest (i) in any person subject to such Act, or (ii) in any person who applies for or receives any grant, contract, or other form of financial assistance pursuant to this Act;

shall, beginning on February 1, 1977, annually file with the Administrator or said Secretary, as appropriate, a written statement concerning all such interests held by such officer or employee during the preceding calendar year. Such statement shall be available to the public.

"(2) The Administrator and said Secretary shall—

date of enactment of this section—  
"(f) to define the term 'known financial interest' for purposes of paragraph (1)(B) of this subsection; and

"(1) to establish the methods by which the requirement to file written statements specified in paragraph (1) of this subsection will be monitored and enforced, including appropriate provisions for the filing by such officers and employees of such statements and the review by the Administrator and said Secretary of such statements; and

"(B) report to the Congress on June 1 of each calendar year with respect to such disclosures and the actions taken with respect to such disclosures and the actions taken in regard thereto during the preceding calendar year.

"(3) In the rules prescribed in paragraph (2) of this subsection, the Administrator and said Secretary may identify specific positions within such Administration and Department, as appropriate, which are of a nonregulatory or nonpolicy-making nature and provide that officers or employees occupying such positions shall be exempt from the requirements of this subsection.

"(4) Any officer or employee who is subject to, and knowingly violates, this subsection or any regulation issued thereunder, shall be fined not more than \$2,500 or imprisoned not more than one year, or both."

By Mr. MILLER of California:

(Amendment to the amendment recommended by Interstate and Foreign Commerce Committee to section 1 of amendment in the nature of a substitute offered by Mr. TEAGUE (page and line references to Union Calendar bill No. 674).)

On page 108, line 34, strike all after "except" to the end of line 36 and insert the following: "that paragraphs (2) through (4) of this subsection, and subsections (c)(1), (4), and (8), (d), (g)(2) through (4), (m), and (n) through (y) of this section shall also apply to such guarantees, and the";

On page 109, line 5, after "Section" insert the following: "or under the Geothermal Energy Research, Development and Demonstration Act of 1974, as modified by this section."

On Page 121, strike out lines 13 through 27 and insert in lieu thereof the following:

"(2) if the cost of such demonstration or modular facility exceeds \$200,000,000, such guarantee or commitment to guarantee shall not be made or entered into unless specifically authorized by legislation enacted by Congress after the date of enactment of this Act."

By Mr. OTTINGER:

(Amendment to the amendment recommended by Interstate and Foreign Commerce Committee to section 1 of amendment in the nature of a substitute offered by Mr. TEAGUE (page and line references to Union Calendar bill No. 674).)

On page 112, line 34, insert after the period the following new sentence: "The Administrator shall consult with the Environmental Protection Agency in making this review and giving such approval."

On page H9179 of the Congressional Record on August 28, 1976, in subsections 19(a)(1) and (2) and (b)(1)(A) strike "oil shale," and after the words "domestic resources," insert "(other than oil shale)".

On page H9179 of said Record in subsections 19(b)(1)(A) strike the first proviso.

On page H9180 of said Record in subsection 19(b) strike all of paragraphs (5)(A) and (B) and insert therein the following:

"(5) Nothing in this section shall be construed to authorize financial assistance for facilities of any kind for the conversion of oil shale to synthetic fuels."

In section 19(c) of the Federal Nonnuclear Energy Research and Development Act of

at the end of paragraph (8), and insert after paragraph (8) the following:

"(9) in the case of a demonstration facility which converts any coal (including lignite) from a surface mine to synthetic fuel, the Administrator has determined that regulations have taken effect under Federal legislation (applicable to surface mining operations on federally-owned and nonfederally-owned land) the principal purpose of which is the reduction and control of adverse environmental effects resulting from surface mining operations in the United States;" and

(3) redesignate paragraph (9) as paragraph (10).

Strike the last word.

Strike the requisite number of words.

By Mr. STARK:

(Amendment to the amendment recommended by Interstate and Foreign Commerce Committee to section 1 of amendment in the nature of a substitute offered by Mr. TEAGUE (page and line references to Union Calendar bill No. 674).)

On Page 108, line 18, insert "(1)" after "(B)".

On page 108, strike the sentence beginning on line 19 and ending on line 22 and insert therein the following:

"(1) The authority of the Administrator to enter into any guarantee or to make any commitment to guarantee under this section terminates on September 30, 1981. Such termination does not affect the carrying out of any contract, guarantee, commitment, or other obligation entered into pursuant to this section prior to that date, or the taking of any action necessary to preserve or protect the interests of the United States in any amounts advanced or paid out in carrying out operations under this section."

Page 110, insert after line 8 the following:

"(7) The Administrator shall not receive or approve any applications for financial assistance under this section until after March 1, 1977."

On Page 111 insert after line 28 the following:

"(9) The obligation provides that the Administrator shall, after seven years, but not later than ten years, after issuance of such obligation, determine, in writing, whether to terminate Federal participation in the demonstration facility, taking into consideration whether the Government's needs for information to be derived from the project have been substantially met and whether the project is capable of commercial operation. Such determination shall be published in the Federal Register. In the event that the Administrator determines that such termination is appropriate, he shall notify the borrower and provide a minimum of two years and not more than three years in which to find alternative financing. If the borrower is unable to secure such financing, the Administrator may elect not to terminate upon agreement by the borrower to pay an additional fee of not less than 1 per centum per annum on the remaining obligation to which the guarantee applies."

By Mr. TEAGUE:

On page H9180 of the August 26, 1976 CONGRESSIONAL RECORD (Mr. TEAGUE's substitute) at the end of subsection (b)(3) in the first column, after the period, insert the following: "In no case shall the bonds, debentures, notes, and other obligations guaranteed under this section be purchased or financed with Federal funds, under the Federal Financing Bank Act or otherwise, except as provided in subsection (a)."

By Mr. UDALL:

(Amendment offered to the amendment in the nature of a substitute offered by Mr. TEAGUE.)

On page H9180 of the CONGRESSIONAL RECORD of August 26, 1976, in section 19(c):

(1) Strike out "and" at the end of paragraph (8)

(2) Insert after paragraph (8) the following:

(9) in the case of a demonstration facility which converts any coal (including lignite) from any surface mine (on federally-owned or nonfederally-owned land) to synthetic fuel, the Administrator has determined that any such coal is, or will be mined under lawfully-binding reclamation standards requiring the surface mine operator as a minimum to—

(A) conduct surface coal mining operations so as to maximize the utilization and conservation of the solid fuel resource being recovered so that re-affecting the land in the future through surface coal mining can be minimized;

(B) restore the land affected to a condition, at least fully capable of supporting the uses which it was capable of supporting prior to any mining, or higher or better uses of which there is a reasonable likelihood, so long as such use or uses do not present any actual or probable hazard to public health or safety or pose any actual or probable threat of water diminution or pollution; and the operator's declared proposed land use following reclamation is not deemed to be impractical or unreasonable, inconsistent with applicable land use policies and plans, involves unreasonable delay in implementation, or is violative of Federal, State, or local law;

(C) (3) with respect to all surface coal mining operations backfill, compact (where advisable to insure stability or to prevent leaching of toxic materials), and grade in order to restore the approximate original contour of the land with all highwalls, spoil piles, and depressions eliminated (unless small depressions are needed in order to retain moisture to assist revegetation or as otherwise authorized pursuant to this Act); *Provided, however,* That in surface coal mining which is carried out at the same location over a substantial period of time where the operation transects the coal deposit, and the thickness of the coal deposits relative to the volume of the overburden is large and where the operator demonstrates that the overburden and other spoil and waste materials at a particular point in the permit area or otherwise available from the entire permit area is insufficient, giving due consideration to volumetric expansion, to restore the approximate original contour, the operator, at a minimum, shall backfill, grade, and compact (where advisable) using all available overburden and other spoil and waste materials to attain the lowest practicable grade but not more than the angle of repose; to provide adequate drainage and to cover all acid-forming and other toxic materials, in order to achieve an ecologically sound land use compatible with the surrounding region; *And provided further,* That in surface coal mining where the volume of overburden is large relative to the thickness of the coal deposit and where the operator demonstrates that due to volumetric expansion the amount of overburden and other spoil and waste materials removed in the course of the mining operation is more than sufficient to restore the approximate original contour, the operator shall after restoring the approximate contour, backfill, grade, and compact (where advisable) the excess overburden and other spoil and waste materials to attain the lowest grade but not more than the angle of repose, and to cover all acid-forming and other toxic materials, in order to achieve an ecologically sound land use compatible with the surrounding region and that such overburden or spoil shall be shaped and graded in such a way as to prevent slides, erosion, and water pollution and is revegetated in accordance

with the requirements of this section: (C) (8);

(D) stabilize and protect all surface areas including spoil piles affected by the surface coal mining and reclamation operation to effectively control erosion and attendant air and water pollution;

(E) remove the topsoil from the land in a separate layer, replace it on the backfill area, or, if not utilized immediately, segregate it in a separate pile from other spoil and, when the topsoil is not replaced on a backfill area within a time short enough to avoid deterioration of the topsoil, maintain a successful cover by quick growing plant or other means thereafter so that the topsoil is preserved from wind and water erosion, remains free of any contamination by other acid or toxic material, and is in a usable condition for sustaining vegetation when restored during reclamation, except if topsoil is of insufficient quantity or of poor quality for sustaining vegetation, or if other strata can be shown to be more suitable for vegetation requirements, then the operator shall remove, segregate, and preserve in a like manner such other strata which is best able to support vegetation;

(F) restore the topsoil or the best available subsoil which has been segregated and preserved;

(G) protect offsite areas from slides or damage occurring during the surface coal mining and reclamation operations, and not deposit spoil material or locate any part of the operations or waste accumulation outside the permit area;

(H) create, if authorized by applicable law, permanent impoundments of water on mining sites as part of reclamation activities only when it is adequately demonstrated that—

(i) the size of the impoundment is adequate for its intended purposes;

(ii) the impoundment dam construction will be so designed as to achieve necessary stability with an adequate margin of safety compatible with that of structures constructed under Public Law 83-566 (16 U.S.C. 1006);

(iii) the quality of impounded water will be suitable on a permanent basis for its intended use and that discharges from the impoundment will not degrade the water quality in the receiving stream;

(iv) the level of water will be reasonably stable;

(v) final grading will provide adequate safety and access for proposed water users; and

(vi) such water impoundments will not result in the diminution of the quality or quantity of water utilized by adjacent or surrounding landowners for agricultural, industrial, recreational, or domestic uses;

(I) plug all auger holes to a minimum of six feet in depth with an impervious and noncombustible material (such as clay) to prevent the flow of water in or out of such holes;

(J) minimize the disturbances to the prevailing hydrologic balance at the minesite and in associated offsite areas and to the quality and quantity of water in surface and ground water systems both during and after surface coal mining operations and during reclamation by—

(i) avoiding acid or other toxic mine drainage by such measures as, but not limited to preventing or removing water from contact with toxic producing deposits; treating drainage to reduce toxic content which adversely affects downstream water upon being released to water courses; casing, sealing, or otherwise managing boreholes, shafts, and wells and keep acid or other toxic drainage from entering ground and surface waters;

(ii) conducting surface coal mining operations so as to prevent, to the extent possible using the best technology currently available, additional contributions of suspended solids to streamflow or runoff out-

side the permit area above natural levels under reasonable flow conditions as measured prior to any mining, and avoiding channel deepening or enlargement in operations requiring the discharge of water from mines;

(iii) removing temporary or large siltation structures from drainways after disturbed areas are revegetated and stabilized;

(iv) restoring recharge capacity of the mined area to approximate premining conditions;

(v) replacing the water supply of an owner of interest in real property who obtains all or part of his supply of water for domestic, agricultural, industrial, or other legitimate use from an underground or surface source where such supply has been affected by contamination, diminution, or interruption proximately resulting from mining.

(vi) preserving throughout the mining and reclamation process the essential hydrologic functions of alluvial valley floors in the arid and semiarid areas of the country; and

(vii) such other actions as the regulatory authority may prescribe;

(K) with respect to surface disposal of mine wastes, tailings, coal processing wastes, and other wastes in areas other than the mine working or excavations, stabilize all waste piles in designated areas through construction in compacted layers including the use of incombustible and impervious materials; if necessary, and assure the final contour of the waste pile will be compatible with natural surroundings and that the site can and will be stabilized and revegetated according to the provisions of section (19) (c) (8);

(L) refrain from surface coal mining within five hundred feet from active and abandoned underground mines in order to prevent breakthroughs and to protect health and safety of miners: *Provided,* That an operator shall be permitted to mine closer to an abandoned underground mine: *Provided,* That this does not create hazards to the health and safety of miners and an operator may mine near, through, or partially through an abandoned underground mine working where such mining through will achieve improved resource recovery, abatement of water pollution or elimination of public hazards and such mining shall be consistent with the provisions of this Section (19) (c) (8);

(M) design, locate, construct, operate, maintain, enlarge, modify, and remove, or abandon, in accordance with the standards and criteria developed pursuant to subsection (e) of this section, all existing and new coal mine waste piles consisting of mine wastes, tailings, coal processing wastes, or other liquid and solid wastes and used either temporarily or permanently as dams or embankments;

(N) insure that all debris, acid forming materials, toxic materials, or materials constituting a fire hazard are treated or disposed of in a manner designed to prevent contamination of ground or surface waters or sustained combustion;

(O) insure that explosives are used only in accordance with existing State and Federal law and the regulations promulgated by the regulatory authority, which shall include provisions to—

(i) provide adequate advance written notice by publication and/or posting of the planned blasting schedule to local governments and to residents who might be affected by the use of such explosives and maintain for a period of at least two years a log of the magnitudes and times of blasts; and

(ii) limit the type of explosives and detonating equipment, the size, the timing and frequency of blasts based upon the physical conditions of the site so as to prevent injury to persons, damage to public and private property outside the permit area, adverse impacts on any underground mine, and change in the course, channel, or availability of

ground or surface water outside the permit area.

(P) insure that all reclamation efforts proceed in an environmentally sound manner and as contemporaneously as practicable with the surface coal mining operations;

(Q) insure that the construction, maintenance, and postmining conditions of access roads into and across the site of operations will control or prevent erosion and siltation, pollution of water, damage to fish or wildlife or their habitat, or public or private property: *Provided*, That the retention after mining of certain access roads may be permitted where consistent with State and local land use plans and programs and where necessary may permit a limited exception to the restoration of approximate original contour for that purpose;

(R) refrain from the construction of roads or other access ways up a stream bed or drainage channel or in such proximity to each channel so as to seriously alter the normal flow of water;

(S) establish on the regraded areas, and all other lands affected, a diverse, effective, and permanent vegetative cover native to the area of land to be affected and capable of self-regeneration and plant succession at least equal in extent of cover to the natural vegetation of the area; except, that introduced species may be used in the revegetation process where desirable and necessary to achieve the operators proposed postmining land use;

(T) assume the responsibility for successful revegetation, as required by paragraph

(S) above, for a period of five full years after the last year of augmented seeding, fertilizing, irrigation, or other work in order to assure compliance with paragraph (S) above, except in those areas or regions of the country where the annual average precipitation is twenty-six inches or less, then the operator's assumption of responsibility and liability will extend for a period of ten full years after the last year of augmented seeding, fertilizing, irrigation, or other work: *Provided*, That when a long-term intensive agricultural postmining land use is proposed, the applicable five- or ten-year period of responsibility for revegetation shall commence at the date of initial planting for such long-term intensive agricultural postmining land use; *Provided further*, That when there is proposed such a long-term, intensive, agricultural postmining land use as part of the mining and reclamation plan, exception to the provisions of paragraph (S) above may be waived; and

(U) assure that the proposed surface coal mining operation, if located west of the one hundredth meridian west longitude would—

(1) not interrupt, discontinue, or prevent farming on alluvial valley floors that are irrigated or naturally subirrigated, but, excluding undeveloped range lands which are not significant to farming on said alluvial valley floors and those lands that if the farming that will be interrupted, discontinued, or prevented is of such small acreage as to be of negligible impact on the farm's agricultural production or,

(2) not adversely affect the quantity or quality of water in surface or underground water systems that supply these valley floors in (1) of section 9(c) (8) (U):

*Provided*, That this paragraph (U) shall not affect those surface coal mining operations which in the year preceding the enactment of this Act produced coal in commercial quantities, and were located within or adjacent to alluvial valley floors or had obtained specific permit approval by the State regulatory authority of jurisdiction to conduct surface mining operations within said alluvial valley floors.

(3) Redesignate paragraph (U) as paragraph (10).

H.R. 14496

By Mr. HUGHES:

On page 141, after line 7, insert the following new paragraph:

"(7) The plan shall provide for the elimination of ocean dumping as any part of such plan after 1981."

On page 156, after line 6, insert the following new title, and renumber subsequent titles and sections accordingly:

## TITLE VI—LOAN GUARANTEES

## AUTHORITY OF ADMINISTRATOR

Sec. 601. (a) "The Administrator is authorized, in accordance with the provisions of this section and such rules and regulations as he shall prescribe, and after consultation with the Secretary of the Treasury, to guarantee and to make commitments to guarantee the bonds, debentures, notes, and other obligations issued by or on behalf of—

(1) any State, municipality, or inter-municipal agency, or

(2) in the case of facilities or equipment for the utilization of recovered resources, any other person, institution, organization, corporation or partnership,

for the purpose of financing the construction and startup and related development costs of commercial demonstration facilities necessary to the creation of resource conservation or resource recovery systems for municipal solid wastes, including the construction or modification of commercial demonstration facilities or acquisition of equipment necessary for the utilization of recovered resources, including fuel, produced by such system: *Provided*, That the outstanding indebtedness guaranteed under this Act at no time exceeds \$250,000,000: *Provided further*, That no guarantee or commitment to guarantee shall be undertaken under this Act after September 30, 1979.

(b) An applicant for a loan guarantee under this Title shall provide evidence in writing to the Administrator in such form and with such content and other submissions as the Administrator deems necessary to protect the interest of the United States. Each guarantee and commitment to guarantee shall be extended in such form, under such terms and conditions, and pursuant to such regulations as the Administrator, with the concurrence of the Secretary of the Treasury deems appropriate.

## CONDITIONS OF LOAN GUARANTEES

Sec. 602. The Administrator shall guarantee or make a commitment to guarantee under section 601 of this title, with respect to a facility of a resource conservation or resource recovery system, or component thereof, only if—

(a) the facility for which the guarantee is provided is a critical element of the proposed resource conservation or resource recovery system, which has not been commercially demonstrated in such an application;

(b) such system is certified by the State to be consistent with any applicable State and areawide plans or programs;

(c) the applicant agrees that such system will be consistent with any applicable guidelines and plans established pursuant to title IV of this Act, and will meet the requirements of title III of this Act;

(d) the Administrator is satisfied that the proposed resource conservation or resource recovery system is appropriate for the area to be served, that the proposed system does not duplicate or displace existing resource conservation or resource recovery services in the area, and that a realistic plan for achieving operational and financial self-sufficiency within a reasonable time exists for the proposed system, including adequate new and stable markets, such as a long-term contractual commitment for a significant proportion of the recovered resources;

(e) such system will comply with effluent

limitations under the Federal Pollution Control Act and with any limitations or requirements implementation plans under the Air Act;

(f) the Administrator is satisfied that the construction or operation of the facility to be assisted under this title in no way limited or precluded by the amount guaranteed under this title of the project cost is provided as a condition of the guarantee;

(g) the amount guaranteed under this title of the project cost is provided as a condition of the guarantee; (1) in the case of government bonds, from general tax revenues and the proceeds of bond sales; (2) in the case of private loans, from invested or borrowed capital; (3) in the case of any public loan, guarantee, or commitment to guarantee;

(h) the Secretary of the Treasury is satisfied that the Administrator is satisfied that the assistance applied for is not available from private lenders or other agencies on terms which are more favorable than those of the Secretary and the Administrator; (i) the permit the creation of the facility or resource recovery system; (j) assistance is necessary to the creation of the facility or resource recovery system; (k) participation in such a system by private lenders or investors; and

(l) the Administrator has determined that there will be a continued source of full repayment.

## NONREVOCABILITY OF

Sec. 603. Except in accordance with reasonable terms and conditions set forth in the written contract of guarantee issued or commitment to guarantee made under this title shall be canceled, or otherwise rescinded, or otherwise terminated, if the Administrator is satisfied that the underlying facility or resource recovery system does not comply with the provisions of this title and that such obligation is not legal as to principal or interest, or other terms. Subject to the provisions of this title, the guarantee or commitment to guarantee shall be irrevocable in the hands of the holder of the guarantee, except as to fraud or misrepresentation on the part of the borrower.

## PROCEDURES ON

Sec. 604. (a) If the borrower as defined by the Administrator fails to pay the guarantee contract, the obligation shall have the same priority as the payment of the unpaid principal of the guarantee. Within such period as the Administrator may specify in the guarantee contract, the Administrator shall notify the holder of the obligation of the amount of the unpaid principal obligation as to which the Administrator has not been defaulted, unless the Administrator determines that there was no default by the borrower. If the payment of interest or principal has been remedied, the title shall be construed to be in full compliance by the holder of the benefit of the borrower upon by the parties to the guarantee and approved by the Administrator.

(b) In the event of a default under this title, the Administrator shall notify the Attorney General to take such action as may be necessary to recover the amount of the unpaid principal obligation under subsection (a) of this section (including any payment of interest under subsection (a) of this section) from the defaulting borrower as a condition of the commercial demonstration of the guarantee.

(c) For purposes of this title, the Administrator shall have authority to disseminate technology resulting from