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FOR IMMEDIATE RELEASE

SEPTEMBER 12, 1974

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

In my first address before a Joint Session of Congress, I spoke of "communication, conciliation, compromise and cooperation." The Congress responded. We have communicated, conciliated, compromised, and cooperated.

I thank the bipartisan leaders and all Members for this working partnership. So far, despite some spats, we have had a good marriage.

Landmark bills in the fields of Education, Housing - Community Development, and Pension Reform were passed. For these examples of cooperation of real benefit to so many Americans, I am grateful.

I had serious objections to the SBA loan legislation, Public Works Appropriations, and D.C. Medical School bill. Recognizing congressional interest in particular elements of each measure, I signed them.

No effort was made to override measures that I had to veto. Congress responded promptly to my request for a Council on Wage and Price Stability.

Of the specific proposals I am singling out today, some are in the conference stage. Others have passed only one body. A few have passed neither. But virtually all have been the subject of hearings and are in the mark-up phase.

NOMINATIONS

Of utmost importance for Congress in its fall term is the consideration of Nelson Rockefeller as my nominee for Vice President of the United States. The Administration will assist the Congress in all appropriate ways to expedite this nomination. The precedent for this procedure under the 25th Amendment to the Constitution has been established. I am sure there will be no inordinate delay in moving forward Governor Rockefeller's nomination.

There are other nominations before the Senate, some pending since last January. There are other candidates for Federal office in varying stages of clearance. I expect to be able to submit them to the Senate within a few days. I would hope Congress could expedite action on all these nominees so that none will have to be held over to 1975.

REDUCING 1975 SPENDING

Responding to the initiative of the distinguished majority leader of the Senate and other members of the Congress, I have convened bi-partisan summit meetings on

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the issue of inflation. Many of you are participating. The legislative and executive branches are working together.

We are seeking short-term answers to short-term problems and long-term answers to long-term problems.

A concerted effort must be undertaken to bring spending down to manageable proportions. An important first step in this effort is to bring Federal outlays under control in 1975, making possible a balanced budget in 1976.

I need the help of the Congress in reducing 1975 spending below \$300 billion. Several important cooperative steps by the Congress will be required to achieve this difficult target.

First, the Congress must resist temptations to add to spending totals on legislation now being considered. Responsible action calls for agreements on cuts, not increases. I solicit suggestions on any programs that might be curtailed or stopped. Let me know about any spending that seems unnecessary or inflationary.

In the same vein, I would hope the Congress could pass specific legislation proposed in the February Budget submission that would reduce 1975 spending by almost \$700 million.

Immediate action should be taken on the rescissions that I am proposing in my first message to the Congress under the newly-enacted Budget and Impoundment Control Act. Moreover, the deferrals transmitted to Congress under the same Act should be supported. Overturning these actions could increase spending by as much as \$600 million in 1975 and by far more in 1976 and future years.

As a matter of highest priority, I need your support of my recommendation to defer the next Federal pay raise from October to January. It will be my intention to deal fairly with the just concerns of Federal workers. But I am asking them to join in the sacrifice I want all Americans to share. This action will reduce 1975 outlays by \$700 million. It will also set an example of wage restraint for the private sector. Let us practice what we preach.

These efforts are essential if our cooperation is to keep spending under \$300 billion. We simply cannot afford to fail.

#### APPROPRIATIONS

Eight of fourteen regular appropriations bills have been enacted. These measures in total represent a reduction of \$532 million from the Administration's Budget in spending authority and \$144 million in outlays for the current fiscal year. These are helpful moves in the right direction. I urge that this momentum be maintained.

There are seven money bills that require action during the balance of the session.

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The Agriculture money bill was vetoed on the basis of excessive funding; the Defense appropriation is in conference with very sharp reductions. Levels below the House bill would be extremely unwise. State-Justice-Commerce is also in conference and undoubtedly will show a reduction in the Budget; Labor-HEW appropriations, however, appear to be moving in the direction of exceeding the Budget substantially.

Appropriations for Military Construction and Foreign Assistance have not yet passed the House of Representatives.

There is ample time to consider the remaining appropriations bills before adjournment. In addition, I will be sending essential but carefully limited Supplemental Requests for fiscal year 1975. I trust they will be considered an urgent priority.

### LEGISLATION

It is unnecessary to submit a complete list of Administration legislative initiatives to this Congress. Leaders and Members know them as well as I do. I recognize that the inevitable consequence of any legislative Message in the twilight of the 93rd Congress is to suggest deferment of some desirable legislation in favor of imperatives that are realistic in the time we have left.

The Trade Reform bill has passed the House of Representatives but remains pending before the Senate Finance Committee. Efforts are underway to find a reasonable and mutually acceptable compromise to restrictive language that would deny Most Favored Nation status and Export-Import credits to the Soviet Union. I want to emphasize the importance I attach to the granting of Most Favored Nation status to the USSR. Careful attention should also be given to the importance of Title V concerning tariff preferences for developing countries and providing appropriate limits for Trade Adjustment Assistance. This legislation is close to enactment. It would be a tragedy not to pass it.

In the area of foreign policy, Congress should enact the Export-Import Bank Authorization, Asian and African Development Bank Authorizations, and the Foreign Assistance Act.

I know that a troublesome piece of legislation for me -- and perhaps one of the most important for the Nation -- is the Foreign Assistance Act. I am disturbed over the deep cuts in many essential and worthwhile programs which contribute to our overall efforts to attain peace and stability in the world. In addition, the bill contains several restrictions on the Executive which would reduce my ability to meet obligations to American security and that of our friends abroad. I respect and strongly support the role of Congress in the area of foreign policy. But under the Constitution, the Executive is the spokesman for the Nation and must have adequate freedom of action. I may recommend changes in our approach to foreign aid in the coming year and will propose realistic programs in the national interest. I strongly urge this Congress to continue the current programs unencumbered by amendments which prevent the effective implementation of policy.

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There are several significant problems in the State Department Authorization. I have requested Secretary of State Kissinger to work with appropriate leaders in an effort to resolve these differences.

The USIA Authorization has been passed by both bodies and should be finally considered by a conference committee. The House version is preferred.

Both bodies have passed an extension of the Defense Production Act. I hope the differing versions will be reconciled and sent to me for signature.

To promote more effective management of the Government's approach to our national energy resources, the Administration recommended creation of an Energy Research and Development Administration. This key legislation has now passed both Houses and hopefully will soon be considered by a conference committee. In its consideration of this legislation, I recommend to the conference committee that the provision calling for an Energy Policy Council be deleted and several other undesirable provisions be revised in accordance with current discussions.

To increase the availability of clean natural gas through competitive pricing of newly developed gas supplies, I urge this Congress to enact the Natural Gas Supply bill. As we enter the winter months, our energy resources must be effectively utilized for the benefit of all Americans. Gas deregulation which would increase supply is a vital part of the Administration's response to the energy shortage.

Of major importance to our ability to provide sufficient energy in the years ahead is a proposal for the Federal Government to grant permits for construction, licensing and operation of Deepwater Ports beyond the three-mile limit. The House has passed a bill. Hopefully, the Senate will also move forward on this key measure.

Among the many energy-related bills before Congress, is the important Energy Tax Package. This measure imposes a windfall profits tax on the selling price of domestic crude oil, eliminates the percentage depletion deduction for U.S. taxes on foreign production of oil and gas, and limits foreign tax credits available to U.S. oil and gas companies operating in foreign lands.

We learned from the recent oil embargo that we must be better prepared to reduce the impact of any future supply interruptions. At the time of the embargo our Naval petroleum reserves, set aside through the foresight of the Congress for the specific purpose of assuring adequate supplies of essential fuels, could not be used in time to contribute to our national defense requirements.

In a moment of need, oil in the ground is useless. We must have authority to produce and deliver our emergency petroleum reserves to the user. Presently, the Navy Petroleum Reserves at Elk Hills, California, have proven reserves of approximately one billion barrels. The Navy Petroleum Reserves in Alaska, although unexplored, have estimated reserves of up to 33 billion barrels. I intend

to consult with the Congress on the best way to assure that the reserve capacities of these fields are in a state where they can contribute effectively to our national security in any future energy crisis.

The House and Senate conferees are now addressing the difficult issues involved in striking a balance between the environmental effects of surface coal mining under the proposed Surface Mining Act and the nation's need for coal as an essential source of energy. This issue has been under consideration throughout this Congress. It would greatly reduce the problem of opening new coal mines and increasing production if acceptable mined area legislation can be enacted. I am asking Secretary of the Interior Morton to continue discussions with legislative leaders in an effort to reach an agreement over troublesome provisions in this measure.

The Illegal Aliens legislation is necessary to establish clear guidelines regarding the law for employment of aliens who work in this country. The House has already passed a bill. I would hope the Senate could consider this measure during the fall term.

Real progress was made on the House floor when the Conference report on the Veterans Education Bill was substantially reduced in terms of Federal expenditures. I hope the Senate will now act in the same spirit. This can be done by reducing the benefit limit to the original Senate Bill. It provided a substantial increase -- 18.2 percent. But cost-of-living increases for our veterans in school are necessary. I urge the Senate to reaffirm its original rate increase and send the bill to me so benefits can begin.

In May of 1973, the Administration proposed the Job Security Assistance Act. This measure is an important part of our policy to assist in a period of rising unemployment. It would modernize the unemployment compensation system without violating the relationship between the States and the Federal government.

I recognize the concern of many that unemployment might rise because of the policies we must follow to fight inflation.

I am watching the unemployment rate very closely. This Administration will act with compassion. We will not permit the burden of necessary economic restraint to fall on those members of society least able to bear the costs.

The unemployment rate in August, announced last Friday, was 5.4 percent. While we certainly cannot be complacent about any American lacking work, we are thankful that the number is not larger.

The present situation calls for full use of available tools and dollars.

I have asked Secretary of Labor Brennan to accelerate the obligation of currently available funds under the Comprehensive Employment and Training Act.

The Secretary will immediately disperse \$65 million to those communities in which unemployment is highest. By the end of the month he will make available another \$350 million

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under CETA Title II. This \$415 million will finance some 85,000 public sector jobs in State and local governments. Added to the almost \$550 million obligated for public service employment in June from the FY 1974 appropriation, and about \$50 million in other funds, currently available resources will provide 170,000 public service jobs this coming winter. The effect of these actions will be to double the number of federally funded public service jobs. In addition, \$1.3 billion will be available to State and local governments for manpower programs.

Beyond this, I have requested the Secretary of Labor, in consultation with my economic advisors, and drawing on the outcome of the Conference on Inflation, to develop contingency plans against the possibility of substantially increased unemployment. If future unemployment statistics demonstrate the need, we will be ready to present plans to the Congress and to work together to assure a mutually satisfactory course of action.

There are several health authorizations that require extension this year. They are the Health Manpower Act, Health Services Act and the Health Resources Planning Act. All are necessary but, unfortunately, each currently has objectionable features in program provisions and excessive authorizations. I have requested Secretary of Health, Education, and Welfare Weinberger to cooperate fully with appropriate committees in an effort to enact reasonable legislation. I will continue to seek a sound compromise on the Comprehensive Health Insurance Plan.

The House recently passed the Federal Mass Transportation Act. While the funding was kept to a level which I can support, certain structural changes in that bill are necessary. I am asking Secretary of Transportation Brinegar to work closely with the Senate in an effort to develop an acceptable bill.

The Administration's proposal to improve the regulatory climate in the surface transportation industry is presently before the Congress. This bill, with certain modifications to ensure greater reliance on competitive market forces, would contribute substantially to the efficiency and vitality of this Nation's private sector transportation system. I urge the Congress to act promptly to complete its work on this important legislation.

The Amtrak Authorization legislation is now ready for Conference. Since major problems exist with the Senate version, I hope the Conference will adhere as closely as possible to the House measure and soon present it for my signature.

I assume the Congress will pass the Military Construction Authorization bill, including expansion of the support facility at Diego Garcia.

The Export Administration Act is ready for conference action and should be reported soon.

Legislation to restore financial integrity to the Railroad Retirement system has not been enacted by either House. I urge legislation be adopted to accomplish this objective without resorting to a subsidy from either the Social Security System or the general taxpayers.

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Court congestion impairs fair and speedy trials. The Administration supports legislation to create new Federal District Court Judgeships. While this measure has been slow to move, I would hope Congress could expedite consideration in order to alleviate overcrowded court calendars.

A bill to renew my authority to submit Executive Reorganization Plans has been sent to the Congress. During the past 25 years all Presidents have used this authority to improve management in the executive branch. I would like my Administration also to be able to utilize this effective tool of good government. I urge prompt bipartisan consideration of this bill.

It is apparent that I have referred to some legislative matters and omitted reference to others. This is not an inventory of my total legislative concerns. I will send the traditional message to the Congress in January covering the broad spectrum of legislative programs. This will afford me an interim opportunity for detailed study and review.

The 93rd Congress, in which I am proud to have served, has an opportunity to join with the Executive Branch at this turning point of history. We can respond together in the constructive harmony that ought to exist between Republicans and Democrats, between Federal and local governments, between the Executive and Legislative branches, and between America and other nations. A momentous challenge confronts me as well as the 93rd Congress. Together, we can summon forth the reserves of energy, imagination, and devotion necessary to generate a new and proud era of American achievement. We cannot and will not fail the American people.

GERALD R. FORD

THE WHITE HOUSE,  
September 12, 1974

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NOVEMBER 18, 1974

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

I regret that commitments which I believe will advance the cause of international understanding prevent my delivering this message personally. On two previous occasions when I returned to the Capitol for formal communication with the Congress, I emphasized my sincere desire for partnership with you in the interests of our country. Nothing has changed that intention on my part.

On August 12, three days after assuming the office of President, I asked the Congress to join with me in a new spirit of action and accommodation in getting America moving again. On October 8, I presented a comprehensive 31-point program to strengthen our economy, share the burdens of inflation and stagnation and significantly reduce this Nation's dependence on outside sources of energy which is both strategically and economically undesirable.

There has been piecemeal criticism of my program and I expected it. But there has been no specific and comprehensive alternative program advanced and time is passing. I do not read any mandate in the recent election so clearly as the American people's concern about our economy and their urgent demand for fiscal restraint and responsible action on the economic front.

I am still ready to meet the Congress more than half way in responding to this call from our constituents. We cannot wait and the country cannot wait until next March or April for needed action.

I will always have a special affection for the 93rd Congress --- the last one to which I was elected and in which I served both as Minority Leader of the House and as President of the Senate. But I hope this pride can be more solid than sentimental.

Time is short, but time remains for this Congress to finish its work with a real record of accomplishment. Your leaders have given me their assurance of a desire to do as much as possible.

There is much to be done. I am confident that if we all declare a moratorium on partisanship for the rest of 1974 we can still achieve much for America.

In this message I am listing those legislative actions, among the many I have proposed, to which I attach the highest priority. I respectfully request their careful consideration and resolution before the 93rd Congress takes its place in history.

NOMINATIONS

I regret that neither body of the Congress has acted on my nomination of Nelson Rockefeller to be Vice President of the United States.

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It has been nearly thirteen weeks since I nominated Governor Rockefeller. Our recent experience with the 25th amendment makes it plain that an incumbent Vice President is essential to continuity in Government. I appreciate the need for a thorough examination of this nomination, but it is in the highest national interest that I urge speedy confirmation.

Forty-three other nominations pending before the Senate lapsed with the election recess. I request that my re-submissions be given expeditious consideration so that vacancies in key executive branch posts may be filled with approval of the Senate at the earliest possible time.

I will also transmit to the Senate the names of other candidates for major Administration positions and urge their speedy confirmation. Good government makes it imperative that all pending nominations be acted upon during this session of the Congress.

### ECONOMIC ISSUES

No single issue has a higher priority than the economic health of our country. Prices rise while production lags and unemployment increases. It is a severe problem requiring specific corrective actions to start the recovery and to check inflation.

#### Expenditures

I am gratified that recent deliberations of the House and Senate have recognized the need to restrain Federal spending for fiscal year 1975. I am confident that this action reflects the strong desire of the American people.

Accordingly, for fiscal year 1975, I will recommend to the Congress next week more budget rescissions and will report on budget deferrals and administrative actions to hold down expenditures. I will also request the Congress to make changes in existing authorizations and in pending appropriation bills. I urge the Congress to support these actions and move quickly to enact the required legislative changes.

I have already reported on a number of budget deferrals totalling more than \$23 billion and requested seven rescissions of over \$675 million. Failure to support these actions would increase outlays by over \$660 million in 1975, \$2.2 billion in 1976, and even more in subsequent years. I urge the Congress to accept these deferrals and take prompt action on the over \$675 million in rescission proposals that have been submitted.

#### Employment Assistance

In addition to Government belt-tightening, I also indicated in my economic message of October 8th that special legislation was needed to assist citizens who are particularly hurt by increases in unemployment. On that same day, I sent to the Congress my proposed National Employment Assistance Act. Under this plan, employment assistance programs would be triggered into action whenever the average national unemployment rate rose to six percent for three consecutive months.

In that event, these programs would provide special jobless compensation and work opportunities in those labor market areas where the rate averages six and one-half percent for three consecutive months.

These programs should be enacted immediately, since rising unemployment indicates they will very likely be needed before the 94th Congress convenes. I hope this Congress will recognize its responsibility in this important area.

#### Trade

Action is urgently needed on the Trade Reform Act which I consider absolutely essential to our economic health. Our trading partners in the industrial and less-developed world are waiting to see whether we can negotiate multilateral solutions to the common economic problems which plague us, as well as make much-needed improvements in the trading system. The unacceptable alternative is economic warfare from which no winners would emerge.

I urge the Senate to move as quickly as possible to adopt the Trade Reform Act, and to forego any encumbering amendments. If the Senate acts promptly --- and only if it does -- there will be sufficient time remaining in this Congress for both Houses to agree on a final measure.

#### Taxes

The Congress has before it the tax reform proposals sent up in April 1973; the windfall profits tax proposals submitted in December 1973, and the economy strengthening and stabilizing proposals which I recommended last month.

The economic proposals of last month include surtaxes on all corporations and on individuals with well above-average incomes. They call for change in the investment tax credit and in the tax treatment of certain limited kinds of preferred stock.

My individual surtax proposal, I must emphasize, would apply only to families and single persons whose incomes exceed \$15,000 and \$7,500, respectively, and only to that portion of their actual income above those levels. It is a very progressive tax proposal which takes much more from high bracket taxpayers than middle income taxpayers. Low bracket taxpayers would be exempt. With a \$16,000 income, for example, a family of four would pay a surtax of only \$3. On the other hand, a family of four with a \$50,000 income would pay \$482 of surtax.

I also urge Congress to enact the windfall profits tax proposals so that we will not forever lose the chance to recapture a part of the excessive profits that domestic oil producers realize this year. I reiterate my support for eliminating the foreign depletion allowance.

I have asked the Secretary of the Treasury to work with the congressional committees concerned to develop balanced legislation, including additional tax reductions for low-income individuals.

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## Financial Institutions

There is great need for action on an Administration proposal to strengthen and revitalize banks and thrift institutions through the elimination of certain Federal regulations which impede efficiency and healthy competition. While retaining appropriate safeguards to assure solvency and liquidity, the proposed Financial Institutions Act would allow more competition in our banking system to benefit the small saver as well as the institutions themselves. This could also make additional dollars available to the private citizen and to industry.

Further, this proposal would provide the added incentive of the mortgage interest tax credit for our financial institutions to enable them to devote their resources to home mortgages and thus curb the wide and disruptive swings in home mortgage credit availability.

## Regulation

The Congress has before it my proposal to establish a one-year National Commission on Regulatory Reform to examine the practices and procedures of the independent regulatory commissions. It has become clear that many regulatory activities of the Government are themselves stifling competition and producing higher prices without comparable social benefits. I urge this Congress to complete action on this important legislation. Such a Commission, to be composed of Congressional, Executive, and public members, should start now to formulate realistic proposals for reform of our regulatory system for early consideration by the next Congress.

## Food

Food prices concern everyone. The Congress must act rapidly to not only increase food production but to remove impediments to the maximum production of peanut and rice crops.

I am also recommending that we amend Public Law 480, the Food for Peace program. Additional flexibility is clearly needed to assure that our food aid programs can continue to serve the national interest and humanitarian goals.

## Competition

Activities which are illegal under the Sherman Anti-Trust Act disrupt the natural competitive forces in the marketplace and invariably result in higher prices to the American consumer. The Justice Department's antitrust efforts against monopolies and activities which operate in restraint of trade must be strengthened.

The maximum allowable penalties for violation of the Sherman Anti-Trust Act should be increased from \$50,000 to \$1 million for corporations and from \$50,000 to \$100,000 for individuals. Maximum prison sentences for individual violations should also be increased to five years.

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Current estimates by the Immigration and Naturalization Service indicate that there are some 4 to 7 million illegal aliens in the United States. Prompt action on a pending illegal alien bill would help solve this critical problem by providing sanctions against the hiring of illegal aliens. This would make more jobs available for our own citizens.

### Stockpiling

The General Services Administration has submitted stockpile disposal bills for silver, lead and tin. These would permit sale of stockpile quantities that clearly exceed our national security needs. This additional authority will assure adequate supplies of these commodities and also dampen excessive price fluctuations. The additional disposal authority for silver, lead, and tin would also provide potential budget receipts of \$1.4 billion, of which about \$150 million could be realized in fiscal year 1975 if legislation is enacted by the end of this year.

### Housing

I thank the Congress for promptly enacting housing legislation making conventional mortgages eligible for purchase by the Government National Mortgage Association. This is giving the housing and real estate industry much needed support, even though the Act did not cover apartments and condominiums. I urge you to consider legislation to correct this omission.

### ENERGY

In addition to my deep concern over the economy, I am committed to resolving the problems of achieving sufficient energy supplies for ourselves and our children. I repeat my earlier requests for action during this session on several energy bills under consideration.

First, we need legislation to help increase the supply of natural gas and permit competitive pricing of these new supplies. Our worsening shortages are directly attributable to more than 20 years of unsuccessful Federal regulation of natural gas. Unless we remove Federal regulatory impediments with respect to new sources, supplies of environmentally clean natural gas will remain in the ground. The shortage of natural gas is already forcing curtailment of service to industry in many areas, resulting in increasing unemployment and greater use of imported oil. New homes are being denied natural gas service, forcing the use of alternative fuels that are more costly and far less clean.

I urge the Congress to complete action quickly on legislation to establish a system of permits for the construction and operation of deepwater ports. This system is a far superior means --- from both a cost and environmental point of view --- for handling that portion of oil which we cannot avoid importing for some years ahead. I have asked the Secretaries of Interior and Transportation to work with the Senate and House conferees to develop a bill that I can sign within the next few weeks.

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Last March, legislation was proposed to speed the licensing and construction of nuclear plants, allow more meaningful public participation at early decision points relating to their design and siting and encourage standardization of new nuclear plants. I urge that the Congress pass this bill to speed the development of domestic energy supplies, reduce dependence on imported oil, and help hold down electrical power costs.

The House and Senate conferees are now addressing the difficult issues in the proposed Surface Mining Act. I am still hopeful that the conferees can agree on provisions which strike a reasonable balance between our desire for environmental protection and reclamation and the need to increase the production of domestic coal supplies.

I must emphasize that some provisions of the bills now in conference are not acceptable. I have asked the Secretary of the Interior to continue working with the conferees to develop a bill, which I can sign.

As a necessary step toward conserving fuel and saving lives, I urge the Congress to make permanent the 55 mile-per-hour speed limit. I also ask the House of Representatives to approve an extension of the carpooling provisions in the Emergency Highway Energy Conservation Act which expires December 31, 1974.

I have asked the Secretaries of Interior, Defense and Navy to work with the Congress in finding satisfactory ways of dealing with our emergency petroleum reserves to balance our domestic energy needs. We must proceed with development of the oil reserves at Elk Hills, California, and with exploration and development of the reserve in northern Alaska. We must not wait for another energy crisis to force action, perhaps too late, on these vital resources.

#### APPROPRIATIONS

There are four regular appropriations bills still to be enacted -- Agriculture-Environmental and Consumer Protection, Labor-HEW, Military Construction and Foreign Assistance -- and the important First Supplemental Appropriations bill.

Action has not yet been completed in the Senate on the Agriculture-Environmental and Consumer Protection Appropriation Bill for fiscal year 1975. This bill was vetoed by President Nixon on August 8th because it would have substantially increased Federal spending. I urge the Congress to complete action on this appropriation measure as soon as possible within reasonable funding limits.

The Labor-HEW and Related Agencies Appropriations bill is currently in conference. Unfortunately, the totals are excessive. Unless the Congress reduces funding in both the House and Senate versions, I will have no choice but to veto this measure.

Appropriations now pending for Military Construction and Foreign Assistance should be given high priority.

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The First Supplemental Appropriation bill has passed the House and is pending on the Senate calendar. However, I am concerned about the inflationary aspects of the Senate version and hope final action will produce an acceptable bill.

#### VETOES

During the adjournment, it was necessary for me to pocket veto five bills. Two were private relief measures and three were legislative issues: National Wildlife Refuge System, Farm Labor Contractor Registration, and Rehabilitation Act Amendments.

I have determined on advice of the Attorney General that the absence of my signature from these bills prevented them from becoming law. Without in any way qualifying this determination, I also returned them without approval to those designated by the Congress to receive messages during the adjournment period.

If the Congress should elect to challenge these vetoes by overriding them, there could be a prolonged legal uncertainty over this legislation. However, I would welcome new legislation to replace the measures which were vetoed.

Specifically, while the Farm Labor Contractor Registration Act Amendments contained worthwhile provisions to protect migrant farm workers, an unrelated rider arbitrarily would have reclassified and elevated certain Federal employees to important Administrative Law Judge positions, regardless of their qualifications. I, therefore, urge the Congress to pass the essential sections of the vetoed bill without the personnel provision which would create serious pay inequities by legislatively over compensating a particular class of employees in one executive department.

Similarly, the intent of the Rehabilitation Act Amendments section of H.R. 14225 is worthwhile. But the features which would force the creation of new and unnecessary bureaucracies in the Department of Health, Education and Welfare prompted my veto.

I have requested the Secretary of HEW to work with Congressional leaders in an effort to correct the serious difficulties in administration and accountability contained in the vetoed bill.

Although it was necessary to return to the Congress without my approval the Freedom of Information Act Amendments on October 17th, the day the Congress adjourned, I continue to endorse the intent of that legislation. I have already submitted to the Congress amendments which would eliminate the national security information problems and the damage to effective law enforcement inherent in the bill which I vetoed. I pledge the full efforts of the Administration in working out a fair, responsible way to increase public access to Federal papers and records without impairing individual rights and essential Government activities.

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Just before adjournment, I also vetoed the Atomic Energy Act Amendments. I objected to a provision I consider to be unconstitutional. Because of this provision, the bill would not have become effective, even had I approved it, unless a Joint Committee of the Congress subsequently took affirmative action. I urge passage of a new measure removing the constitutional objection to section 12 of the vetoed bill, thereby eliminating the legal uncertainties which would becloud the entire nuclear energy program.

During the adjournment, I signed into law a bill overhauling the Commodity Exchange Act. This is an important step to assure full confidence in Federal regulation of commodity futures trading. Nevertheless, there are several provisions which need revision. First is the requirement for concurrent submission to the Congress and to the President of both the new Commission's budget and legislative proposals, and second is the need for Senate confirmation of a non-Presidential appointee. These provisions run contrary to good management of the Executive Branch by the President and the traditional separation of powers. I hope these Constitutional and policy questions can be resolved.

#### OTHER MAJOR LEGISLATION

In addition to pending nominations, economic legislation and energy issues, there are a number of other important bills awaiting final action by the Congress.

In today's world, all nations are interdependent. The United States owes it to itself, as well as to others, to provide military and economic assistance which may mean the difference between stability and instability in a global or regional context. Where there is instability, there is danger -- danger of conflict which can involve the greatest as well as the smallest.

The Foreign Aid Authorization bill before you represents a sincere effort to reflect the realities of today's world. It remains my assessment of the minimum which is needed to sustain our peaceful objectives.

I urge the Congress to move quickly to enact legislation which will help to achieve these objectives and meet our moral, political and security obligations. If such legislation is to enable us to effectively carry forward the foreign policy of the Nation, it must not tie the hands of the President nor restrict his authority and ability to act when action is called for.

Also important to the achievement of our objectives overseas is legislation to enable the United States to contribute its fair share to the various multilateral development institutions and, at the same time, provide continued incentives to other nations to join in these international assistance efforts.

In order for the United States to maintain its strong position in foreign markets, it is important that the Congress pass the Export-Import Bank bill and avoid attaching unnecessary encumbrances.



The Congress is making good progress on the Administration's proposal to improve the regulatory climate in an important portion of the transportation industry. The Surface Transportation Act, as reported by the House Committee on Interstate and Foreign Commerce, is a beginning in the overall area of regulatory reform. This bill, with certain modifications to insure greater reliance on competitive market forces, would contribute substantially to the efficiency and vitality of this Nation's railroad system. I urge the Congress to complete its work on this vital legislation without waiting for the establishment of the National Commission on Regulatory Reform.

Earlier this year, legislation was submitted to provide reasonable increases in the size and weights of trucks traveling on interstate highways. These increases were to offset the economic disadvantages to truckers resulting from lower permissible speed and higher fuel costs. The Senate passed a bill containing most of the features of the Administration's proposal while a similar bill did not pass in the House. I ask the Congress for early action on this issue in the interest of economic efficiency and fuel conservation.

I also urge the Congress to act promptly to pass the National Mass Transportation Assistance Act of 1974. This bill has been developed through close cooperation between the Congress and the Administration. It will provide the Nation's cities with the Federal financial assistance needed to help them meet priority urban mass transportation needs. This bill establishes a long-term assistance program for mass transit -- actually, for six years -- and distributes a significant portion of the funds according to a simple and equitable formula. It also provides for an enhanced role for the Governors and local officials in mass transit decisions.

I consider the total dollar level of \$11.8 billion over a six-year period to be at the upper limits of fiscal responsibility. The needs of the cities and the uncertainties and delays that would result from waiting until the next Congress for a transit bill make it imperative that this Congress act before adjournment sine die.

In 1972, the Judicial Conference of the United States recommended the creation of 51 additional Federal District Court judgeships in 33 separate judicial districts across the country. Senate hearings on legislation incorporating this proposal were concluded in 1973. To date, however, this legislation has not been scheduled for floor action. The increasing backlog in the Federal courts makes this measure an urgent national necessity of a non-partisan nature -- for justice delayed is too often justice denied.

Earlier this session, the House passed a bill to codify, for the first time in our history, evidentiary rules governing the admissibility of proof in Federal courts. This bill is the culmination of some 13 years of study by distinguished judges, lawyers, Members of the Congress and others interested in and affected by the administration of justice in the Federal system. The measure will lend uniformity, accessibility, intelligibility and a basis for reform and growth in our evidentiary rules which are sadly lacking in current law. I strongly urge final action on this important bill prior to the conclusion of this Congress.

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With respect to the Vietnam Era Veterans' Readjustment Assistance Act, I urge the Congress to reconsider the action it has taken to date and send me instead legislation providing a straightforward 18.2 percent cost of living increase, effective January 1, 1975. Increased payments for our veterans in school are necessary. But while acknowledging our great debt to those who served during the Vietnam era, I must insist on a fiscally responsible bill on behalf of all Americans. I object to the inflationary 22.7 percent rate increase, retroactive to September 1, 1974, the direct loan program which the Congress has added and the extension of educational benefits allowing Vietnam era veterans to attend school for 45 instead of the present 36 months. This extra entitlement goes beyond the standard for World War II and Korea veterans.

The Energy Transportation Security Act of 1974 would require a percentage of imported petroleum to be carried on U.S. vessels. Although I fully support a strong U.S. merchant marine, I am seriously concerned about problems which this bill raises in the areas of foreign relations, national security, and perhaps most significantly, the potential inflationary impact of cargo preference.

Administration officials have testified during congressional hearings on our concerns about the impact of this bill.

The House-Senate conferees adopted new language concerning the waiver provision so that the requirements of this bill "may be temporarily waived by the President upon determination that an emergency exists justifying such a waiver in the national interest." However, the legislative history of the waiver does not expressly demonstrate that the Congress intends it to be broad in scope.

The potential problems which could arise if this bill becomes law require a provision which will permit the President to waive its requirements for economic as well as foreign affairs and national defense reasons. Since the waiver language in the bill is not explicit, the Conference Committee Report should make it clear that the Congress intends to grant broad waiver authority.

Other provisions in the bill which concern me are: the narrowness of the definition of which ships are eligible to participate in this trade, the rebate of oil import fees and the unnecessary anti-pollution requirement that vessels serving certain ports be built with expensive double bottoms.

Another measure on which action is required is comprehensive health insurance. I will continue to seek agreement with the Congress on legislation centered on principles incorporated in the Comprehensive Health Insurance Plan. To keep this program from feeding inflation, however, the Congress will have to join with me in cutting Federal expenditures before we can afford this program.

Included in the Military Construction Authorization and Appropriation bills now before the Congress are funds for completing projects and initiating new ones at installations in 42 States and the District of Columbia. I reiterate my strong conviction that the limited expansion of facilities on Diego Garcia in the Indian Ocean is of critical importance.

CONCLUSION

This list of legislative priorities represents a streamlined action program for the Nation. To achieve results will require partnership, not partisanship, on the part of both the executive and the legislative branches. It will mean long days and nights of hard work --- of communication, conciliation, compromise, and cooperation between the White House and the Congress, the House and the Senate, and majority and minority within the Congress itself.

But it must be done for one overriding reason: America needs these actions. And the American people rightly expect us to do everything we can to accomplish them.

I pledge my full cooperation with the Congress in the weeks ahead. I am confident that the Congress will respond in the same spirit.

GERALD R. FORD

THE WHITE HOUSE,

November 18, 1974.

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JANUARY 30, 1975

Office of the White House Press Secretary  
-----THE WHITE HOUSE

THE WHITE HOUSE MADE PUBLIC TODAY THE  
FOLLOWING LETTER FROM THE PRESIDENT TO  
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES  
AND THE PRESIDENT OF THE SENATE

Dear Mr. Speaker: (Dear Mr. President:)

In my State of the Union address earlier this month, I outlined the dimensions of our interrelated economic and energy problems and proposed comprehensive and far-reaching measures for their solution.

The measures I described included both Executive and Congressional actions. Because further delay is intolerable, I have already taken administrative action to deal with our energy problems, including issuance of a proclamation to impose increased fees on imported oil. The Secretary of the Treasury has already presented my detailed energy tax proposals to the House Ways and Means Committee.

I am enclosing a proposed omnibus energy bill -- the Energy Independence Act of 1975 -- which, along with the tax proposals already presented, will provide the combined authorities that are necessary if we are to deal seriously and effectively with the Nation's pressing energy problems.

We have delayed too long in taking decisive actions to reduce our dependence on foreign energy sources and to eliminate our vulnerability to energy disruptions such as we experienced last winter -- or worse.

In the near term, enactment of the proposed legislation along with certain Administrative actions would reduce oil imports by one million barrels per day by the end of this year, and two million barrels per day by the end of 1977. Over the mid-term (1975-1985), enactment of the proposed legislation will insure that domestic supplies of energy are substantially increased, that the growth in energy demand is reduced substantially and that we develop effective protection from future energy embargoes or energy emergencies. In the long term, my proposals will allow our Nation to once again supply a significant share of the energy needs of the free world.

The legislative program I have proposed will:

- (1) encourage early development of our oil, natural gas and coal resources;
- (2) help speed the siting and construction of nuclear and other energy facilities;
- (3) reduce energy consumption by mandating thermal standards for new homes and commercial buildings and assisting persons with low incomes in winterizing their homes;
- (4) encourage investments in the development of new domestic energy resources;

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(5) establish a strategic petroleum reserve to guard against future import disruptions, and

(6) authorize certain standby authorities to cope with potential embargoes or energy emergencies.

A more detailed summary of my legislative proposals is enclosed.

My tax proposals already presented by the Secretary of the Treasury would:

(1) place an excise tax of \$2 per barrel on all domestic crude oil and an import fee of \$2 on all imported crude oil and petroleum products to help reduce the demand for oil, promote domestic refining and encourage the development of new sources of energy;

(2) impose a tax on all domestic crude oil in order to capture windfall profits;

(3) place an excise tax on natural gas equivalent to the \$2 tax on oil to reduce natural gas demand;

(4) provide additional tax credits for public utilities to provide equal tax treatment with other industries and promote the construction of needed electric generating facilities;

(5) provide tax credits for homeowners who install additional insulation to reduce energy consumption,

(6) return to the economy the revenue from energy conservation taxes to offset higher energy costs, particularly for low and middle income citizens, and to help restore jobs and production.

The 13 titles of this bill, coupled with appropriate tax measures, are essential to the eventual attainment of our common goal of energy independence. Prompt action on all these measures is essential.

I cannot stress too much the sense of urgency I feel about these proposals and the need for their swift consideration by the Congress as a basis for the earliest possible enactment into law. Without these measures, we face a future of shortages and dependency which the Nation cannot tolerate and the American people will not accept.

Sincerely,

GERALD R. FORD

The Honorable  
The Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Nelson A. Rockefeller  
President of the Senate  
Washington, D.C. 20510

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SUMMARY OF PROPOSED LEGISLATION TO INCREASE  
DOMESTIC ENERGY SUPPLY AND AVAILABILITY

Title I of the Energy Independence Act of 1975 would authorize the production of petroleum from the Naval Petroleum Reserves to top off Defense Department storage tanks, with the remainder sold at auction or exchanged for refined petroleum products used by the military or used to fill a National Strategic Petroleum Reserve. Revenues generated from the sale of oil produced from the Naval Petroleum Reserves would be used to finance the further exploration, development and production of the Reserves, including NPR #4 in Alaska, as well as to create the National Strategic Petroleum Reserve. At least 20%, or such other amount as determined by the President, of the oil eventually produced from NPR #4 would be earmarked for military needs and for the National Strategic Petroleum Reserve and the remainder made available to the domestic economy. Although the oil reserves contained in NPR #4 are largely unexplored and significant production is not expected before 1982, it is anticipated that NPR #4 will provide a minimum of 2 million barrels of oil per day by 1985. Title I would also grant the Department of the Navy authority to acquire, construct, fill and maintain a military strategic petroleum reserve of 300 million barrels as part of the National Strategic Petroleum Reserve.

Title II would authorize the establishment of a civilian national strategic petroleum reserve of up to 1 billion barrels of petroleum. Once created, this strategic reserve, together with the exercise of certain standby authorities provided for in Title XIII, will minimize disruption from future embargoes or other energy emergencies. This Title would authorize the Federal government to acquire, construct and maintain petroleum storage facilities, to purchase petroleum or require industrial set-asides for a strategic reserve, and to utilize petroleum from the reserve to offset disruptions in foreign imports. Most of the funds required to finance this program, as well as a large amount of the oil to be stored would come from the production of NPR #1 in Elk Hills, California. Within one year of enactment, a report would be prepared and submitted to the Congress detailing actions taken and proposed plans for developing a strategic petroleum reserve system.

Title III is designed to reverse the declining natural gas supply trend as quickly as possible and to insure increased supplies of natural gas at reasonable prices to the consumer. Under the proposal, wellhead price controls over new natural gas sold in interstate commerce would be removed. This action will enable interstate pipelines to compete for new onshore gas and encourage drilling for gas onshore and in offshore areas. In order to discourage further conversions to natural gas and to encourage greater natural gas conservation, the President is also proposing an excise tax of 37¢ per thousand cubic feet on natural gas which is equivalent to the proposed \$2 tax on oil.

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Titles IV and V contain amendments to the Clean Air Act and the Energy Supply and Environmental Coordination Act of 1974 (ESECA). The amendments are needed to pursue a vigorous program, consistent with appropriate environmental safeguards, to make greater use of domestic coal, and thus to reduce the need for natural gas and imported oil. The proposed amendments would serve to reduce the need for oil imports by 100,000 barrels per day in 1975 and 300,000 barrels by 1977.

The amendments to ESECA would expand and extend the Federal Energy Administration's authority to issue and enforce orders prohibiting power plants and other major installations from burning petroleum products and natural gas. One of the amendments to the Clean Air Act would eliminate the regional requirement which prohibits major fuel burning sources from burning coal where the violation of health-related standards is caused by other sources. Another amendment would permit certain isolated plants to use intermittent control systems on an interim basis where they do not pose a threat to public health. In addition, the amendments seek a better balance between automobile fuel economy and air quality by stabilizing auto emission requirements for five years at the level of California's 1975 standards for hydrocarbons and carbon monoxide emissions, and holding at national 1975 standards for oxides of nitrogen.

Title VI would delete the "significant deterioration" requirement from the Clean Air Act. There may be more appropriate ways to deal with the issues associated with significant deterioration than through the Clean Air Act, and Congress should undertake a prompt and comprehensive review of this issue.

Title VII is designed to restore the financial health of public utilities. It would eliminate undue regulatory lags involved in approving proposed rate changes, assure that rates adequately reflect the full cost of generating and transmitting electricity, and remove prohibitions that now prevent lower prices from being charged to consumers during off peak hours. Though many states have already adopted similar programs, enactment of Title VII will establish certain standard regulatory procedures across the Nation, resulting in more equitable treatment of utilities.

Treasury Secretary Simon has presented to the House Ways and Means Committee proposals for tax changes including increased investment tax credits for public utilities. Presently only a 4% tax credit is available to utilities while a 7% tax credit is available to other industries. The proposed legislation would raise the tax credits to a level of 12% for one year with the 12% rate being retained for two additional years for all electric generating facilities not fired by oil or gas. Utilities would also be allowed to increase from 50% to 75% the portion of their 1975 tax liabilities that can be offset by the investment tax credit. The percentage would phase back down to 50% by 1980. Corporate tax deductions would also be allowed for preferred stock dividends issued by utilities and other industries. These legislative proposals would reduce the cost of capital for needed utility expansions and stimulate equity rather than debt financing.

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Title VIII is designed to expedite the development of energy facilities. The Federal Energy Administration would be required to develop a National Energy Site and Facility Report with appropriate Federal, State, industry and public input. Information in this report would be utilized by the Federal government, the States and industry in developing and implementing plans to insure that needed energy facilities are sited, approved and constructed on a timely basis. At the Federal level, FEA would be responsible for coordinating and expediting the processing of applications to construct energy facilities.

States would be required to develop management programs to expedite the process by which energy facility applications are reviewed and approved at the State level, to insure that adequate consideration is given to national and regional energy requirements in the State's siting and approval processes, and to provide that decisions of State regulatory authorities on energy facility applications are not overruled by actions of local governments. FEA would provide grants and technical assistance to the States in developing their programs. If a State does not develop an acceptable management program, FEA would promulgate an appropriate management program for it. The Federal government would not be authorized to override any State decision on a particular site of facility application.

Title IX would provide needed authority to prevent foreign oil producing countries from undercutting U.S. efforts to develop domestic petroleum energy resources or achieve energy independence. The Federal Energy Administration would monitor the effect of oil price fluctuations on the economic viability of conventional petroleum development and production projects. Upon the finding that this viability is being threatened, tariffs, quotas, or variable import fees would be imposed.

Two other measures are being developed that will affect domestic energy supplies. One proposal would assure more rapid siting and licensing of nuclear facilities while retaining sufficient safeguards to protect the environment and public health and safety. The other proposal, to regulate surface mining, would provide the appropriate balance between the urgent need to increase coal production and the need to protect the environment.

#### DEMAND RESTRAINT MEASURES

Each of the demand restraint measures contained in Titles X-XII is an essential element in achieving our overall goal of reducing oil imports and lowering the demand for coal, natural gas and electricity. These proposals will serve to reduce wasteful energy use, create jobs, and lessen economic hardships, while not impeding economic output.

Title X would establish mandatory thermal (heating and cooling) efficiency standards for all new homes and commercial buildings. It is anticipated that this program will save the equivalent of 500,000 barrels of oil per day in 1985. The Secretary of Housing and Urban Development in consultation with engineering, architectural, consumer, labor and industry representatives would be responsible for developing thermal efficiency standards. Standards

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for residential dwellings would be promulgated and implemented within one year, and performance standards for commercial and other residential buildings developed and implemented as soon thereafter as practicable. State and local governments would assume primary responsibility for enforcing standards through local building codes.

Title XI would establish, within the Federal Energy Administration, a grant program for States to assist low income persons, particularly the elderly, in winterizing their homes. Title XI is modeled after a successful pilot project that was conducted in the State of Maine during 1974. Annual appropriations of \$55 million would be authorized to fund the three year grant program, and enable States to purchase winterization materials for dwellings of low-income persons.

Title XII would authorize the President to require energy efficiency labels on all new major appliances and motor vehicles. This title would insure that consumers are fully apprised of the efficiency of various appliances and motor vehicles and would encourage the manufacture and greater utilization of more efficient products.

EMERGENCY PREPAREDNESS PROGRAMS

In addition to taking measures to increase domestic supplies, reduce demand and create a strategic reserve system, we must be in a position to take immediate and decisive actions to counteract any future energy emergency.

Title XIII would provide the President with certain standby authorities to deal with future embargoes or other energy emergencies and to carry out the International Energy Program agreement, including provisions for international oil sharing, mutual energy conservation programs, and international cooperation on various energy initiatives. This title would include authority to allocate and control the price of petroleum and petroleum products, promulgate and enforce mandatory energy conservation programs, ration petroleum products, order increases in domestic oil production, and allocate critical materials needed for the maintenance, construction and operation of critical energy facilities. All or a portion of these authorities would be invoked upon a determination that emergency conditions exist.

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April 30, 1975

Office of the White House Press Secretary

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THE WHITE HOUSETEXT OF LETTERS FROM THE PRESIDENT TO THE  
SPEAKER OF THE HOUSE OF REPRESENTATIVES  
AND THE PRESIDENT OF THE SENATE

Dear Mr. Speaker: (Dear Mr. President:)

Three and one-half months have passed since I presented the Nation and the Congress with a comprehensive program to achieve energy independence by 1985. Although the policy I put forth was not an easy solution, it was, and remains today, the only comprehensive and workable national energy program. Because of the seriousness of the problem, I also moved to cut energy demand and increase supply to the maximum extent within my administrative discretion by announcing a three step increase in the fees on imported petroleum starting last February 1 and complete decontrol of old oil prices by April 1.

After imposition of the first dollar of the additional import fees, the majority leadership in the Congress requested that I delay further actions to provide time to evaluate my proposals, to formulate an alternative comprehensive energy plan and to enact legislation. I granted a 60 day delay in the spirit of compromise, in spite of the fact that we had already waited much too long to make the hard decisions our country needs.

In the 60 days that followed, a number of Congressional energy programs were introduced and considered. Little progress has been made though. Thus, I am forced to again make a difficult administrative decision.

Since my State of the Union Message last January, there has been no improvement in the situation in the Middle East. The existing tensions only heighten my belief that we must do everything possible to avoid increasing our dependence on imported oil in the months ahead.

The recession is coming to an end. But the pending upturn will result in greater demand for imported oil. At the same time, however, it will put us in a better position to absorb the adjustments that greater energy conservation will require.

There are some encouraging signs in the Congress. Chairmen Ullman and Dingell and ranking minority members Schneebeli and Brown have been working diligently in their respective committees to formulate a comprehensive energy program. After extensive hearings and discussions, their efforts to date embody some elements of the energy proposals which I sent to the Congress as well as several which could be potentially disastrous.

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The Senate has also conducted many hearings. Yet the only legislation which has passed is a bill that would impose mandatory restrictions within 60 days on recreational and leisure travel, hours of business operation, and commercial lighting. This bill is ineffective and unrealistic. It would result in unwarranted government control of personal freedoms, and would cause unforeseen economic consequences.

I am hopeful that the weeks ahead can result in agreement between the Congress and the Administration. I believe it can if we are willing to work diligently, honestly, and more rapidly. But I am concerned about the possibility of the Congress passing politically popular legislation which will not only fail to meet our energy needs but which could create serious economic problems for the Nation. From my many years in the Congress, I know how easy it is to become embroiled in endless debate over tough decisions. I also know how easy it is for the Congress to enact legislation full of rhetoric and high sounding purpose, but short of substance. That must not happen in this case.

Neither the House nor the Senate has passed one significant energy measure acceptable to the Administration in these past few months. Hence, I must be a realist -- since the time before final legislation will be on my desk is very long. I understand that in many ways the timing and substance is beyond the control of the individual committee chairmen. Yet, postponement of action on my part is not the answer. I am, therefore, taking these administration actions at this time:

- First, I have directed the Federal Energy Administrator to implement a program to steadily phase out price controls on old oil over two years, starting June 1, 1975. This program will not proceed until public hearings are completed and a plan is submitted for Congressional review, as required by statute. While I intend to work with the Congress, and have compromised on my original decision to proceed with immediate decontrol, the nation cannot afford to wait indefinitely for this much needed action. I intend to accompany this action with a redoubling of my efforts to achieve an appropriate windfall profits tax on crude oil production with strong incentives to encourage maximum domestic exploration and production.
- Second, I will again defer the second dollar import fee on crude oil and the \$.60 per barrel fee on imported petroleum products in order to continue the spirit of compromise with the Congress. However, I will be forced to impose the higher fees in 30 days, or sooner, if the House and Senate fail to move rapidly on the type of comprehensive legislation which is necessary to resolve our critical energy situation. Such legislation must not embody punitive tax measures or mandated, artificial shortages, which could have significant economic impact and be an unwarranted intrusion on individual freedom of choice.

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The administrative action that I have set in motion will help achieve energy self-sufficiency by 1985, stem increasing vulnerability during the next few critical years, and accomplish this without significant economic impact. Nevertheless, my actions alone are not enough. The Congress must move rapidly on a more comprehensive energy program which includes broader energy conservation and actions to expand supply. Action now is essential to develop domestic supplies and protect American jobs. It is my utmost desire in announcing these executive initiatives to balance our overwhelming need to move ahead with an equally important need not to force outright confrontation between the Administration and the Congress.

I pledge to work with the Congress in this endeavor. To the extent comprehensive and effective legislation is passed by the Congress, I stand ready to approve it. What I cannot do is stand by as more time passes and our import vulnerability grows. If this happens, I will not hesitate to impose the higher import fees. Meantime, my administrative actions must fill the gap in this endeavor. The country can afford no less.

Sincerely,

GERALD R. FORD

# # # #



June 26, 1975

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Every so often, a Nation finds itself at a crossroads. Sometimes, it is fortunate and recognizes it has a choice. Sometimes, it does not.

We are at such a crossroads in America today.

The course we select will touch the lives of most of us before the end of this century and surely affect the lives of generations of Americans yet to come.

Today, I am asking the Congress to join me in embarking this Nation on an exciting new course which will help assure the energy independence we seek and a significantly strengthened economy at the same time.

I am referring to the establishment of an entirely new private industry in America to provide the fuel for nuclear power reactors -- the energy resource of the future. I am referring to uranium enrichment which is presently a Federal Government monopoly.


Without question, our energy future will become more reliant on nuclear energy as the supplies of oil and natural gas diminish.

The questions we must answer are (1) whether the major capital requirements for constructing new uranium enrichment facilities will be paid for by the Federal taxpayer or by private enterprise, and (2) whether a major new and expanding segment of our economy will be under the control of the Federal Government or the private sector.

The private sector has already demonstrated its capability to build and operate uranium enrichment facilities under contracts with the Federal Government. Since it is also willing to provide the capital needed to construct new

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uranium enrichment plants, I am asking the Congress to enact legislation to enable American industry -- with all its financial resources, management capability and technical ingenuity -- to provide the enriched uranium needed to fuel nuclear power plants.

I believe this is the proper and correct course for America to take. The alternative is continued Federal monopoly of this service at a cost to the taxpayers of at least \$30 billion over the next 15 years.

The enrichment of uranium -- which means, in brief, separating the fissionable U-235 in uranium from non-fissionable parts to provide a more potent mixture to fuel nuclear reactors -- is an essential step in nuclear power production.

For more than twenty years, the United States Government has supplied the enrichment services for every nuclear reactor in America and for many others throughout the world. Our leadership in this important field has enabled other nations to enjoy the benefits of nuclear power under secure and prudent conditions. At the same time, this effort has been helpful in persuading other nations to accept international safeguards and forego development of nuclear weapons. In addition, the sale of our enrichment services in foreign countries has returned hundreds of millions of dollars to the United States.

These enrichment services have been provided by plants -- owned by the Government and operated by private industry -- in Oak Ridge, Tennessee, Portsmouth, Ohio, and Paducah, Kentucky. A \$1-billion improvement program is now underway to increase the production capacity of these plants by 60 percent. But this expanded capacity cannot meet the anticipated needs of the next 25 years.

The United States is now committed to supply the fuel needs for several hundred nuclear power plants scheduled to begin operation by the early 1980's. Since mid-1974, we have been unable to accept new orders for enriched uranium because our plant capacity -- including the \$1-billion improvement -- is fully committed.

In short, further increases in enrichment capacity depend on construction of additional plants, with seven or eight years required for each plant to become fully operational.

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Clearly, decisions must be made and actions taken today if we are to insure an adequate supply of enriched uranium for the nuclear power needs of the future and if we are to retain our position as a major supplier of enriched uranium to the world.

It is my opinion that American private enterprise is best suited to meet those needs. Already, private industry has demonstrated its willingness to pursue the major responsibilities involved in this effort. With proper licensing, safeguards, cooperation and limited assurances from the Federal Government, the private sector can do the job effectively and efficiently -- and at enormous savings to the American taxpayer. In this way, direct public benefits will be provided on a long-term basis by private capital, not by taxpayers.

Accordingly, I am proposing legislation to the Congress to authorize Government assurances necessary for private enterprise to enter into this vital field.

A number of compelling reasons argue for private ownership, as well as operation, of uranium enrichment plants. The market for nuclear fuel is predominantly in the private sector. The process of uranium enrichment is clearly industrial in nature.

The uranium enrichment process has the making of a new industry for the private sector in much the same tradition as the process for synthetic rubber -- with early Government development eventually being replaced by private enterprise.

One of the strengths of America's free enterprise system is its ability to respond to unusual challenges and opportunities with ingenuity, vigor and flexibility. A significant opportunity may be in store for many firms -- old and new -- to participate in the growth of the uranium enrichment industry. Just as coal and fuel oil are supplied to electric utilities by private firms on a competitive basis, enriched uranium should be supplied to them in the same fashion in the future.

The energy consumer also stands to benefit. The production of nuclear power now costs between 25 and 50 percent less than electricity produced from fossil fuels. It is not vulnerable to the supply whims or unwarranted price decrees of foreign energy suppliers. And based on the past fifteen years of experience, commercial nuclear power has an unparalleled record of safe operation.

The key technology of the uranium enrichment process is secret and will remain subject to continued classification, safeguards and export controls.

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But for several years, a number of qualified American companies have been granted access to the Government's technology under carefully controlled conditions to enable them to assess the commercial potential for private enriching plants.

The Government-owned gaseous diffusion enriching plants have run reliably and with ever-improving efficiency for more than a quarter of a century. One private group has chosen this well-demonstrated process as part of its \$3.5 billion proposal to build an enrichment plant serving 90 nuclear reactors here and abroad in the 1980's. Others are studying the potential of the newer gas centrifuge process. Though not yet in large-scale operation, the centrifuge process -- which uses much less power than the older process -- is almost ready for commercial application.

I believe we must move forward with both technologies and encourage competitive private entry into the enrichment business with both methods. A private gaseous diffusion plant should be built first to provide the most urgently needed increase in capacity, but we should proceed simultaneously with commercial development of the centrifuge process.

With this comprehensive approach, the United States can reopen its uranium enrichment "order book," reassert its supremacy as the world's major supplier of enriched uranium, and develop a strong private enrichment industry to help bolster the national economy.

For a number of reasons, a certain amount of governmental involvement is necessary to make private entry into the uranium enrichment industry successful.

The initial investment requirements for such massive projects are huge. The technology involved is presently owned by the Government. There are safeguards that must be rigidly enforced. The Government has a responsibility to help ensure that these private ventures perform as expected, providing timely and reliable service to both domestic and foreign customers.

Under the legislation I am proposing today, the Energy Research and Development Administration would be authorized to negotiate and enter into contracts with private groups interested in building, owning and operating a gaseous diffusion uranium enrichment plant.



ERDA would also be authorized to negotiate for construction of several centrifuge enrichment plants when more definitive proposals for such projects are made by the private sector.

Contract authority in the amount of \$8 billion will be needed, but we expect almost no actual Government expenditures to be involved. In fact, the creation of a private enrichment industry will generate substantial revenues for the United States Treasury through payment of Federal income taxes and compensation for use of Government-owned technology.

Under the proposed arrangements, there will be an opportunity for foreign investment in these plants, although the plants will remain firmly under U.S. control. There will be no sharing of U.S. technology and, there will be limitations on the amount of capacity each plant can commit to foreign customers.

In addition, all exports of plant products will continue to be made pursuant to Governmental Agreements for Cooperation with other Nations. All will be subject to appropriate safeguards to preclude use for other than agreed peaceful purposes.

Foreign investors and customers would not have access to sensitive classified technology. Proposals from American enrichers to share technology would be evaluated separately, and would be subject to careful Government review and approval.

Finally, the plants proposed will be designed and built to produce low enriched fuel which is suitable only for commercial power reactors -- not for nuclear explosives.

In the remote event that a proposed private venture did not succeed, this legislation would enable the Government to take actions necessary to assure that plants will be brought on line in time to supply domestic and foreign customers when uranium enrichment services are needed.

I have instructed the Energy Research and Development Administration to implement backup contingency measures, including continuation of conceptual design activities, research and development, and technology assistance to the private sector on a cost-recovery basis.

ERDA would also be able to purchase from a private firm design work on components that could be used in a Government plant in the unlikely event that a venture fails.

Finally, I pledge to all customers -- domestic and foreign -- who place orders with our private suppliers that the United States Government will guarantee that these orders

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are filled as needed. Those who are first in line with our private sources will be first in line to receive supplies under this assurance. All contracted obligations will be honored.

I also pledge that cooperative agreements made with private firms under the proposed new authority will fully reflect the public interest. In fact, all contracts will be placed before the Congress in advance of their effectiveness. The Congress will have full and complete review of each one.

In sum, the program I am proposing will take maximum advantage of the strength and resourcefulness of industry and Government.

It will reinforce the world leadership we now enjoy in uranium enrichment technology. It will help insure the continued availability of reliable energy for America. It will move America one big step nearer energy independence.

Although the development of a competitive nuclear fuel industry is an important part of our overall energy strategy, we must continue our efforts to conserve the more traditional energy resources on which we have relied for generations. And we must accelerate our exploration of new sources of energy for the future -- including solar power, the harnessing of nuclear fusion and development of nuclear breeder reactors which are safe, environmentally sound and reliable.

I ask the Congress for early authorization of this program.

GERALD R. FORD

THE WHITE HOUSE,

June 26, 1975.

# # # #

OFFICE OF THE WHITE HOUSE PRESS SECRETARY  
(Vail, Colorado)

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THE WHITE HOUSE  
PRESS CONFERENCE  
OF  
HENRY A. KISSINGER  
SECRETARY OF STATE

MOUNTAIN HAUS

12:03 P.M. MDT

MR. NESSEN: Let me read you two statements, and then Henry will be here to brief.

Secretary of State Kissinger will travel to the Middle East next week, leaving Washington on August 20. The discussions the United States has been conducting with the parties concerned, looking toward an interim agreement, have progressed to the point where the parties and the President believe it would be useful for the Secretary of State to travel to the area in an effort to bring the talks to a successful conclusion. The Secretary's visit to the Middle East will include several Arab countries and Israel.

The President has asked me to read you a statement.

The President says that he has worked many hours with the Secretary of State analyzing and assessing the situation in the Middle East, and the President has now directed the Secretary of State to return to that region in an effort to bring the discussions to a successful conclusion.

The President is hopeful that the parties will successfully conclude an interim agreement, which not only would be in the best interest of the parties involved, but also in the best interest of the entire Middle East region, and indeed of the whole world.

The President is sure that all Americans join him in wishing the Secretary of State success on this critically important mission.

The Secretary of State.

SECRETARY KISSINGER: We will go straight to the questions.

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Q Mr. Secretary, can you tell us some of the issues that remain outstanding that you are going to be working on?

SECRETARY KISSINGER: We have made good progress on many of the issues. We have agreement in principle on some of the lines, but some details remain to be negotiated.

We still have to work out the protocols and the details of the various disposition of forces after another interim agreement has been made.

There will be complicated issues of civilian administration, and there are one or two issues of principle there remaining outstanding. However, it is the President's judgment, the judgment of the parties and my own that in the light of the good will that has been shown by both parties in recent weeks, in light of the progress that has been made, the remaining differences are surmountable, and this is the attitude with which I am going there.

Q Mr. Secretary, would you say that peace is at hand in the Middle East?

SECRETARY KISSINGER: I haven't used that line for four years. (Laughter)

Q Where are you going, exactly?

SECRETARY KISSINGER: Wait a minute. You don't think I am finished with a 30-second answer. I haven't even placed my verb yet. (Laughter)

This, of course, is not a peace agreement. This is an interim step toward peace between Egypt and Israel, if it should succeed. The issues between Israel and the other countries remain to be resolved, and the United States remains committed to a just and lasting peace, as called for by the United Nations security resolution.

Both the United States and Israel and all the other parties that we are in touch with agree that this will not be the end of the process, but a stage in the process. Nevertheless, if it succeeds, it will be, and it can be, a very big step. It would be the first agreement that has been made between an Arab State and Israel not under the immediate impact of military hostilities, the first one that will require some complicated arrangement of cooperation.

Therefore, we hope that it will be a step toward that just and lasting peace, which we are committed to try to bring about.

I think, Fran, you had a question.

MORE

Q What countries are you going to, exactly?

SECRETARY KISSINGER: I am going first to Israel. From there I will go to Alexandria, where President Sadat will be. Then we will have a shuttle, which we do not think should be as extended as the recent shuttles have been because many issues of principle have already been settled, but while I am in the Middle East, I expect to visit Damascus, Amman and Saudi Arabia to discuss with the other Arab countries our conception of progress toward peace in the Middle East.

MORE



Q Can you tell us who suggested a U.S. monitoring team in the Middle East, and isn't this fraught with danger, and I would like to know if it is tied to any money agreements of aid to Israel?

SECRETARY KISSINGER: The idea of possible monitoring team has as yet not been finally decided. It is an issue that was first raised and which we have made clear we would agree to do only if both of the parties join in.

We have also made clear that the American participation would be of an entirely technical nature, that is to say, we would man certain kinds of warning equipment whose results would be given to both sides and the United Nations.

In other words, it would be an extension of the U-2 flights we are now undertaking at the request of both parties. Any Americans that are going to the Middle East would go only if approved by the Congress. It would be volunteers. They would have no military mission of any kind, and their primary function, their exclusive function would be to give warning information to both sides and to the United Nations and their numbers would be very small.

Q Who suggested it and is it tied to any aid?

SECRETARY KISSINGER: The issue of warning stations depends on the issue of the aid, The issue of the aid in turn to Israel has been discussed with Israel for many months, as we have, for that matter, discussed aid programs with Arab countries for many months.

We will submit in September, I would expect, an aid package for the entire Middle East, including Israel and those Arab countries that have been the recipients of aid last year and this has been entrained as part of the reassessment, in any event.

Q How much money does it entail?

SECRETARY KISSINGER: The President has not yet made the final decision about the amount that we will request from the Congress, but this grows out of technical studies that we are undertaking jointly as to the needs of the parties and particularly the needs of Israel.

Q Mr. Secretary, along side whatever agreements may be reached between Egypt and Israel, will there also be third-party agreements between the United States and both of these parties and what will their nature be?

SECRETARY KISSINGER: We still do not have any actual documents that have been agreed to between the parties. All we have are certain agreements in principle about the outlines of a possible agreement.

MORE

In the disengagement agreements, there was a formal agreement, then there was a protocol that was attached to that agreement, then there was separate understanding between the parties in which the United States acted as an intermediary and transmitted assurances from one party to the other.

Everything in which the United States is involved will be submitted to the Senate, the Foreign Relations Committee and to the House International Relations Committee. There will be no secret understandings that are not submitted.

Q Mr. Secretary, have you set yourself a time limit for this particular trip?

SECRETARY KISSINGER: I have to be back on September 1 or 2 to speak at the Special Session of the General Assembly. That I have to do in any event no matter what the state of the negotiations is.

Now it is theoretically possible I might go back to the Middle East from there, but I hope that we can make sufficient progress in ten days. But I don't want to operate against a deadline. These issues, even when there is agreement in principle, the issues are enormously complex and there are so many different aspects of civilian as well as military arrangements that have to be made that I would hate to tie myself too closely.

Mr. Beckman?

Q I have two questions.

One, can you tell us if the American volunteers will be armed, and secondly, when your earlier shuttle failed, I seem to recall your saying you wouldn't go back unless there was a 90 percent chance of success.

Is there a 90 percent chance of success?

SECRETARY KISSINGER: You have to remember even if you say there is a 90 percent chance of success, if it fails, it fails 100 percent. We think there is a good chance of success whether you express it at 80 percent or 90 percent, that is just guessing at it. We think there is now a good chance of success, or the President would not have authorized my return.

What was the other question?

Q Will the American volunteers be armed?

SECRETARY KISSINGER: We have not yet worked out this arrangement. If they are armed, it would be only for self-defense. It would not be for military operations. It would only be personal arms for really very immediate self-defense. They will not be authorized, under any circumstances, to conduct military operations or to defend themselves against military forces. If they have arms, it would be against marauders, but they are not there for a military function, and we are talking about very small numbers of about 100 or so.

Q Mr. Secretary, will this force be a unilateral American force or will it be part of a United Nations force?

SECRETARY KISSINGER: It is very difficult for me to talk about something that has not yet been agreed to and finally worked out. In any event, there will be a United Nations force standing between Israel and Egypt in a zone of a greater depth than has ever existed between the hostile forces in the Middle East.

So, these would not be in direct contact with either of the hostile parties. They would work more closely with the United Nations.

Q Has the United States agreed in principle to compensate Israel for the loss of the Sinai oil fields?

SECRETARY KISSINGER: We are discussing with Israel not so much compensation for the Sinai oil, but arrangements for alternative supplies of Sinai oil if Israel has difficulty arranging them for itself. We will take into account, in arriving at the economic aid figure, the additional foreign exchange requirement for Israel in the purchase of oil.

Q So, we are going to pay for the replacements? That is what it amounts to?

SECRETARY KISSINGER: It isn't going to be done exactly on that basis, but it will be taken into account.

Q Mr. Secretary, if I may change the subject, could you explain to us the situation surrounding the transfer of Ambassador Carter out of the State Department?

SECRETARY KISSINGER: To the best of my knowledge-- and I am not always told everything in the State Department-- Ambassador Carter has not been transferred out of the State Department. We have avoided any comment on a situation which, quite frankly, has not always been reported with full accuracy.

The problem that arises in the case of terrorist attacks on Americans has to be seen not only in relation to the individual case but in relation to the thousands of Americans who are in jeopardy all over the world. In every individual case, the overwhelming temptation is to go along with what is being asked.

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On the other hand, if terrorist groups get the impression that they can force a negotiation with the United States and an acquiescence in their demands, then we may save lives in one place at the risk of hundreds of lives everywhere else.

Therefore, it is our policy -- in order to save lives and in order to avoid undue pressure on Ambassadors all over the world, it is our policy -- that American Ambassadors and American officials not participate in negotiations on the release of victims of terrorists, and that terrorists know that the United States will not participate in the payment of ransom and in the negotiation for it.

In any individual case, this requires heart-breaking decisions.

It is our view that it saves more lives and more jeopardy and that it will help Ambassadors, who can then hide behind firm rules rather than leave it to the individual decision.

I think Ambassador Carter is a distinguished Foreign Service -- he is not a Foreign Service officer. He is a distinguished Ambassador, and he has served well in Tanzania. I do not want to engage in a debate in which his concerns are very easily understandable and which we are trying to handle in as compassionate a manner as we can, and without penalizing any individual concerned. But, there are important issues of principle involved here.

Q What is going to happen to Ambassador Carter? He has the impression he has been transferred out of the State Department.

SECRETARY KISSINGER: I think that Ambassador Carter would be better advised to deal with the responsible officials of the State Department than to engage in an independent publicity campaign of his own.

We are reluctant to put forward our view of the situation because we do not believe it would help anybody. We are trying to maintain a principle that terrorists cannot negotiate with American officials, and we are doing this in order to protect the thousands of Americans that could become victims all over the world if we once started that process, and not only the American tourists and students, but also American officials.

Q Mr. Secretary, one more question on this. I understand that President Ford wrote a letter to President Nyerere of Tanzania thanking him for his cooperation in this problem?

SECRETARY KISSINGER: That is right.



Q And that that cooperation included releasing two of the terrorists of the organization that kidnaped the four young students. Now, isn't that cooperating with terrorists?

SECRETARY KISSINGER: After the event, President Ford did indeed write this letter, and in each individual case it is a matter of judgment of how rigidly that line is drawn and at what point one believes that the line has been breached.

In any event, Ambassador Carter has not been transferred out of the State Department.

Q But out of his post?

SECRETARY KISSINGER: I really am trying to avoid a detailed discussion of the issue, I think in the interest of all parties concerned.

Q Can we get a kind of outline of what the accords have been in terms of what has been printed? Is that the passes and the oil fields?

SECRETARY KISSINGER: I don't think I can go into something in which there are so many items that have only been agreed in principle, and so many items that are not yet agreed to at all.

Some of the things that have been printed are roughly accurate. Some of the things that have been printed are not accurate. I would not go firmly with any one of them.

Yes?

MORE

Q I was going to ask the same question. Are the reports of the agreement in principle for a pullback from the passes and the oil fields in exchange for a guarantee of non-belligerence accurate? Is that the general scope of the agreement?

SECRETARY KISSINGER: I do not think the issue of a formal issue of non-belligerence is now before us, and I think it would be better not to go into the precise details of the geographic separation until we are a little further ahead in the negotiations.

But it is known, of course, that the negotiations have involved the passes and the oil fields, and, as I have already pointed out in answer to another question, that some of the economic discussions with Israel involved the problem of how to deal with Israel's foreign exchange problems in the absence of the oil fields, so that is a speculation that would be proper.

Q Are you going to see Mr. Gromyko on this trip?

SECRETARY KISSINGER: I don't expect to see him, no, not on this trip. I expect to see Mr. Gromyko next when he comes to the General Assembly in the middle of September.

Q Between now and then, will there be any special arrangements or efforts to keep the Russians posted?

SECRETARY KISSINGER: We will stay in touch with the Soviet Union and keep them generally informed.

Q As you pointed out, if there is an interim agreement, can you give us a more specific idea of the territories Israel may have to give up?

SECRETARY KISSINGER: As I pointed out on other occasions, in a lasting peace, a lasting peace will have to settle the frontier of Israel not just with Egypt, but with all of its neighbors. It will have to take into account the Palestinian problem. It will have to spell out in great detail the reciprocal obligations for peace on the part of the Arab countries. And it will have to include guarantees, international, multilateral, bilateral, whatever may be devised for the final arrangements.

This interim agreement, which we are now talking about, is a step, we hope a significant step towards this, but it will still be only a partial -- we will only have traveled a part of the road.

Q Mr. Secretary, in answering Jim Naughton's question, you said the formal issue of non-belligerency, which is not a question here, but what is Israel going to need in the way of some guidance, and what is Israel going to get? You have talked about the oil fields and the passes.

SECRETARY KISSINGER: I do not think I ought to be into the provisions of an agreement which has so far been negotiated in a rather cumbersome process through Washington in which there are no documents yet agreed to by both sides, but only some concepts and general lines, and that will all be apparent when the agreement is negotiated, hopefully in the not too distant future.

Q On the question of compensation or whatever it may be called for the loss of the oil fields, are you talking about American compensation, American aid? Are you talking about Arab aid or some other form?

SECRETARY KISSINGER: I have the impression, but I have to confirm that when I get out there, that the Arabs are not yet ready to compensate Israel for any loss of oil revenues.

We are talking about the fact that in setting the aid level for Israel, we will take into account the foreign exchange losses that Israel will suffer if, as a result of the agreements, it gives up the oil fields.

I think I will take one more question.

Q Can you give us any idea of whether you heard from the Israeli Cabinet this morning?

SECRETARY KISSINGER: This announcement is based on the decision of the Israeli Cabinet to invite me to come to Israel.

Q Is there any question about it? This morning there was a question about it.

SECRETARY KISSINGER: Yes, there was in the sense that the Israeli Cabinet had to approve what the negotiating team and we worked out during the course of last week and, until the Israeli Cabinet had formally approved the results of last week's negotiations, we could not announce that a shuttle could, in fact, take place.

Q When are you leaving here?

SECRETARY KISSINGER: I am leaving here tomorrow afternoon, and I am leaving Washington Wednesday around midnight.

THE PRESS: Thank you.

END (AT 12:26 P.M. MDT)



October 10, 1975

Office of the White House Press Secretary

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THE WHITE HOUSE

FACT SHEET

ENERGY INDEPENDENCE AUTHORITY

The President today submitted legislation to the Congress to create the Energy Independence Authority (EIA). The EIA will be a new government corporation to help achieve energy independence for the United States by providing loans, loan guarantees, price guarantees, or other financial assistance to private sector energy projects.

It will have a limited life (ten years); its financial outlays and commitments are intended to be recovered by the government, and will be used in conjunction with private sector financing to the maximum possible extent. It will not have authority, except for very limited periods, to own operating facilities related to energy production, transportation, or transmission.

EIA will supplement and encourage private capital investment to meet the energy needs of the nation. Its scope will range across a broad spectrum of energy supply, conservation, and energy-related environmental projects.

The Authority will have financial resources of \$100 billion, consisting of \$25 billion of equity and \$75 billion of debt. The \$100 billion for energy projects could help assure that the equivalent of up to 10-15 million barrels of oil per day of new energy production is realized by 1985.

BACKGROUND

- o The Nation's energy situation continues to deteriorate:
  - Domestic crude oil production peaked in 1970 and has declined by more than one million barrels per day since then. Production is now at a nine-year low.
  - Oil imports are about 37 percent of oil consumption and are expected to rise to more than 50 percent of consumption or 12 million barrels per day by 1985 if no new actions are taken.
  - As a result of our increasing import dependence, our payments to foreign producers for imported oil has increased from less than \$3 billion in 1970 to about \$25 billion last year and will increase by another \$2 billion annually because of the OPEC price rise announced last month.
  - Natural gas production peaked in 1973, declined by six percent last year (the equivalent of over 230 million barrels of oil), and has dropped another 8.5 percent during the first half of 1975, leading to rising curtailments of service that threaten jobs in many parts of the country.

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(OVER)



- Electric utility financial problems and regulatory delays have in part resulted in the cancellation or postponement of about three-fourths of all planned nuclear plants and about one-third of all coal plants previously scheduled for operation between now and 1985.
- o In his State of the Union Message, the President proposed major new initiatives to explore and develop our domestic energy resources, conserve energy resources, and reduce our vulnerability through standby authorities. Since then no major new legislation to increase domestic supply or cut energy use has been passed by the Congress.
- o The Federal Energy Administration (FEA) estimates that investments for energy independence could total about \$600 billion (in 1975 dollars) over the next ten years. While most energy projects should be able to be financed in a conventional manner, some projects in selected energy sectors will find financing more difficult:
  - Some emerging technologies, such as synthetic fuels from coal, shale oil, solar, and methods to use energy more efficiently, have uncertain economics due to long lead times and technological uncertainties, and considerable risk if world oil prices drop. The Energy Resources Council (ERC) synthetic fuels task force concluded that a variety of Federal financial incentives is needed to achieve any significant synthetic fuel production by 1985.
  - Many new projects, such as uranium enrichment plants, are too large and economically risky to be financed by the private sector alone.
  - Some industries, such as electric utilities, are not able to finance needed expansion because capital requirements are too large in light of insufficient earnings and regulatory delays or inaction.
- o A Federal role in financing and otherwise supporting projects vital to the national interest is not unprecedented, or unique. For example, the Federal Government has taken an active role in such areas as the Communications Satellite Corporation (COMSAT), crash commercialization of new technologies such as synthetic rubber plants in World War II, and uranium enrichment.

#### EIA Organization

The Energy Independence Authority will be a new government corporation. A five person Board of Directors will be appointed by the President, subject to the advice and consent of the Senate. A member of the Board will be designated by the President as its chairman and will be the chief executive officer of the Authority. No more than three of the Board members may be of any one political party. At the discretion of the President, the members may serve either full-time or part-time. A limited number of the Authority's executives may be paid without regard to executive branch salary limits, but the majority of the Authority's staff will be within the Civil Service system.

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### EIA Liquidation and Accountability

The EIA will have a legislated life of ten years, with new financial commitments permitted only in the first seven years of its existence. On or before June 30, 1983, the corporation will prepare a Liquidation Plan for the corporation's investments. The Liquidation Plan will describe how each activity, project or obligation involving financial assistance, and any substantial asset or liability will be disposed of.

The EIA will terminate on or before June 30, 1986, unless the President determines that orderly liquidation requires continuation of its authorized life for up to three years after that date. Any remaining assets, obligations or required functions after its termination will be transferred to the Secretary of the Treasury.

The EIA will submit an annual report to the Congress and will be subject to independent audits by nationally recognized public accountants, as well as by the General Accounting Office at its discretion. Also, the Energy Resources Council, and other agencies designated by the President, will be provided an opportunity to evaluate all projects before commitments are made.

### Financial Structure

The EIA will have authorized capital stock of \$25 billion and the authority to issue and to have outstanding at any one time notes, debentures, bonds or other obligations of \$75 billion. The Authority's obligations will be backed by the full faith and credit of the United States of America.

The Treasury will purchase equity and the EIA will pay an annual dividend on its outstanding capital stock, but its Board could defer such dividends if it has no earned surplus or if the Board determines that other uses of its funds in support of the goal of energy independence are more desirable. The EIA's issuance of its securities, as well as loan guarantees or other similar obligations which directly impact the capital markets in a manner similar to government debt, will be subject to approval by the Secretary of the Treasury as to the timing, method, source, interest rate, and other terms and conditions. At the discretion of the Secretary of the Treasury, EIA's obligations may be purchased directly or channeled through the Federal Financing Bank.

Total loans, guarantees, and other forms of financial assistance by the Authority over its life cannot exceed \$100 billion and it can make no further investments if its expected losses, as determined by an annual independent audit, exceed its equity and earned surplus.

The \$25 billion of equity will be subject to the appropriation process and requested incrementally as needed; the \$75 billion in borrowing authority will be requested initially as a one-time Congressional authorization without any further need for Congressional appropriations. Because the Authority is to be self-liquidating and its investments repaid, its outlays will not be included in the budget of the United States. However, the Authority's losses or gains from its operations will be included in the Federal budget.

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The Energy Independence Authority could provide financing in various forms including direct loans, loan guarantees, guarantees of price, purchase and leaseback of facilities, and the purchase of convertible or equity securities. EIA financing will not be available for projects which can be financed by the private sector and to the extent practicable, will be in the form of loans and loan guarantees.

The EIA's financial assistance will provide for the maximum participation of private financial institutions in projects. Such assistance will be provided in ways that will not give recipients undue advantage over competing firms. This will be assured through minimum interest rate requirements and other terms that will be required by the Authority before financing is executed.

Financial commitments by EIA will not be for the purpose of acquiring a permanent controlling or operating interest in commercial production, transportation, or distribution of energy. Federal ownership or operation could occur only temporarily, in the event of default, or in providing financial assistance which involves construction, testing and demonstration of a facility provided to a business on a "turnkey" basis, or in providing lease-purchase and sale-leasebacks. No permanent ownership, control and operation of energy production facilities by the Federal Government will be authorized.

#### Scope of EIA Investments

The Energy Independence Authority will concentrate on energy projects deemed critical to our national energy objectives.

The Energy Independence Authority will only support projects which meet the following criteria:

- Projects that will contribute directly and significantly to energy independence.
- Projects that would not be financed without government assistance.

The specific types of projects which the EIA could finance would be limited to projects entailing commercialization of:

- New technologies not yet in widespread domestic commercial operation either to support, produce directly, transport, or conserve energy.
- Technologies essential to the production of nuclear power.
- Conventional or new technologies for production and transmission of electric power generated by sources other than oil or gas.
- Conventional energy technologies for the production or transportation of energy that are of such size or scope that they would not otherwise be financed by the private sector or represent institutional or regulatory arrangements which are not in widespread use, or individual transportation or transmission facilities related to such energy projects.

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The projects that could be supported by the EIA range across the full spectrum of energy, excluding research. These would cover such areas as synthetic fuel technology commercialization (e.g., coal gasification, liquefaction, and production of oil from shale); other emerging technologies (e.g., solar energy or geothermal energy); and conventional technologies (e.g., uranium enrichment, coal, nuclear, and geothermal power plants).

EIA could support projects that increase efficiency of energy use and production of energy that involve new technologies not yet commercially proven. Projects of unusual size or scope could include new energy parks or major new pipelines for transportation of oil and gas.

The EIA will not relieve State regulatory commissions of their responsibility to assure the health of regulated industries. Thus, EIA financial assistance will require as a condition of assistance to a regulated utility, sound and expedited regulatory response from regulatory rate commissions, including the regulatory commission's agreement to a rate covenant with EIA and the regulated firm that assures adequate earnings to protect EIA's investment.

#### New Federal Energy Regulatory Procedures

Regulatory problems often make financing difficult by adding uncertainty about a project's ultimate fate and timing and by adding inflationary pressures to construction costs through delay. In addition to its financial authorities, the EIA legislation will establish an important new procedure for coordinating and expediting Federal regulatory proceedings that affect energy projects.

Although it would have no power to override regulatory decisions at any level of government or determine the ultimate fate of the project, the Federal Energy Administration may certify (if such certification is needed to assure expeditious completion) that any project which requires a Federal permit or other Federal action is of critical importance to achievement of energy independence.

Any Federal agency receiving such FEA certification of a project will commence promptly all proceedings needed to reach a final decision concerning the project and each Federal agency may give such proceedings priority over other matters before it. The legislation makes it the intent of the Congress that all proceedings on these critical projects be completed within 18 months and requires that each Federal agency promulgate regulations within 90 days to carry out the expediting actions contemplated in the legislation.

In order to coordinate, simplify, and expedite the processing of applications to construct, license or review energy projects, the FEA, in cooperation with all relevant Federal agencies, will oversee the entirety of the Federal approval process. The authority to approve or disapprove applications for energy projects will remain in those Federal agencies required by law to consider such projects. However, the FEA would be authorized to develop a single composite application that will be the sole application required for Federal approval prior to commencement of a project.

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FOR IMMEDIATE RELEASE

February 16, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

TEXT OF A LETTER FROM THE  
PRESIDENT TO THE SPEAKER OF THE  
HOUSE OF REPRESENTATIVES  
AND THE PRESIDENT OF THE SENATE

February 16, 1976

Dear Mr. Speaker: (Dear Mr. President:)

The Federal Energy Administration Act of 1974, section 15(a), required that I submit to the Congress six months before the expiration of this Act my recommendations for the future of the Federal Energy Administration.

In view of my recent signing of the Energy Policy and Conservation Act of 1975, I have determined that the management of energy policies and programs can best be served by the extension of the Federal Energy Administration until September 30, 1979 -- thirty-nine months beyond its current termination date of June 30, 1976. This will allow an orderly phasing out of price and allocation controls on domestic oil production over a period of forty months and implementation of other programs called for in that Act.

I have directed Federal Energy Administrator Zarb to seek the authority required to carry out this proposal.

Sincerely,

GERALD R. FORD

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EMBARGOED FOR RELEASE UNTIL  
3:00 P.M. (EST)  
THURSDAY, FEBRUARY 26, 1976

February 26, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

A little over two years ago, the Arab embargo proved that our Nation had become excessively dependent upon others for our oil supplies. We now realize how critical energy is to the defense of our country, to the strength of our economy, and to the quality of our lives.

We must reduce our vulnerability to the economic disruption which a few foreign countries can cause by cutting off our energy supplies or by arbitrarily raising prices. We must regain our energy independence.

During the past year, we have made some progress toward achieving our energy independence goals, but the fact remains that we have a long way to go. However, we cannot take the steps required to solve our energy problems until the Congress provides the necessary additional authority that I have requested. If we do not take these steps, our vulnerability will increase dramatically.

In my first State of the Union Address last year, I pointed out that our vulnerability would continue to grow unless a comprehensive energy policy and program were implemented. I outlined these goals for regaining our energy independence:

- First, to halt our growing dependence on imported oil during the next few critical years.
- Second, to attain energy independence by 1985 by achieving invulnerability to disruptions caused by oil import embargoes. Specifically, we must reduce oil imports to between 3 and 5 million barrels a day, with an accompanying ability to offset any future embargo with stored petroleum reserves and emergency standby measures.
- Third, to mobilize our technology and resources to supply a significant share of the free world's energy needs beyond 1985.

In pursuing these goals, we have sought to provide energy at the lowest cost consistent with our need for adequate and secure supplies. We should rely upon the private sector and market forces since it is the most efficient means of achieving these goals. We must also achieve a balance between our environmental and energy objectives.

These goals were reasonable and sound a year ago and they remain so today.

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(OVER)



Since January of 1975, this Administration has initiated the most comprehensive set of energy programs possible under current authority. This includes actions to conserve energy, to increase the production of domestic energy resources, and to develop technology necessary to produce energy from newer sources.

During this time, I have also placed before the Congress a major set of legislative proposals that would provide the additional authority that is needed to achieve our energy independence goals.

Thus far, the Congress has completed action on only one major piece of energy legislation -- the Energy Policy and Conservation Act -- which I signed into law on December 22, 1975. That law includes four of the original proposals I submitted to the Congress over a year ago. Eighteen other major legislative proposals still await final action by the Congress.

### Natural Gas

The need for Congressional action is most critical in the area of natural gas. We must reverse the decline in natural gas production and deal effectively with the growing shortages that face us each winter.

Deregulating the price of new natural gas remains the most important action that can be taken by the Congress to improve our future gas supply situation. If the price of natural gas remains under current regulation, total domestic production will decline to less than 18 trillion cubic feet in 1985. However, if deregulation is enacted, production would be about 25 percent higher by 1985. Natural gas shortages mean higher costs for consumers who are forced to switch to more expensive alternative fuels and mean, inevitably, an increasing dependence on imported oil. Curtailment of natural gas to industrial users in the winters ahead means more unemployment and further economic hardships.

Therefore, I again urge the Congress to approve legislation that will remove Federal price regulation from new natural gas supplies and will provide the added short-term authorities needed to deal with any severe shortages forecast for next winter.

I also urge prompt action by the Congress on a bill I will be submitting shortly which is designed to expedite the selection of a route and the construction of a transportation system to bring the vast supplies of natural gas from the north slope of Alaska to the lower 48 markets. This legislation would make possible production of about 1 trillion cubic feet of additional natural gas each year by the early 1980s.

We expect imports of liquefied natural gas (LNG) to grow in the next several years to supplement our declining domestic supply of natural gas. We must balance these supply needs against the risk of becoming overly dependent on any particular source of supply.

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Recognizing these concerns, I have directed the Energy Resources Council to establish procedures for reviewing proposed contracts within the Executive Branch, balancing the need for supplies with the need to avoid excessive dependence, and encouraging new imports where this is appropriate. By 1985, we should be able to import 1 trillion cubic feet of LNG to help meet our needs without becoming overly dependent upon foreign sources.

### Nuclear Power

Greater utilization must be made of nuclear energy in order to achieve energy independence and maintain a strong economy. It is likewise vital that we continue our world leadership as a reliable supplier of nuclear technology in order to assure that worldwide growth in nuclear power is achieved with responsible and effective controls.

At present 57 commercial nuclear power plants are on line, providing more than 9 percent of our electrical requirements, and a total of 179 additional plants are planned or committed. If the electrical power supplied by the 57 existing nuclear power plants were supplied by oil-fired plants, an additional one million barrels of oil would be consumed each day.

On January 19, 1975, I activated the independent Nuclear Regulatory Commission (NRC) which has the responsibility for assuring the safety, reliability, and environmental acceptability of commercial nuclear power. The safety record for nuclear power plants is outstanding. Nevertheless, we must continue our efforts to assure that it will remain so in the years ahead. The NRC has taken a number of steps to reduce unnecessary regulatory delays and is continually alert to the need to review its policies and procedures for carrying out its assigned responsibilities.

I have requested greatly increased funding in my 1977 budget to accelerate research and development efforts that will meet our short-term needs to:

- make the safety of commercial nuclear power plants even more certain;
- develop further domestic safeguards technologies to assure against the theft and misuse of nuclear materials as the use of nuclear-generated electric power grows;
- provide for safe and secure long-term storage of radioactive wastes;
- and encourage industry to improve the reliability and reduce the construction time of commercial nuclear power plants.

I have also requested additional funds to identify new uranium resources and have directed ERDA to work with private industry to determine what additional actions are needed to bring capacity on-line to reprocess and recycle nuclear fuels.

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Internationally, the United States in consultation with other nations which supply nuclear technology has decided to follow stringent export principles to ensure that international sharing of the benefits of nuclear energy does not lead to the proliferation of nuclear weapons. I have also decided that the U.S. should make a special contribution of up to \$5 million in the next five years to strengthen the safeguards program of the International Atomic Energy Agency.

It is essential that the Congress act if we are to take timely advantage of our nuclear energy potential. I urge enactment of the Nuclear Licensing Act to streamline the licensing procedures for the construction of new power plants.

I again strongly urge the Congress to give high priority to my Nuclear Fuel Assurance Act to provide enriched uranium needed for commercial nuclear power plants here and abroad. This proposed legislation which I submitted in June 1975, would provide the basis for transition to a private competitive uranium enrichment industry and prevent the heavy drain on the Federal budget. If the Federal Government were required to finance the necessary additional uranium enrichment capacity, it would have to commit more than \$8 billion over the next 2 to 3 years and \$2 billion annually thereafter. The taxpayers would eventually be repaid for these expenditures but not until sometime in the 1990's. Federal expenditures are not necessary under the provisions of this Act since industry is prepared to assume this responsibility with limited government cooperation and some temporary assurances. Furthermore, a commitment to new Federal expenditures for uranium enrichment could interfere with efforts to increase funding for other critical energy programs.

### Coal

Coal is the most abundant energy resource available in the United States, yet production is at the same level as in the 1920's and accounts for only about 17 percent of the Nation's energy consumption. Coal must be used increasingly as an alternative to scarce, expensive or insecure oil and natural gas supplies. We must act to remove unnecessary constraints on coal so that production can grow from the 1975 level of 640 million tons to over 1 billion tons by 1985 in order to help achieve energy independence.

We are moving ahead where legislative authority is available.

The Secretary of the Interior has recently adopted a new coal leasing policy for the leasing and development of more coal on Federal lands. To implement this policy, regulations will be issued governing coal mining operations on Federal lands, providing for timely development, and requiring effective surface mining controls which will minimize adverse environmental impacts and require that mined lands be reclaimed. As a reflection of the States' interests, the Department proposes to allow application on Federal lands of State coal mine reclamation standards which are more stringent than Federal standards, unless overriding National interests are involved.

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I have directed the Federal Energy Administration and the Environmental Protection Agency to work toward the conversion of the maximum number of utilities and major industrial facilities from gas or oil to coal as permitted under recently extended authorities.

We are also stepping up research and development efforts to find better ways of extracting, producing and using coal.

Again, however, the actions we can take are not enough to meet our goals. Action by the Congress is essential.

I urge the Congress to enact the Clean Air Act amendments I proposed which will provide the balance we need between air quality and energy goals. These amendments would permit greater use of coal without sacrificing the air quality standards necessary to protect public health.

### Oil

We must reverse the decline in the Nation's oil production. I intend to implement the maximum production incentives that can be justified under the new Energy Policy and Conservation Act. In addition, the Department of the Interior will continue its aggressive Outer Continental Shelf development program while giving careful attention to environmental considerations.

But these actions are not enough. We need prompt action by the Congress on my proposals to allow production from the Naval Petroleum Reserves. This legislation is now awaiting action by a House-Senate Conference Committee.

Production from the Reserves could provide almost one million barrels of oil per day by 1985 and will provide both the funding and the oil for our strategic oil reserves.

I also urge the Congress to act quickly on amending the Clean Air Act auto emission standards that I proposed last June to achieve a balance between objectives for improving air quality, increasing gasoline mileage, and avoiding unnecessary increases in costs to consumers.

### Building Energy Facilities

In order to attain energy independence for the United States, the construction of numerous nuclear power plants, coal-fired power plants, oil refineries, synthetic fuel plants, and other facilities will be required over the next two decades.

Again, action by the Congress is needed.

I urge Congress to approve my October, 1975 proposal to create an Energy Independence Authority, a new government corporation to assist private sector financing of new energy facilities.

This legislation will help assure that capital is available for the massive investment that must be made over the next few years in energy facilities, but will not be forthcoming otherwise. The legislation also provides for expediting the regulatory process at the Federal level for critical energy projects.

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I also urge Congressional action on legislation needed to authorize loan guarantees to aid in the construction of commercial facilities to produce synthetic fuels so that they may make a significant contribution by 1985.

Commercial facilities eligible for funding under this program include those for synthetic gas, coal liquefaction and oil shale, which are not now economically competitive. Management of this program would initially reside with the Energy Research and Development Administration but would be transferred to the proposed Energy Independence Authority.

My proposed energy facilities siting legislation and utility rate reform legislation, as well as the Electric Utilities Construction Incentives Act complete the legislation which would provide the incentives, assistance and new procedures needed to assure that facilities are available to provide additional domestic energy supplies.

#### Energy Development Impact Assistance

Some areas of the country will experience rapid growth and change because of the development of Federally-owned energy resources. We must provide special help to heavily impacted areas where this development will occur.

I urge the Congress to act quickly on my proposed new, comprehensive, Federal Energy Impact Assistance Act which was submitted to the Congress on February 4, 1976.

This legislation would establish a \$1 billion program of financial assistance to areas affected by new Federal energy resource development over the next 15 years. It would provide loans, loan guarantees and planning grants for energy-related public facilities. Funds would be repaid from future energy development. Repayment of loans could be forgiven if development did not occur as expected.

This legislation is the only approach which assures that communities that need assistance will get it where it is needed, when it is needed.

#### Energy Conservation

The Nation has made major progress in reducing energy consumption in the last two years but greatly increased savings can yet be realized in all sectors.

I have directed that the Executive Branch continue a strong energy management program. This program has already reduced energy consumption by 24 percent in the past two years, saving the equivalent of over 250,000 barrels of oil per day.

We are moving to implement the conservation authorities of the new Energy Policy and Conservation Act, including those calling for State energy conservation programs, and labeling of appliances to provide consumers with energy efficiency information.

I have asked for a 63 percent increase in funding for energy conservation research and development in my 1977 budget.

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If the Congress will provide needed legislation, we will make more progress. I urge the Congress to pass legislation to provide for thermal efficiency standards for new buildings, to enact my proposed \$55 million weatherization assistance program for low-income and elderly persons, and to provide a 15 percent tax credit for energy conservation improvements in existing residential buildings. Together, these conservation proposals can save 450,000 barrels of oil per day by 1985.

### International Energy Activities

We have also made significant progress in establishing an international energy policy. The U.S. and other major oil consuming nations have established a comprehensive long-term energy program through the International Energy Agency (IEA), committing ourselves to continuing cooperation to reduce dependence on imported oil. By reducing demand for imported oil, consuming nations can, over time, regain their influence over oil prices and end vulnerability to abrupt supply cut-offs and unilateral price increases.

The International Energy Agency has established a framework for cooperative efforts to accelerate the development of alternative energy sources. The Department of State, in cooperation with FEA, ERDA, and other Federal agencies, will continue to work closely with the IEA.

While domestic energy independence is an essential and attainable goal, we must recognize that this is an interdependent world. There is a link between economic growth and the availability of energy at reasonable prices. The U.S. will need some energy imports in the years ahead. Many of the other consuming nations will not be energy independent. Therefore, we must continue to search for solutions to the problems of both the world's energy producers and consumers.

The U.S. delegation to the new Energy Commission will pursue these solutions, including the U.S. proposal to create an International Energy Institute. This Institute will mobilize the technical and financial resources of the industrialized and oil producing countries to assist developing countries in meeting their energy problems.

### 1985 and Beyond

As our easily recoverable domestic fuel reserves are depleted, the need for advancing the technologies of nuclear energy, synthetic fuels, solar energy, and geothermal energy will become paramount to sustaining our energy achievements beyond 1985. I have therefore proposed an increase in the Federal budget for energy research and development from \$2.2 billion in 1976 to \$2.9 billion in the proposed 1977 budget. This 30 percent increase represents a major expansion of activities directed at accelerating programs for achieving long-term energy independence.

These funds are slated for increased work on nuclear fusion and fission power development, particularly for demonstrating the commercial viability of breeder reactors; new technology development for coal mining and coal use; enhanced recovery of oil from current reserves; advanced power conversion systems; solar and geothermal energy development; and conservation research and development.

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It is only through greater research and development efforts today that we will be in a position beyond 1985 to supply a significant share of the free world's energy needs and technology.

Summary

I envision an energy future for the United States free of the threat of embargoes and arbitrary price increases by foreign governments. I see a world in which all nations strengthen their cooperative efforts to solve critical energy problems. I envision a major expansion in the production and use of coal, aggressive exploration for domestic oil and gas, a strong commitment to nuclear power, significant technological breakthroughs in harnessing the unlimited potential of solar energy and fusion power, and a strengthened conservation ethic in our use of energy.

I am convinced that the United States has the ability to achieve energy independence.

I urge the Congress to provide the needed legislative authority without further delay.

GERALD R. FORD

THE WHITE HOUSE,

February 26, 1976.

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TO THE SENATE OF THE UNITED STATES:

I am returning to the Congress today without my approval S. 391, the Federal Coal Leasing Amendments Act of 1975.

This bill addresses two essential issues: the form of Federal assistance for communities affected by development of Federally-owned minerals, and the way that Federal procedures for the leasing of coal should be modernized.

On the first of these issues, I am in total agreement with the Congress that the Federal Government should provide assistance, and I concur in the form of assistance adopted by the Congress in S. 391. Specifically, I pledge my support for increasing the State share of Federal leasing revenues from 37-1/2 percent to 50 percent.

Last January I proposed to the Congress the Federal Energy Impact Assistance Act to meet the same assistance problem, but in a different way. My proposal called for a program of grants, loans and loan guarantees for communities in both coastal and inland States affected by development of Federal energy resources such as gas, oil and coal.

The Congress has agreed with me that impact assistance in the form I proposed should be provided for coastal States, and I hope to be able to sign appropriate legislation in the near future.

However, in the case of States affected by S. 391 -- most of which are inland, the Congress by overwhelming majority has voted to expand the more traditional sharing of Federal leasing revenues, raising the State share of those revenues by one third. If S. 391 were limited to that provision, I would sign it.



Unfortunately, however, S. 391 is also littered with many other provisions which would insert so many rigidities, complications, and burdensome regulations into Federal leasing procedures that it would inhibit coal production on Federal lands, probably raise prices for consumers, and ultimately delay our achievement of energy independence.

I object in particular to the way that S. 391 restricts the flexibility of the Secretary of the Interior in setting the terms of individual leases so that a variety of conditions -- physical, environmental and economic -- can be taken into account. S. 391 would require a minimum royalty of 12-1/2 percent, more than is necessary in all cases. S. 391 would also defer bonus payments -- payments by the lessee to the Government usually made at the front end of the lease -- on 50 percent of the acreage, an unnecessarily stringent provision. This bill would also require production within 10 years, with no additional flexibility. Furthermore it would require approval of operating and reclamation plans within three years of lease issuance. While such terms may be appropriate in many lease transactions -- or perhaps most of them -- such rigid requirements will nevertheless serve to setback efforts to accelerate coal production.

Other provisions of S. 391 will unduly delay the development of our coal reserves by setting up new administrative roadblocks. In particular, S. 391 requires detailed anti-trust review of all leases, no matter how small; it requires four sets of public hearings where one or two would suffice; and it authorizes States to delay the process where National forests -- a Federal responsibility -- are concerned.



Still other provisions of the bill are simply unnecessary. For instance, one provision requires comprehensive Federal exploration of coal resources. This provision is not needed because the Secretary of the Interior already has -- and is prepared to exercise -- the authority to require prospective bidders to furnish the Department with all of their exploration data so that the Secretary, in dealing with them, will do so knowing as much about the coal resources covered as the prospective lessees.

For all of these reasons, I believe that S. 391 would have an adverse impact on our domestic coal production. On the other hand, I agree with the sponsors of this legislation that there are sound reasons for providing in Federal law -- not simply in Federal regulations -- a new Federal coal policy that will assure a fair and effective mechanism for future leasing.


Accordingly, I ask the Congress to work with me in developing legislation that would meet the objections I have outlined and would also increase the State share of Federal leasing revenues.

GERALD R. FORD

THE WHITE HOUSE,

July 3, 1976.

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September 17, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

TEXT OF A LETTER FROM THE PRESIDENT TO THE  
SECRETARY OF THE INTERIOR, ADMINISTRATOR,  
FEDERAL ENERGY ADMINISTRATION AND THE  
SECRETARY OF THE NAVY

September 16, 1976

On April 5, 1976, I signed into law the Naval Petroleum Reserves Production Act of 1976 (Public Law 94-258).

Section 105(b) of that Act requires that I direct appropriate Executive departments and agencies to conduct a study, in consultation with representatives of the State of Alaska, to determine the best overall procedures to be used in the development, production, transportation, and distribution of petroleum resources in the Naval Petroleum Reserve Numbered 4 in Alaska. It also requires that I make semiannual progress reports on this study to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives, and provides that the completed study, together with recommended procedures and proposed legislation, be submitted to those committees not later than January 1, 1980.


The Department of the Interior, with the active assistance of the Department of the Navy and the Federal Energy Administration, shall conduct the study required by Section 105(b) of that Act and, on a timely basis, shall prepare the required reports, recommend procedures, and prepare proposed legislation for my consideration and subsequent transmission to the designated committees of the Congress.

I urge you to complete the study and to develop recommendations and prepare proposed legislation for my review at the earliest practicable date, consistent with the intent of Congress and with my objective of securing the wise use of these resources for the national welfare.

Sincerely,

GERALD R. FORD

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FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

EYES ONLY  
URGENT

October 19, 1976

MEMORANDUM FOR JIM CANNON

FROM: FRANK ZARB 

As per our discussion.





FEDERAL ENERGY ADMINISTRATION  
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

October 19, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *F*

At our meeting on Monday you asked me to put in brief form an answer to the question which describes your energy program. I have done so in the attached.

Attachment





Q. Mr. President, what specifically are the objectives of your energy program?

A. The program I proposed is designed to insure that this Nation is importing no more than 4 to 6 million barrels a day from foreign nations by 1985. All of the legislation I have submitted is designed to achieve the following:

- 1) Reduce energy consumption rate of growth from 3-1/2 to 2-1/2 percent per year -- that means conservation.
- 2) Double American coal production.
- 3) Increase American oil and natural gas production to higher levels we think are achievable.
- 4) Increase nuclear power from 9 percent of electric generation to 26 percent of electric generation.

If we do all of these things and complete the stockpile program which I proposed and the Congress has passed, we will be in an embargo-proof economy by 1985. The effect will be sufficient supplies of energy at lower prices for the American people. The Congress has so far passed one half of the legislation which I sent them to achieve these results, and if they finish the job when they come back next January, we will reach our energy objectives.

Make no mistake about this -- the United States has the technical capabilities, natural resources and financial capabilities, to reduce our imports to provide lower energy prices to the American people.



January 7, 1977

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Three years have now passed since the Arab oil embargo demonstrated that the Nation had become overly dependent on other countries for our energy supplies. We have made progress in dealing with our energy problems but much more must be done if we are to achieve our objective of assuring an adequate and secure supply of energy at reasonable prices.

Action by the Congress is vitally important in the coming year on a number of matters affecting energy supply and demand. The outcome of that action will affect the Nation's security, economic strength and role in world affairs. Decisions made during this critical period will affect the health, welfare, quality of life and freedom of choice of our people for years to come.

A new Congress and change in Administration provide an appropriate occasion to review our energy situation, to summarize and share the knowledge that has been gained from analysis and debate over the past two years, and to outline the remaining need for action.

I am pleased that we have made a good start towards a comprehensive national energy policy; that we have taken major steps forward on programs to conserve energy, increase domestic energy production, develop strategic petroleum reserves, and develop new technology; and that our imports are less today than they would have been had we not begun taking the steps I outlined in my State of the Union address two years ago.

But our imports are higher today than they were three years ago, and we have not yet as a Nation faced up to many of the hard decisions and choices that are necessary before we can achieve our energy objectives.

The lack of better progress is regrettable but I believe the reasons for it are quite clear:

- First, the real nature of the Nation's energy problem and the implications of leaving it unresolved are not fully understood or appreciated by many people.
- Second, many of those who recognize the problem and the implications of not solving it have looked for easy solutions. This has led often to proposals which:
  - promise far more than can be delivered; or
  - expand significantly the role of the Federal Government.

We are now beginning to recognize more clearly the dangers of a greatly expanded Federal role in energy. We

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also now realize that other "easy" answers are turning out to be impractical, ineffective, or oversold.

### FUNDAMENTAL ISSUES AND CHOICES

The decisions which must be made are difficult and the implications of the choices are far reaching. Thus, the Congress and the public should have the best possible understanding of the fundamental issues and choices that are involved in my proposals and in the proposals that will be forthcoming from the new Administration and Congress. There are five matters that deserve special attention:

- The high cost to the Nation of delay in solving our energy problem.
- The illusions and false hopes that are involved in some of the "easy" answers that have been proposed.
- The dangers of expanding the Federal role in energy.
- The need to recognize the interdependence of the U.S. and other consumer nations in energy matters.
- The necessity of facing up to the hard choices that must be made in order to achieve a balance among our Nation's security, energy, economic, consumer price, and environmental objectives.

### HIGH COST OF DELAY IN SOLVING OUR ENERGY PROBLEM

A better understanding of our energy problem and the high cost of delay in solving it should help restore the sense of urgency that was lost when the embargo ended, the gasoline lines disappeared, and an adequate supply of most forms of energy became available -- though at higher prices.

#### Our Energy Problem

The principal energy problem now facing the United States is our excessive and growing dependence on imported oil from a relatively few foreign nations that own the majority of world oil reserves and have the ability to control world oil prices and production. We are also faced with a problem of shortages of natural gas in some areas. This problem will become more serious this winter if unusually cold weather continues and will grow each year as production and interstate sales decline -- resulting in job losses and economic dislocation.

Our situation is the result of several factors. For example, our economy and style of life -- neither of which can be altered quickly -- have been built upon cheap and abundant energy. Low prices, resulting from government regulations and policies, and heightened environmental concerns encouraged excessive reliance on oil and natural gas, rather than coal which we have in plentiful supply. This led to wasteful and inefficient uses of oil and gas.

Our domestic production of oil and natural gas peaked in the early 1970's and has been declining steadily as cheap, easily developed reserves have dwindled. In the early 1980's, oil and natural gas from Alaska and the Outer Continental Shelf -- our last frontiers -- will help offset the decline

(MORE)

in production from on-shore areas. But, overall, domestic oil and gas production will again decline precipitously unless higher prices are available to cover the costs of developing resources which are not now economically feasible to produce.

Meanwhile, our energy demands are increasing to meet the needs of a growing economy. We are not expanding the use of coal and nuclear energy fast enough as substitutes for oil and gas, where this is possible, or to meet growing energy requirements. Instead we have turned to imports, and imports will continue to grow as we face declining production and depletion of oil and gas reserves.

### The Costs of Dependence

The real price paid for our growing dependence on imported oil is our vulnerability to significant economic and social disruption from the interruption of oil imports. Apart from the inconvenience experienced by millions of people, the 1973-74 embargo and the resulting higher prices caused a loss of about 500,000 jobs and approximately \$20 billion in our Gross National Product. The sudden four-fold increase in OPEC oil prices contributed significantly to inflation. Since 1974 our dependence on imports, particularly from Arab nations, has grown by a million barrels per day, so that an interruption of supply today would be even more disruptive of our economy than the 1973-74 embargo.

Another cost of energy dependence is the outflow of U.S. dollars to pay for imported oil, totalling about \$34 billion in 1976 or \$160 for each American, eleven times that in 1972.

Still another cost is the limitation on our freedom of action in international affairs due to our vulnerability to the threat of another interruption.

### Realistic Energy Goals

In my first State of the Union Message two years ago, I outlined a comprehensive energy program for the Nation with goals of:

- Halting our growing dependence on imported oil.
- Attaining energy independence by 1985 by achieving invulnerability to disruptions caused by oil embargoes, by reducing oil imports to between 3 and 5 million barrels per day with an accompanying ability to offset any supply interruption with stored petroleum reserves and emergency standby measures.
- Mobilizing our technological capability and resources to supply a significant share of the free world's energy needs beyond 1985.

These goals do not mean that we should seek to eliminate all energy imports, because generally it will be in the Nation's best interest to continue importing energy when it can be obtained at lower cost -- as long as we have the ability to withstand interruptions of supply from insecure sources.

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The goals do mean that we should reduce and then eliminate our vulnerability. In the longer term, we should better use our resources and technological capability to regain our ability to assure the reasonableness of energy prices.

Whether the date I set for achieving energy independence and the level of imports I proposed are realistic has been the subject of considerable debate. I believe the goals could be attained if the Congress approved the critical legislation I proposed, but that is not the major point. The essential point now is that we recognize that our excessive dependence and vulnerability are costly and that it is in the Nation's best interest to solve the problem as soon as possible.

#### AVOIDING ILLUSIONS

A number of well-intentioned proposals have been advanced for dealing with our energy problems which, when evaluated, are found to have far less potential or merit than is claimed by their proponents. Four such proposals warrant special attention: advanced energy technologies, energy conservation in lieu of increased production, abandoning nuclear fission energy or coal, and oil company divestiture. All four are likely to receive Congressional consideration this year.

#### Contribution of Advanced Technologies

There are repeated claims that fusion, solar or geothermal energy, or some other advanced technology, will soon provide a virtually risk-free answer to our energy needs. Such claims warrant and have been given very careful consideration because new technological developments have helped us solve many problems in the past.

There are three common myths about fusion, solar and geothermal energy:

- That major contributions to our energy supplies can be expected soon from these sources.
- That there are no serious economic, safety, technological or environmental problems to be overcome before these technologies are available for widespread use.
- That the remaining problems can be quickly resolved by greatly increasing Federal funding for R&D.

The facts are that major economic, safety and environmental problems must be solved and major technological breakthroughs are needed before these emerging technologies will be available for widespread commercial use.

Practical and economic applications are already available in the case of energy from geothermal steam. However, geothermal steam resources are geographically limited, and major technical, environmental and economic hurdles must be overcome before other sources of geothermal energy will be available for practical application.

Heating with solar energy is expected to become economically competitive soon in some areas with electrical heating by electricity -- but not by oil and gas. Costs will have to be reduced substantially before solar heating and cooling systems will be competitive for widespread use. Major breakthroughs are needed before fusion and solar energy will

produce economical electric power. Costs must be reduced and problems of safety and environmental impact must be solved.

Advanced technologies cannot contribute significantly to our energy supply in the near or mid-term. Even with intensive efforts to achieve necessary breakthroughs, solar, geothermal and fusion energy are expected to provide no more than one percent of our total energy supplies by 1985 and no more than five-seven percent by the year 2000. Until these advanced technologies are available and are acceptable from the standpoint of cost, safety and environmental impact, we must rely on resources and technologies which are available.

Federal funding for the development of advanced technologies has been increased substantially over the past two years in my budgets -- to the point where Congressional additions above my requests generally cannot be used productively. When major breakthroughs are required, the necessary ingredients are ideas and time. Large funding increases are likely to be wasteful and often merely contribute to overly optimistic expectations.

#### Energy Conservation in Lieu of Production

There are some who believe that our energy needs for a growing population and expanding economy and workforce can be satisfied by eliminating wasteful and inefficient uses of energy. They point out correctly that the ready availability of cheap energy in the past tended to encourage uses of energy which now are wasteful.

There is no question but that energy conservation can and must contribute to the solution of our energy problems. In many cases it will be cheaper, more efficient, and involve less environmental impact, to reduce energy waste than it will be to produce a comparable amount of new energy. We have begun major efforts in energy conservation, and progress is being made in reducing growth in energy consumption. However, it takes time to achieve results from energy conservation because energy-intensive plants and equipment and consumer products (such as automobiles and appliances) will only be replaced gradually as they wear out.

Growth in our energy demands simply cannot be eliminated without severe economic impact. We must have both energy conservation and sharply increased energy production if we are to meet the needs for energy in a growing economy. To rely solely on energy conservation would soon mean a lower standard of living for all, and insufficient energy to keep people employed in productive and meaningful work.

#### Abandoning Coal Energy or Nuclear Fission

Some believe that we should not continue or expand the use of coal and others have the same view about nuclear energy. But a careful look indicates that we do not have a choice between increasing the use of coal or nuclear energy. Instead, we must increase the use of both coal and nuclear energy until more acceptable alternate energy sources are available. Even with strong efforts to conserve energy, and increased efforts to produce domestic oil and natural gas, we must increase the use of both coal and nuclear energy if we are to meet the demands for energy for a growing economy. The only alternative is to increase our growing dependence on imported oil.



One example will illustrate the point: Nuclear energy now provides about nine percent of our electrical requirements. If this nuclear energy were not available and we substituted imported oil, our imports would increase by about one million barrels of oil per day. If we were to substitute coal for existing nuclear energy, additional annual production of 100 million tons would be required.

### Divestiture

Some suggest that our energy problem would be relieved by divestiture of the major oil companies -- either by barring investments in other energy sources (horizontal divestiture) or by barring integrated operations whereby one company engages in production, refining, and marketing activities (vertical divestiture). They claim that divestiture would increase competition and thereby reduce petroleum prices and lead to a more intensive pursuit of alternative domestic energy resources and alternative energy technologies.

Experience has demonstrated important advantages from vertical integration in commercial and industrial activities in terms of efficiency of operation. Vertical divestiture may merely mean that petroleum products pass through the hands of more middle men -- resulting in higher consumer costs. Horizontal integration has helped make private capital and managerial talent available to develop other alternative energy resources which will be used to supplement our declining oil and natural gas resources.

Proponents of divestiture have yet to present concrete evidence that divestiture would either increase domestic energy production or provide cheaper and more secure energy supplies. Such evidence should be required and weighed carefully along with the evidence against divestiture before the Congress acts.

### DANGERS OF EXPANDING THE FEDERAL ROLE IN ENERGY

Much of the dispute over energy legislation has resulted from differing views as to the appropriate role of the Federal Government.

The primary responsibility for providing the Nation's energy needs has been and should continue to rest with the private sector. The amount and forms of energy that are produced and used depend upon literally millions of decisions reached daily by individuals and organizations throughout the country. Since energy is such a pervasive component of our economy and our daily lives, special care must be taken to assure that Federal actions affecting energy -- including changes in the Federal role -- will help solve the problem rather than make it worse or cause new problems.

The Congress should give particular attention to the growing concern throughout the country about the size and cost of Government, the extent of Government intrusion in individuals' activities, and the burden of regulations which restrict freedom of choice. Unfortunately, the people who develop Government rules and regulations often do not understand adequately the conditions they are regulating nor appreciate fully the impact of their decisions on the millions of people who are affected.

The question of the proper role of the Federal Government in energy has become important in the case of:

- Controls over decisions that would normally be made in the marketplace.
- Mandatory conservation measures.
- Resource exploration and energy production.
- Energy research, development and demonstration.

#### Government Controls or Marketplace Decisions

Many legislative proposals will involve the question of whether there should be greater reliance on decisions made in the marketplace or upon regulations, standards and controls developed by the Federal Government.

Recent experience has again demonstrated that Federal price and allocation controls on energy ultimately work against the best interests of consumers because they reduce incentives to produce new supplies, they reduce competition and they reduce freedom of choice. For example, Federal price controls on natural gas have been a major factor leading to declining production and to wasteful and inefficient use of this resource. Also, controls on crude oil have contributed to a decline in production.

Federal price and allocation controls inevitably mean that the Government must employ people to develop, issue and revise regulations; to sit in judgment on requests for exceptions when the regulations do not fit real world circumstances; and to enforce the regulations. Federal controls mean that millions of decisions by producers, distributors, wholesalers, retailers and consumers must conform with Government-developed regulations -- even when the people directly involved know that another course of action makes more sense and would still be in the national interest.

The principal alternative to Federal regulation and controls is to allow prices and allocation of energy supplies to be determined in the marketplace -- with decisions made by individuals most directly affected. In some cases, avoiding or eliminating price controls can mean somewhat higher consumer prices in the short run. But the higher prices help stimulate new production and cut down on wastefulness. Market decisions are also made faster and more efficiently, and often result in cheaper prices than if the government made the decision. For example, the higher prices that will result from removing price controls from new natural gas would be less costly for consumers than the expense of switching to higher priced alternative fuels.

#### Mandatory Conservation Measures

Most of the problems resulting from Federal price controls also result from Federal attempts to dictate specific actions by individuals to conserve energy. The prospect of higher energy prices already is stimulating major efforts by individuals and organizations throughout the country to use existing products and develop new means to reduce wasteful and inefficient uses of energy. Such voluntary action by consumers is far preferable to mandatory measures selected and enforced by a larger and more obtrusive Government.

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## Resource Exploration and Energy Production

The Congress will again be faced with the question of whether the Federal Government should be directly involved in energy resources exploration, development, production and refining activities.

Some argue that such activities can be performed better by the Federal Government, that it is necessary to have a Government "standard" to evaluate private industry performance and prices, or that subsidized Government performance is necessary to hold down consumer prices. Others argue that the Government should itself explore Federal lands to better ascertain the value of lands that it leases for the production of energy resources.

In fact, the Federal Government can seldom perform these functions faster, more efficiently or at lower cost than private industry. There is no convincing evidence that the competitive leasing system now used does not provide a fair return and adequately protect the public interest.

Despite this, proposals undoubtedly will continue to surface which would expand the size and role of the Federal Government to include exploration, production and related activities. Accordingly, the best course of action will be to insist upon hard facts to support the proposal and close scrutiny of each measure to see whether the advantages outweigh the disadvantages.

## Energy Research, Development and Demonstration

Still other questions before the Congress involve the Federal role and funding for developing, demonstrating and promoting the use of new technologies for energy production and conservation.

I believe that Federal funding is necessary and appropriate for the development of new energy technologies which show promise of providing a significant and economical way of producing or conserving energy -- but only when such technologies would not be developed by the private sector. During the past two years, I have requested major increases in funding for energy R&D to carry out this policy.

However, continued vigilance is needed to prevent the use of Federal funds to duplicate or displace funds which industry would otherwise spend, and to insure that the Federal Government does not fund efforts which industry has rejected for lack of merit.

In addition, new energy technologies must find acceptance and application in the private sector -- unlike the situation in military and space exploration programs where the Federal Government is the only customer. This presents a special challenge because those responsible for managing Federal funds for energy R&D often are not in a good position to determine which technologies are likely to meet success in the private sector.

The Federal Government is not well equipped to carry out commercialization, marketing, promotional and technical assistance for particular energy technologies, products and services. Such activities should be left to private industry.

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At present, the Federal activities that would contribute most to the resolution of our energy problem are:

- Adopting changes in laws, policies and programs that will lead to a framework within which individuals and organizations outside the Federal Government can make efficient, effective and equitable decisions about energy. Laws and policies which discourage energy production or energy conservation should be modified.
- Providing carefully targeted support for energy R&D.
- Providing incentives and assistance where necessary -- such as tax relief -- in order to encourage energy conservation and aid low-income people in adjusting to higher energy prices which are necessary to generate new, adequate supplies.

#### INTERDEPENDENCE OF THE U.S. AND OTHER CONSUMER NATIONS

The 1973-74 embargo, and the impact of sharply increased prices for OPEC oil, demonstrated clearly that the interests of the United States are tied closely to those of other nations which are net importers of energy. Events in the last three years have demonstrated further that the economies of all nations are interrelated and that no nation can be truly economically independent in the world today. Many of our allies, and particularly the developing countries, do not have major undeveloped energy resources and therefore are even more dependent upon imported energy than is the United States.

Much progress has been made in strengthening energy cooperation among the industrialized nations through the International Energy Agency. Together we have coordinated efforts to reduce our collective vulnerability by establishing a long-term program for conservation and development of new energy sources, and an energy-sharing program to safeguard against supply interruptions. It is in the best interests of the United States to continue to work with and assist other energy-consuming countries in meeting their energy needs -- by reinforcing their conservation efforts, accelerating development of conventional and new energy sources, and encouraging the application of practical new energy technologies.

Such efforts will help to achieve our objective over the long term of a better equilibrium between energy supply and demand in the world, so that no one group of nations will be able to impose its will on others. Unless we are willing to cooperate with others, and provide adequate assistance in this area, continued dependence by many nations on a few countries for energy supplies will remain a major source of world political instability, uncertainty, and economic hardship.

At the same time, of course, we must continue our efforts to strengthen relations between oil-importing and exporting nations, recognizing that cooperation is important to the future well-being of both.

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## ACHIEVING BALANCE AMONG CONFLICTING OBJECTIVES

In recent years, we have been faced more and more with the dilemma that actions taken to achieve one important objective conflict with efforts to achieve other objectives. For example, we learned that tough standards and deadlines applied in the early 1970's to reduce pollution from automobiles and improve air quality resulted in lower gasoline mileage and higher gasoline consumption, poorer vehicle performance and higher consumer costs.

Conflicting objectives are becoming more and more apparent as we recognize that the easy solutions are illusions and that there are major dangers in expanding the Federal role. The Nation must, therefore, face up to the task of achieving a balance among conflicting objectives involving energy.

### Low Consumer Prices vs. Adequate and Secure Energy Supplies

The reality that must be faced which appears to cause the most difficulty for elected officials is the inevitability of higher energy prices. Energy prices, particularly for consumers, will increase in the future principally because prices in the past have been held artificially low through Government controls, because cheaper domestic energy resources are being depleted, because past energy prices have not reflected the costs of environmental protection, and because foreign nations are charging more for the energy that they export. There simply are no cheap energy alternatives. Higher prices will continue to be a major factor in obtaining adequate and secure energy supplies.

This difficulty is compounded for elected officials because it takes a long time in energy matters for our actions to show results -- a condition that is not readily accepted in a Nation that prefers quick results. The prospect of higher prices will provide the incentive for increased energy production but it then takes up to five years, for example, to bring a new off-shore oil well into production and up to ten years to bring a new nuclear electric generating plant on line.

### Environment vs. Energy

An equally difficult problem is that of finding the best possible balance between our energy and environmental objectives. Our environmental objectives are also important in protecting health and welfare, improving our quality of life, and preserving natural resources for future generations. On the other hand, an adequate energy supply is essential to our objectives for a strong economy, national defense and role in world affairs, and in achieving a better life for all.

The conflict between energy and environmental objectives will require attention when the Congress considers amendments to the Clean Air Act, changes in laws governing the development of Federally-owned energy resources, improvements in the processes for siting and approving energy facilities, and controls on domestic energy production activities such as the surface mining of coal.

More specifically, air quality requirements forced shifts away from the use of domestic coal to the use of oil and natural gas which are now in short supply. Some air quality

requirements -- particularly emission standards set by states -- are far tighter than necessary to meet standards which have been set to protect human health.

Efforts are now underway to reverse this trend but it is clear that increased production and utilization of domestic coal in the short term requires either billion dollar investments in controversial control equipment or some relaxation of existing air quality requirements. Most such requirements were set before we were aware of our energy problems, and often without sufficient regard to energy or consumer price impact. They often prevent substitution of coal resources for oil and gas and prevent construction of new coal producing and burning facilities.

As another example, concerns about environmental protection and reclamation requirements for surface mining activities led to legislation -- twice vetoed -- which would have imposed unnecessarily rigid requirements, cut domestic coal production and employment and led to even greater reliance on imported oil. Under these bills, Federal regulations and enforcement activities -- which would contribute to a larger more cumbersome Federal Government -- would have supplanted State laws and enforcement activities which are now in place and which require reclamation as a condition of mining.

#### Limiting Growth

The concept of limiting growth and development is an important ingredient in some efforts to halt increased domestic energy production or to develop and use newer energy technologies. Limits on growth and development may be necessary in particular areas, but I oppose strongly the concept of limiting growth as an objective in itself. For the Nation, I continue to believe that our best hope for increasing the standard of living and quality of life for all our people is to expand and strengthen our economy and, in this way, create meaningful and productive jobs for all who are willing and able to work. The energy policies and goals that I have advocated do not require limiting our economic growth below historic rates.

#### Eliminating Risk

In some cases, attempts to increase domestic energy production -- particularly from nuclear energy and coal and oil and gas resources from Outer Continental Shelf -- are met with demands that virtually all safety and environmental risks be eliminated.

There should be no disagreement that major efforts are necessary to protect human health and the environment. For example, strong efforts have already been made in the case of nuclear energy and an excellent record of safety and minimum environmental impact has been achieved. However, it must be recognized that there is no practical way of completely eliminating all risks. Further, each additional precaution adds cost in terms of reduced supplies or higher prices. Risk levels that have already been achieved in many energy producing activities are often far lower than those readily accepted in other human activities.

Because different Committees of Congress have responsibility for competing objectives, it is especially difficult to achieve a satisfactory balance among our national objectives in new legislation. This will be a continuing problem in the new Congress and I can only urge that each measure affecting

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energy supply and demand, which also involves other objectives, be evaluated carefully to assure that the resulting costs, risks and benefits are truly in the national interest.

#### THE NEED FOR SUBSTANTIVE LEGISLATION AFFECTING ENERGY

We have made significant progress over the past two years toward establishing the framework of law and policies that are needed to permit decisions and actions that will help solve our energy problem.

Nine of the proposals that I submitted have been enacted into law. However, there remains a long list of requirements for early Congressional action.

#### Highest Priority

Because of the large number of legislative proposals that need action, I want to make clear that I believe highest priority should be given to measures which:

- Remove Federal price regulation from new natural gas supplies. This action is crucial to increasing domestic production and reducing wasteful and inefficient uses.
- Revise domestic crude oil price controls to allow greater flexibility in establishing a pricing formula that will encourage increased domestic production and assist in phasing out controls. This action is needed to overcome problems in the current law and to reduce market distortions that have resulted.
- Make clear our determination to expand capacity in the United States, principally through the efforts of private industry, to enrich uranium needed to provide fuel for nuclear power plants. This action is necessary to permit increased use of nuclear power in the U.S. and to assure other nations that we will be a reliable supplier of uranium enrichment services -- a step that is critical to our nuclear non-proliferation objectives.
- Amend the Clean Air Act to:
  - Change the statutory requirements for meeting auto emission standards so that there can be a better balance among our environmental quality, energy, economic and consumer price objectives.
  - Provide flexibility in meeting national air quality standards applicable to power plants and major industrial facilities so that the use of coal can be continued and expanded, and so that new energy-producing facilities can be constructed in selected areas that have not yet attained national air quality standards.
  - Remove the requirement imposed by the courts for preventing significant deterioration of air quality in areas already meeting air quality standards -- until information is available on the impact of such actions and informed decisions can be made.

#### Other Important Proposals

In addition to the above select list, favorable action is needed from the Congress on legislation in all the following areas:

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-- Natural Gas

- Temporary emergency legislation to allow pipelines and high priority users to obtain intrastate gas at unregulated prices for limited periods -- to help cope with shortages and curtailments.

-- Oil

- Authorization for the President to impose fees and taxes as standby emergency measures to reduce energy consumption in the event of another embargo -- to avoid the inefficiencies and burdens of mandatory conservation measures in such emergencies.
- An Oil Spill Liability Act -- to establish a comprehensive system of liability and compensation for oil spill damage and removal costs.
- Authorization for private competitive exploration and development of the National Petroleum Reserve in Alaska.

-- Coal

- Extension of the authority to require utilities and other major fuel-burning installations to convert from oil and gas to coal.
- Changes in provisions of the Coal Leasing Amendments Act of 1976 which unnecessarily delay or restrict leasing and development of coal on Federal lands.
- Authority for the use of eminent domain in the construction of coal slurry pipelines and authority for the Secretary of the Interior to issue certificates of public convenience and necessary to expedite slurry pipeline construction.

-- Nuclear Energy

- Authority for the Energy Research and Development Administration to enter into cooperative agreements with firms wishing to finance, build, own and operate uranium enrichment plants -- to assure the availability of required capacity and avoid the need for billions of dollars in Federal outlays when the private sector can provide the financing.
- Authority to increase the price for uranium enrichment services performed in Government-owned plants -- to assure a fair return to the taxpayers for their investment, to price services more nearly comparable to their private sector value, and to end the unjustified subsidy by taxpayers to both foreign and domestic customers.
- Criteria for the control of nuclear exports which is necessary to round out the comprehensive non-proliferation, export control, reprocessing evaluation and waste management program I outlined in my October 28, 1976, statement on nuclear policy.
- Reform the nuclear facilities licensing process by providing for early site review and approval and encouraging standardization of nuclear facility design.

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-- Building Energy Facilities

- Establishment of an Energy Independence Authority (EIA), a new government corporation, to assist private sector financing of new energy facilities.
- Legislation to encourage states to develop comprehensive and coordinated processes to expedite review and approval of energy facilities siting applications, and to assure the availability of sites.

-- Energy Conservation

- Tax credit for homeowners to provide up to \$150 for purchasing and installing insulation in existing residences.
- Reform of rate setting practices applicable to public utilities -- to expedite consideration of proposed rate changes and assure that rates reflect full costs of generating and transmitting power.

1978 BUDGET REQUESTS

My 1978 Budget which will soon be forwarded to the Congress will include major new funding to:

- Continue and expand our extensive program of energy research and development in cooperation with private industry which is directed toward new technologies for conserving energy and for producing energy from fossil, nuclear, solar and geothermal sources.
- Implement the Early Storage Program as part of the Strategic Petroleum reserves which will provide up to 500 million barrels of oil for use in emergency situations such as an embargo.
- Implement my comprehensive nuclear policy statement issued on October 28, 1976.
- Continue ERDA's development program on the liquid metal fast breeder reactor -- to resolve any remaining environmental, safety and safeguards questions -- so that this technology will be available to bridge the gap until advanced technologies can make their contribution to our energy needs.
- Provide increased operating funds for other Federal energy activities.

I urge the Congress to approve these funding requests.

REORGANIZATION OF FEDERAL ENERGY ACTIVITIES

Under the provisions of the Energy Conservation and Production Act of August 1976, I am called upon to make recommendations to the Congress with respect to the reorganization of Federal energy and natural resource activities. At my direction, a major study of alternatives had already been undertaken in May 1976 under the leadership of the Energy Resources Council and the Office of Management and Budget.

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I have reviewed the findings and recommendations from the study. Within the next few days, I will forward my recommendations to the Congress.

TIME TO ACT

The Nation has waited far too long for completion of a sound and effective national energy policy. In many cases, the issues are complex and controversial, the decisions are tough to make -- particularly because the right decisions will be unpopular in the short run. The costs of continued energy dependence are far too great for further delay.

The Congress can act. It is a matter of organizing itself to make the tough decisions and choices and moving ahead with the task. I urge the Congress to weigh the alternatives carefully and proceed promptly.

GERALD R. FORD

THE WHITE HOUSE,

January 7, 1977.

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