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FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

January 16, 1976

DEPUTY ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK ZARB *z*

SUBJECT: STATUS OF ENERGY PROGRAM

With the enactment of the Energy Policy and Conservation Act of 1975 (EPCA) and with several other energy legislative initiatives nearing passage, we have made considerable progress in moving towards your energy goals. The attached Tabs summarize our current estimates of achievement of the goals, legislative status and current Administration positions on major energy legislation, and agency responsibilities under the EPCA.

Tab 1 indicates that both your short-term and long-term goals can be achieved. The major measures remaining for Congressional action that are vital to 1985 energy independence are natural gas deregulation, Naval Petroleum Reserves authorities, insulation tax credit and thermal efficiency standards, and synthetic fuels commercialization.

Tab 2 indicates that four of the thirteen original titles in the Energy Independence Act you proposed in January have been enacted and that four more have passed at least one House. The ERC also recommends that we no longer support the oil, natural gas, and windfall profits tax package previously submitted. We will continue to vigorously pursue the initiatives that have not yet been enacted.

Tab 3 describes Agency responsibilities for implementing this bill. These responsibilities have been discussed with the agencies and we are establishing a monitoring system to assure deadlines are being met. We will keep you informed of progress in implementing the bill.



THE PRESIDENT'S ENERGY PROGRAMTHE GOAL: ENERGY INDEPENDENCE

The President, in his January 1975 State of the Union Message, established the first concrete energy goals for the United States.

- In the next few years stem our growing dependence on foreign oil, until longer term programs begin to be felt.
- To achieve energy independence by reducing our oil imports to under 5 million barrels per day by 1985 and assuring our invulnerability to the economic impacts and national security consequences of future oil embargoes.

THE PRESIDENT'S SHORT-TERM ENERGY PROGRAM

Imports are now over 6 MMB/D and would have reached 8 MMB/D by 1978 if no new programs were enacted. To stem this growing dependence, the President proposed a number of actions to cut demand, increase supply and improve our standby capabilities to deal with another embargo.

The proposals and their impacts on our import dependence after three years are shown below.

IMPACT OF PRESIDENT'S
SHORT-TERM ENERGY PROGRAM

	1978 Reductions in Vulnerability (000 bbls/Day)
<u>Import Reduction</u>	
- Gradual phase out of oil price controls	220
- Legislation to produce the Naval Petroleum Reserves*	300
- Insulation tax credit/weatherization*	135
- Improved auto fuel efficiency	100



	1978 Reductions in Vulnerability <u>(000/Bbls/Day)</u>
- Federal Energy Management Program	225
- Industrial Conservation Program	200
- State/Federal Conservation Program, including van-pooling	300
- Utility load management efforts	50
- Appliance labeling/efficiency goals	10
- Conversion of power plants from oil and gas to coal	160
 <u>Reduced Vulnerability</u>	
- Standby authorities to deal with an embargo	500
- Strategic Storage**	<u>830</u>
TOTAL VULNERABILITY REDUCTION	3030

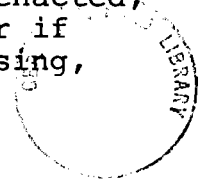
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**Strategic storage figures are based on achievement of 150 billion barrels of petroleum reserves by the end of 1978 and a six-month drawdown of the reserves in the event of an embargo.

With the signing of the Energy Policy and Conservation Act (EPCA), all but two of these proposals have been enacted in a form similar to originally proposed and are now being implemented. With the implementation of these provisions, we can achieve about 2.5 million B/D of the 3 million B/D potential reduction in import vulnerability after three years. These figures are illustrated in graph 1.

THE PRESIDENT'S LONG-TERM ENERGY PROGRAM

If current trends continue and no new legislation were enacted, oil imports could reach 11 MMB/D in 1985, or even higher if oil and gas reserves in frontier areas are not as promising,



as expected, import prices decline, or coal or nuclear power projections fall behind schedule. The President's long-term program to make this nation energy independent consisted of a balanced program of administrative actions or legislative proposals to increase domestic supply, cut energy demand and establish new emergency capabilities. Major elements of this program are summarized below.

IMPACT OF PRESIDENT'S PROGRAM BY 1985

	<u>Import Vulnerability Reductions (000 B/D)</u>
<u>Energy Supply</u>	
- OCS Leasing	900
- NPR Production <u>1/</u>	935
- Decontrol of Oil <u>2/</u>	1,600
- Deregulation of Natural Gas <u>1/</u>	2,760
- Syn Fuels Commercialization	350
<u>Energy Conservation</u>	
- Federal Energy Management Program <u>2/</u>	260
- Appliance Labeling <u>2/</u>	220
- Insulation Tax Credit, Weatherization, and Building Standards <u>1/</u>	450
- Industrial Conservation Program <u>2/</u>	290
- Auto Fuel Efficiency <u>2/</u>	1,000
- State Conservation Plans, including Van-Pooling <u>2/</u>	750
- Decontrol of Oil <u>2/</u>	480
- Utility Load Management <u>2/</u>	300
- Coal Conversion <u>2/</u>	700
<u>Emergency Measures to Reduce Vulnerability</u>	
- Standby Authorities <u>2/</u>	1,000
- Strategic Storage System <u>2/</u>	2,700
TOTAL VULNERABILITY REDUCTION	14,695

1/ Passed at least one House

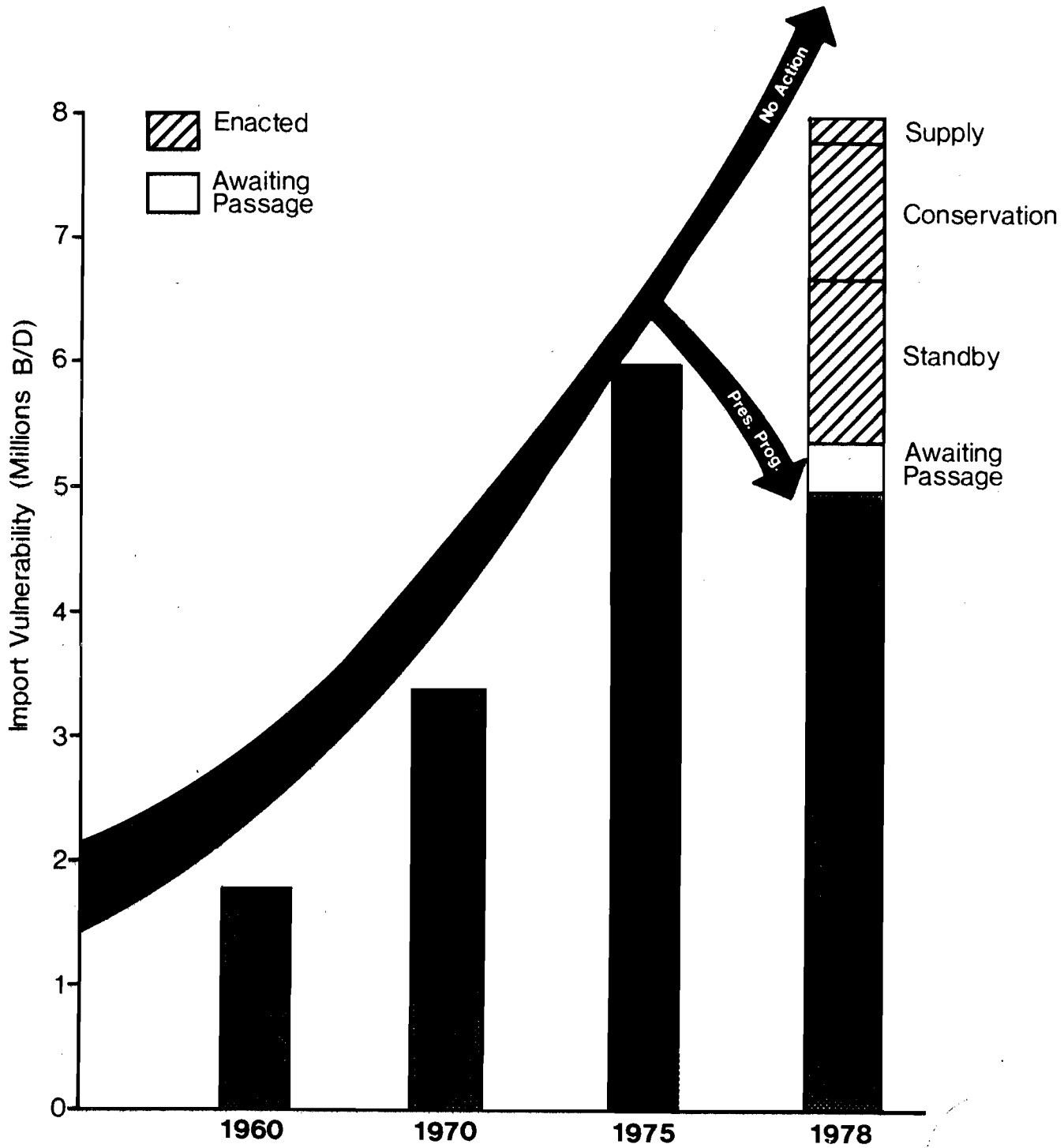
2/ Enacted



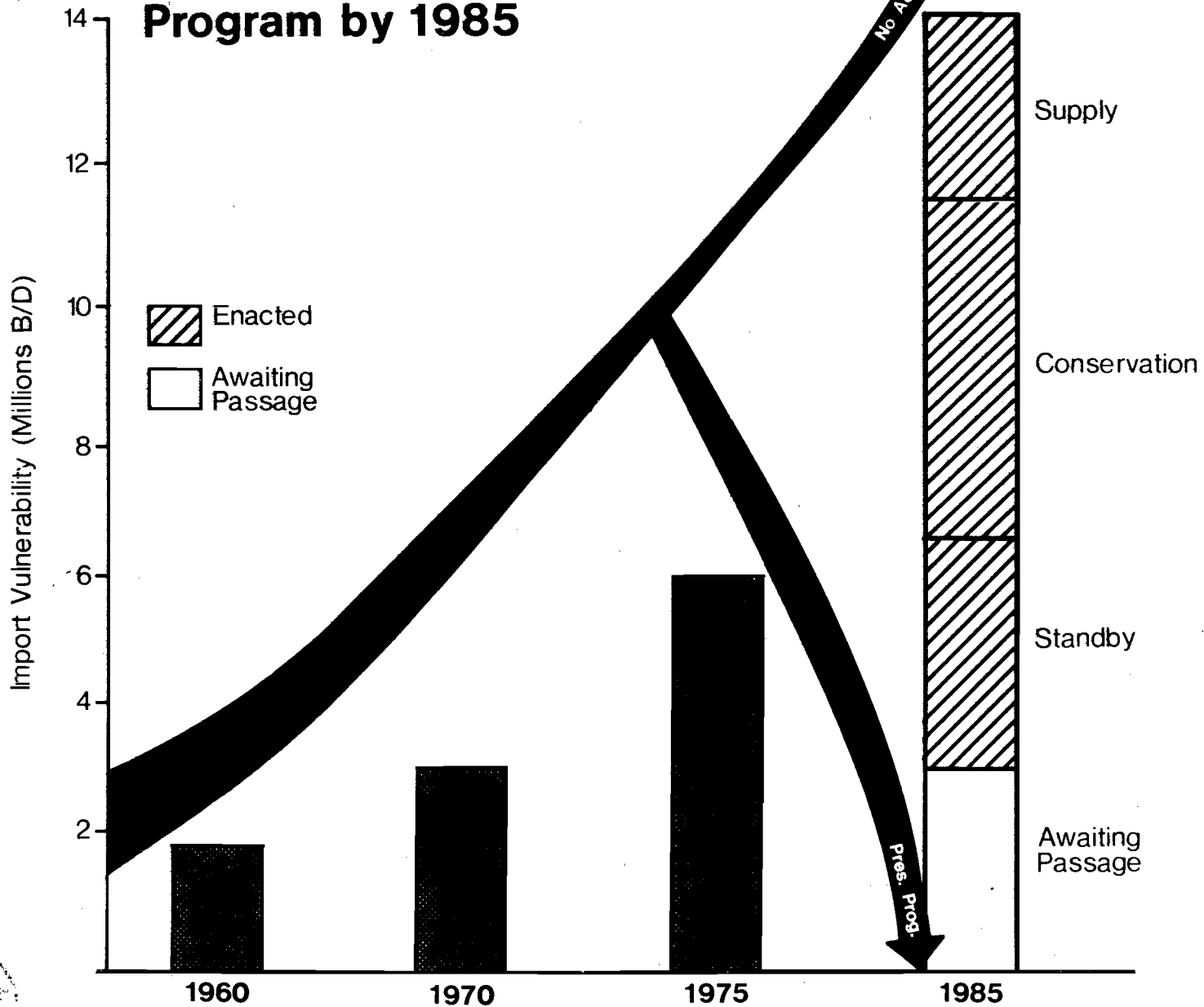
The total program, if enacted, would reduce vulnerability about 14-15 million barrels of oil per day by 1985. Thus far, legislative authority exists in all but three of these areas (Naval Petroleum Reserves, natural gas deregulation, and insulation tax credit), and can achieve 10.5 million B/D of the 14-15 MMB/D potential by 1985. These savings are shown in graph 2.

Additional legislation is still needed in other areas to assure that our energy independence goals are met. The other elements in the President's program include measures to increase natural gas supplies, greatly expand coal use, improve the financial health of the utility industry, provide adequate and safe nuclear power, and provide financing for new high risk energy technologies which will be critical to sustaining our long-term energy independence.

Effect of President's Program



Effect of President's Program by 1985



PENDING ADMINISTRATION ENERGY INITIATIVES

	<u>STATUS</u>	<u>PROPOSED ADMINISTRATION POSITION</u>
Energy Independence Act of 1975		
TITLE I - Naval Petroleum Reserves Would authorize the production of petroleum from the NPR's to be sold or used to fill a National Strategic Petroleum Reserve.	In conference; vote expected in January 1976	Support what appears to be the compromise reached in conference (full production of NPR's 1, 2, and 3 under Navy; NPR-4 to be transferred to Interior, but production not authorized).
TITLE III - New Natural Gas Deregulation Wellhead price controls over new natural gas sold in interstate commerce would be removed.	Senate passed deregulation of on-shore production and phased off-shore deregulation; House action expected early next session.	Support Senate bill, but seek modifications on House side on incentive pricing and new contracts provisions.
TITLES V and VI - 1975 Legislative Proposals to Amend the Clean Air Act of 1970 "Significant deterioration" requirement would be deleted; other Amendments would allow greater use of domestic coal, thus reducing the need for natural gas and imported oil.	House and Senate Committees considering legislation which does not meet Administration's requirements; final action in two to four months.	Continue to support Administration position, but work with Congress to delete unduly restrictive provisions; Issue Paper in preparation for ERC.
TITLE VII - Utilities Act of 1975 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.	No Congressional action.	Support enactment -- considerable resistance.
TITLE VIII - Energy Facilities Plans would be developed and implemented to insure that needed energy facilities are sited, approved, and constructed on a timely basis.	No Congressional action.	Support enactment -- considerable resistance.
Nuclear Fuel Assurance Act (NFAA) Would allow ERDA to support the construction of private uranium enrichment facilities.	Hearings held by Joint Atomic Energy Committee.	Support legislation.
Nuclear Licensing Bill Would provide a more efficient nuclear licensing process.	Hearings held by Joint Atomic Energy Committee.	Support legislation.

	<u>STATUS</u>	<u>PROPOSED ADMINISTRATION POSITION</u>
TITLE IX - Energy Development Security Act of 1975 Would provide the needed authority to prevent foreign oil producing countries from undercutting U.S. efforts to develop domestic petroleum energy resources or achieve energy independence.	No Congressional action.	Formal international agreement anticipated by late January; executive agreement to follow which would not bind Congress. Possible future legislation to activate MSP mechanism required if standby mechanism is activated, but not needed now.
TITLE X - Building Conservation Standards Would establish mandatory thermal efficiency standards for all new homes and commercial buildings.	House passed; Senate will consider in January.	Support Senate's building standards enforcement provisions.
TITLE XI - Winterization Assistance Would establish a grant program for states to assist low income persons, particularly the elderly, in winterizing their homes.	House passed; Senate will consider in January.	Support House bill, which is virtually identical to Administration bill.
Labor Management Advisory Committee	No Congressional action.	Support enactment - considerable resistance.
Natural Gas Emergency Legislation Would deal with existing and imminent shortages and dislocations of natural gas in the national distribution system.	Passed Senate as part of Natural Gas Deregulation; cleared House Committee; action expected in January-February.	Support current legislation.
Energy Independence Authority (EIA) Would establish a government corporation with authority to provide financing and economic assistance for those sectors of the national economy which are important to the development of domestic energy resources and the conservation of energy.	No Congressional action.	Support legislation.
Synthetic Fuels Loan Guarantees To facilitate the construction of a synthetic fuels capacity equal to the equivalent of 350,000 bbls/day.	\$6 billion program eliminated from recent ERDA authorization legislation.	Support as part of EIA, but also seek separate legislation first.
Outer Continental Shelf Provides for the Secretary of the Interior to submit leasing plans and conduct a regulatory study; provides for grants to Coastal States through sharing of oil revenues.	Passed Senate; House action expected in January-February.	Under discussion within Administration.

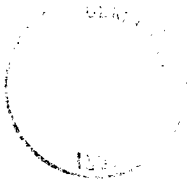
Energy Taxes on Natural Gas and Oil

STATUS

No Congressional action.

PROPOSED ADMINISTRATION POSITION

Drop support.



REQUIRED ACTIONS BY AGENCIES OTHER THAN FEA UNDER
EPCA (PL 94-163).

1. Individual Agency Requirements

A. Department of Interior

1. Prohibition of Certain Leasing Arrangements.
 - a. Secretary shall within 30 days, by rule, prohibit specified joint bidding on OCS. (Sec. 105.(a))
 - b. Secretary shall report to Congress within 6 months on the feasibility and desirability of extending the joint bidding prohibition to other energy projects on Federal lands. (Sec. 105.(e))
2. Production of Oil or Gas at the Maximum Efficient Rate.
 - a. Secretary shall, to the greatest extent practicable, determine the MER and TEPR of each field on Federal land which produces significant quantities of crude oil and/or natural gas. (Sec. 106.(a)(1))
 - *b. President has authority to require production at MER or, during a severe energy supply interruption, at the TEPR. (Sec. 106.(a)(2))
3. Conflicts of Interest.
 - a. Certain Interior employees must file annual financial disclosure statements with the Secretary (beginning February 2, 1977). (Sec. 522.(a))
 - b. The term "known financial interest" will be defined and the methods by which requirements of this section will be monitored and enforced must be specified within 90 days. (Sec. 522.(b))
 - c. Annual reports to Congress required (Sec. 522.(b))

B. Department of Commerce

1. Domestic Use of Energy Supplies and Related Materials and Equipment



- a. The President may, by rule, restrict the exportation of energy supplies and equipment. Upon request of the President, the Secretary shall implement these regulations. (Sec. 103)
- *b. The President shall submit quarterly reports to Congress on any restrictions on energy supplies or related materials. (Sec. 103.(f))

C. Department of Transportation

1. Automobile Fuel Economy.

- a. Secretary shall fulfill various requirements related to improving automobile efficiency including the establishment and enforcement of fuel efficiency standards. (Sec. 502)
- b. Within 180 days, Secretary shall issue a comprehensive report to Congress and the President concerning:
 - (1) The installation of fuel flow instruments in new and used automobiles;
 - (2) The inclusion of electric vehicles in the Act's fuel economy standards. (Sec. 512)

D. Environmental Protection Agency

1. Coal Conversion.

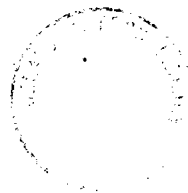
- a. EPA authority under ESECA extended. (Sec. 101)

2. Coal Loan Guarantees.

- a. Administrator must certify that any coal to be produced from a mine for which a loan guarantee is issued will be used in compliance with the Clean Air Act. (Sec. 102.(b)(1)(D))

3. Automobile Fuel Economy.

- a. Administrator shall calculate average fuel economy for the purpose of setting standards. (Sec. 503)



b. Administrator shall:

- (1) Develop rules to implement the automobile fuel economy labeling programs;
- (2) Consult with FTC, DOT and FEA in administering this section. (Sec. 506)

E. Department of the Treasury

1. Appliance Efficiency.

- a. Within 180 days, Secretary of the Treasury shall prescribe rules for importation of covered products to meet established efficiency labeling requirements and efficiency standards. (Sec. 331)

F. Federal Trade Commission

1. Automobile Fuel Economy.

- a. FTC has certification authority over modification of penalties due to substantial lessening of competition in the automobile industry. (Sec. 508.(b)(4))

2. Appliance Efficiency.

- a. After certain actions by FEA/NBS, FTC shall prescribe and enforce labeling rules for all covered products. (Sec. 324, 326, and 334)

G. Securities and Exchange Commission

1. Energy Data Base.

- a. Within 24 months, SEC will ensure the development of standard accounting practices for use by all persons engaged in producing crude oil or natural gas in the U.S. (Sec. 503.(a))
- b. SEC shall consult with FEA, GAO and FPC in developing standard accounting practices for all U.S. producers of crude oil and natural gas. (Sec. 503.(b))

H. Civil Aeronautics Board, Interstate Commerce Commission, Federal Maritime Commission, Federal Power Commission, and Federal Aviation Administration.

1. Energy Conservation in Policies and Practices of Certain Federal Agencies.
 - a. Each of these agencies must report to Congress within 60 days energy conservation policies it had instituted since October 1973. (Sec. 382.(a))
 - b. Each must report to Congress within 120 days on proposed programs for additional energy consumption savings by persons being regulated. (Sec. 382.(a))
 - c. Each shall conduct a study, and report to Congress within one year, on any requirement or major regulatory action which mandates or encourages inefficient energy usage. (Sec. 382.(a))
 - d. Each must prepare Energy Impact Statements in certain cases. (Sec. 382(b))
 - e. FEA will provide guidance and assistance in carrying out these requirements.

II. Joint Agency Requirements (lead agency, if any, listed first)

A. Federal Energy Administration/Department of the Treasury

1. Coal Loan Guarantees.
 - a. Secretary of the Treasury must be consulted by the FEA Administrator on regulations promulgated under this section. (Sec. 102.(d)(1))
 - b. Secretary of the Treasury must concur with FEA Administrator with respect to date of issuance of guarantees. (Sec. 102.(d)(2))
 - c. Secretary of the Treasury as well as the FEA Administrator can require records to be kept: (Sec. 102.(d)(3))

B. Federal Energy Administration/Department of Interior/Department of the Navy

1. Strategic Reserves.
 - a. FEA Administrator, in cooperation with Secretaries of Interior and Navy, shall submit to Congress within 180 days a report recommending procedures for development of NPR-4. (Sec. 164)

C. Federal Energy Administration/Department of Justice/
Department of State/Federal Trade Commission

1. IEP Authorities.

- a. FEA Administrator, with concurrence of Attorney General and after consultation with FTC and Secretary of State, shall promulgate standards and procedures to carry out voluntary agreements and plans of action to implement allocation/information provisions of IEA programs. (Sec. 252.(b))
- b. The Attorney General and the FTC shall participate from the beginning in the development and, when practicable, in the carrying out of IEA voluntary agreements and plans of actions. (Sec. 252.(d))
- c. The Attorney General and the FTC shall monitor the development and implementation of IEA agreements/plans. (Includes rulemaking and information gathering authorities). (Sec. 252.(e))
- d. The Attorney General and the FTC shall submit to the Congress, every 6 months, a report of the impact on competition and on small business of the actions authorized by section 252. (Sec. 252(i))

D. Federal Energy Administration/Department of State

1. IEP Authorities.

- a. FEA Administrator may transmit to Secretary of State, who may in turn transmit to IEA, the information related to the U.S. energy industry required by the IEP. (Sec. 254.(a))
- *b. Within 90 days after enactment and periodically thereafter, President shall determine if other nations are in substantial compliance with IEA data requirements. (Sec. 254.(3))

E. Department of Transportation/Environmental Protection Agency

1. Automobile Fuel Economy.

- a. Manufacturers will maintain such records and provide such information as the Secretary and the Administrator need to execute their responsibilities. (Sec. 505.(c))

F. Federal Energy Administration/Environmental Protection Agency

1. Automobile Fuel Economy.

- a. EPA to compile automobile fuel economy booklet which FEA will publish and distribute. (Sec. 506(b))

G. General Services Administration/Federal Energy Administration

1. Automobile Fuel Efficiency.

- *a. President, within 120 days, must promulgate efficiency standards for automobiles acquired by all Executive Branch agencies. (Sec. 510)

H. Federal Trade Commission/Environmental Protection Agency

1. Retrofit Devices.

- a. FTC will establish program for systematically examining fuel economy representations made with respect to retrofit devices. If it suspects representations are inaccurate, FTC can request EPA to evaluate. (Sec. 511.(a))
- b. Within 180 days, EPA will promulgate test procedures and criteria for evaluating retrofit devices. (Sec. 511.(d))

I. Federal Energy Administration/Department of Commerce

1. Appliance Efficiency.

- a. FEA Administrator shall direct the National Bureau of Standards (Secretary of Commerce) to develop test procedures for 13 legislated product categories. (Sec. 323.(a))
- b. FEA Administrator will also direct NBS to develop test procedures for other categories of products he subsequently determines should be covered. (Sec. 323.(a))

J. Federal Energy Administration/Department of Commerce/
Energy Research and Development Administration

1. Industrial Energy Conservation.

- a. FEA Administrator to consult Secretary of Commerce and ERDA Administrator on implementation of entire program. (Sec. 372)

K. Department of Commerce/Federal Trade Commission/
Environmental Protection Agency

1. Recycled Oil

- a. As soon as practicable, NBS (Secretary of Commerce) will develop test procedures for determining substantial equivalency of recycled oil with new oil for a particular end use. He will then report such procedures to FTC. (Sec. 383.(c))
- b. Within 90 days (after receiving NBS test procedures), FTC shall prescribe test procedures and labeling standards to indicate any end use for which a substantial equivalency determination has been made. (Sec. 383.(d))
- c. EPA Administrator shall, within same 90 day period, prescribe labeling standards relating to the proper disposal of all oils (new, used or recycled after use. (Sec. 382.(f))

* Indicates Presidential action which may be delegated.

FEA Functions Under the
Energy Policy and Conservation Act
(Other than EPAA Provisions)
(P.L. 94-163)

Coal Conversion (ESECA)

- Authority to issue prohibition and construction orders extended until June 30, 1977 (Section 101). Orders may be enforced and modified until 1985 (Section 101).

Coal Loan Guarantees

- Administrator is authorized to issue loan guarantees to qualified persons for opening new coal mines. Authority expires June 30, 1985 (Section 102).

Strategic Petroleum Reserve

- Office of Strategic Reserves is established in FEA (Section 153).
- Within 90 days of enactment*, Early Storage Plan must be submitted to Congress (Section 155(c)).
- Within 180 days of enactment, an NPR report must be transmitted to Congress (Section 164).
- By December 15, 1976, a Strategic Reserve Plan (SRP) must be submitted to Congress (Section 154).
- Within 6 months of SRP submission a report must be transmitted to Congress setting forth recommendations for utility storage reserves, remote oil and gas reserves, and coal storage reserves (Section 158).
- Annual reports required on anniversary of transmission of SRP (Section 165).

International Voluntary Agreements

- Within 90 days of enactment FEA must have completed promulgation of regulations implementing this section and also have completed formulation of a new Voluntary Agreement pursuant to these regulations (Section 252a).
- Authorities under Section 252 expire June 30, 1979 (Section 252(j)).

*The date of enactment of P.L. 94-163 is December 22, 1975.



Automobile Fuel Economy

- FEA shall publish and distribute auto fuel economy booklets which are to be prepared by EPA. No deadlines or expiration dates apply to this program (Section 506(b) of Motor Vehicle Information and Cost Savings Act, as amended by Section 301).

Appliance Efficiency

- In compliance with 30-day comment period of Section 323 (a) (1), FEA is presently receiving written data, views and arguments with respect to test procedures to be developed (Section 323(a) (1)).
- FEA to direct NBS to develop test procedures in time to meet test procedure publication dates (see below) (Section 323(a) (2)).
- Proposed test procedures for certain specified products must be published by June 30, 1976 and prescribed by September 30, 1976 (Section 323(a) (3)).
- Other listed products have September 30, 1976 and December 31, 1976 test procedure time frames and still other listed products have June 30, 1977 and September 30, 1977 time frames (Section 323(a) (3)).
- Within 180 days of enactment, Administrator shall prescribe efficiency targets for certain specified products (other targets for listed products are required within one year and still others may be set later at the Administrator's discretion) (Section 325).
- Administrator, in coordination with FTC, shall carry out a consumer education program on energy conservation in the use of consumer products (Section 337).
- Annual report to Congress and the President (Section 338).

State Energy Conservation Plans

- Within 60 days after enactment, FEA shall prescribe guidelines for the preparation of State energy conservation feasibility reports. (Section 362(a)).

- FEA shall invite Governors to submit feasibility reports within three months after effective date of such guidelines (Section 362(a)).
- Within six months after enactment, FEA shall prescribe guidelines covering measures required to be in State energy conservation plans and funding of such plans (Section 362(b)).
- FEA shall invite each Governor to submit, within five months after the effective date of such guidelines except for good cause shown, a report on the State's proposed energy conservation plan (Sections 362(b) and 363(b)(2)(B)).
- At earliest practicable date, FEA shall set an energy conservation goal for each State for 1980 (Section 364).

Industrial Energy Conservation

- Within 90 days of enactment, FEA shall identify each major energy-consuming industry and shall establish a priority ranking of such industries on the basis of their respective total annual energy consumption (Section 373).
- Within one year after enactment, FEA shall set an industrial energy efficiency improvement target for each of the ten most energy-consumptive industries (Section 374).
- Annually FEA shall report to the Congress and the President on the industrial energy efficiency program (Section 375(c)).

ESECA Information Gathering

- Following SEC establishment of accounting practices (must occur within 24 months), Administrator must require information to be kept by industry in accordance with Section 505.
 - o Once such requirements are in effect, quarterly reports must be transmitted to the President and to Congress (Section 505).
- ESECA information gathering authority extended to December 31, 1979 (Section 506).

Conflicts of Interest

- Within 90 days Administrator must define, by rule, the term "known financial interest" and must establish, by rule, enforcement and review methods (Section 522).
- Annual reports required on June 1 (Section 522).

Presidential Functions

Materials Allocation

- Upon certain findings, President may issue rules mandating allocation of or priority performance under contracts for energy supplies and equipment (Section 104). Authority under this section does not expire when DPA expires.
- Report is due within 60 days on how authority will be exercised (Section 104).

Standby Energy Authorities

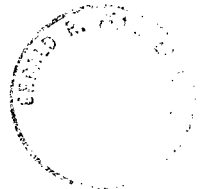
- Within 180 days of enactment, President is required to submit to Congress one or more energy conservation plans and a rationing contingency plan (Section 201).

International Oil Allocation

- President may, by rule, require allocation of petroleum products to meet requirements of IEP (Section 251).

Other Federal Energy Conservation Program

- President shall establish or coordinate Federal agency actions to develop mandatory standards with respect to energy conservation in the procurement policies of the Federal Government (Section 381(a)).
- President shall develop a ten-year plan for conservation with respect to Federal buildings (Section 381(a)).
- Annual report required (Section 381(c)).





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

January 20, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *FZ*

Here is a copy of the book we talked about in your office on Tuesday showing the progress that has resulted from your energy initiatives.

Attachment



AC
*1, 20 - Enclosure also
sent in memo to the
President (dtd. 1/16)*

FORD, GERALD

THE PRESIDENT'S ENERGY PROGRAMTHE GOAL: ENERGY INDEPENDENCE

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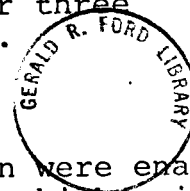
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<u>Emergency Measures to Reduce Vulnerability</u>	
- Standby Authorities <u>2/</u>	1,000
- Strategic Storage System <u>2/</u>	2,700
TOTAL VULNERABILITY REDUCTION	14,695

1/ Passed at least one House

2/ Enacted

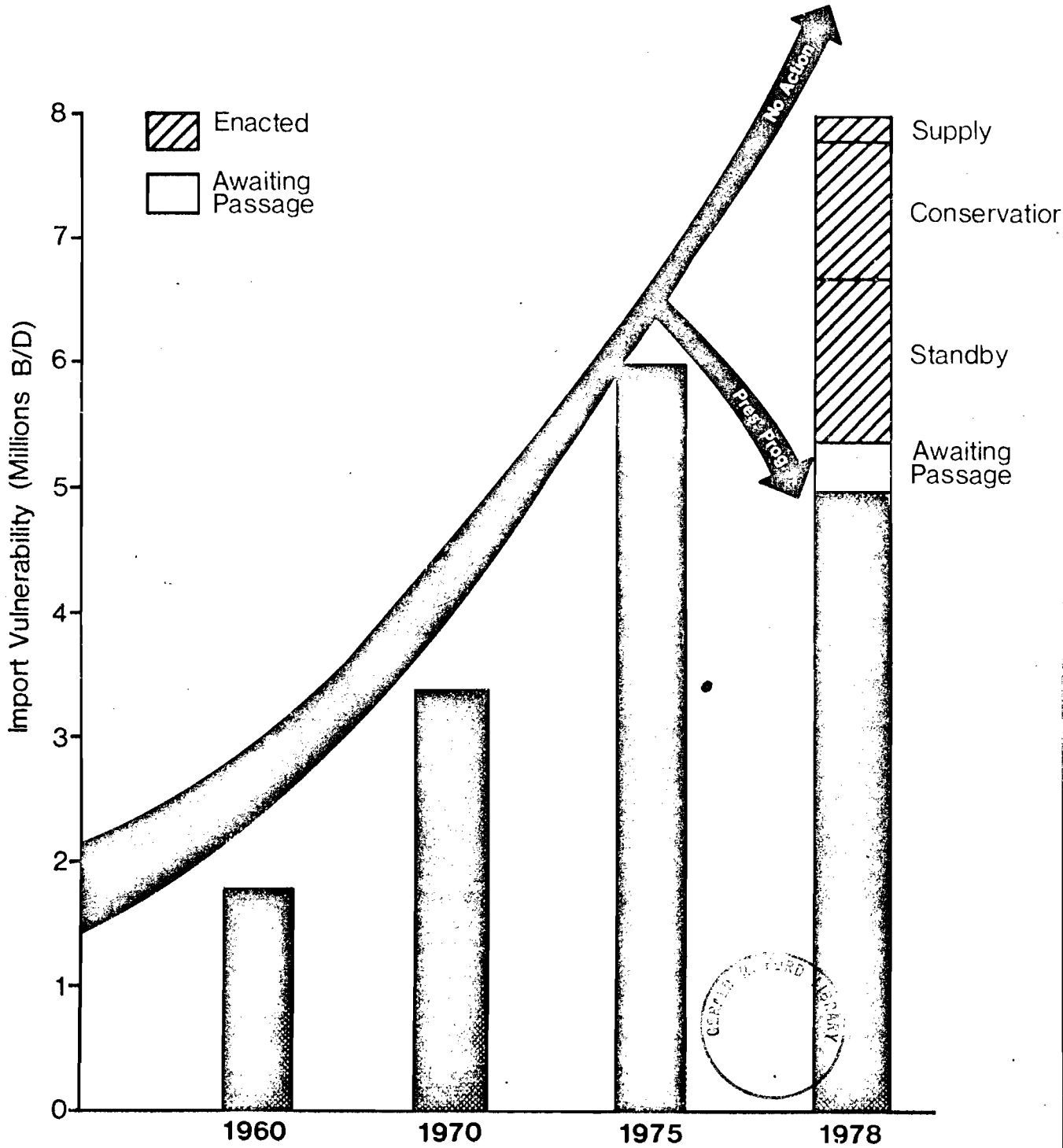


The total program, if enacted, would reduce vulnerability about 14-15 million barrels of oil per day by 1985. Thus far, legislative authority exists in all but three of these areas (Naval Petroleum Reserves, natural gas deregulation, and insulation tax credit), and can achieve 10.5 million B/D of the 14-15 MMB/D potential by 1985. These savings are shown in graph 2.

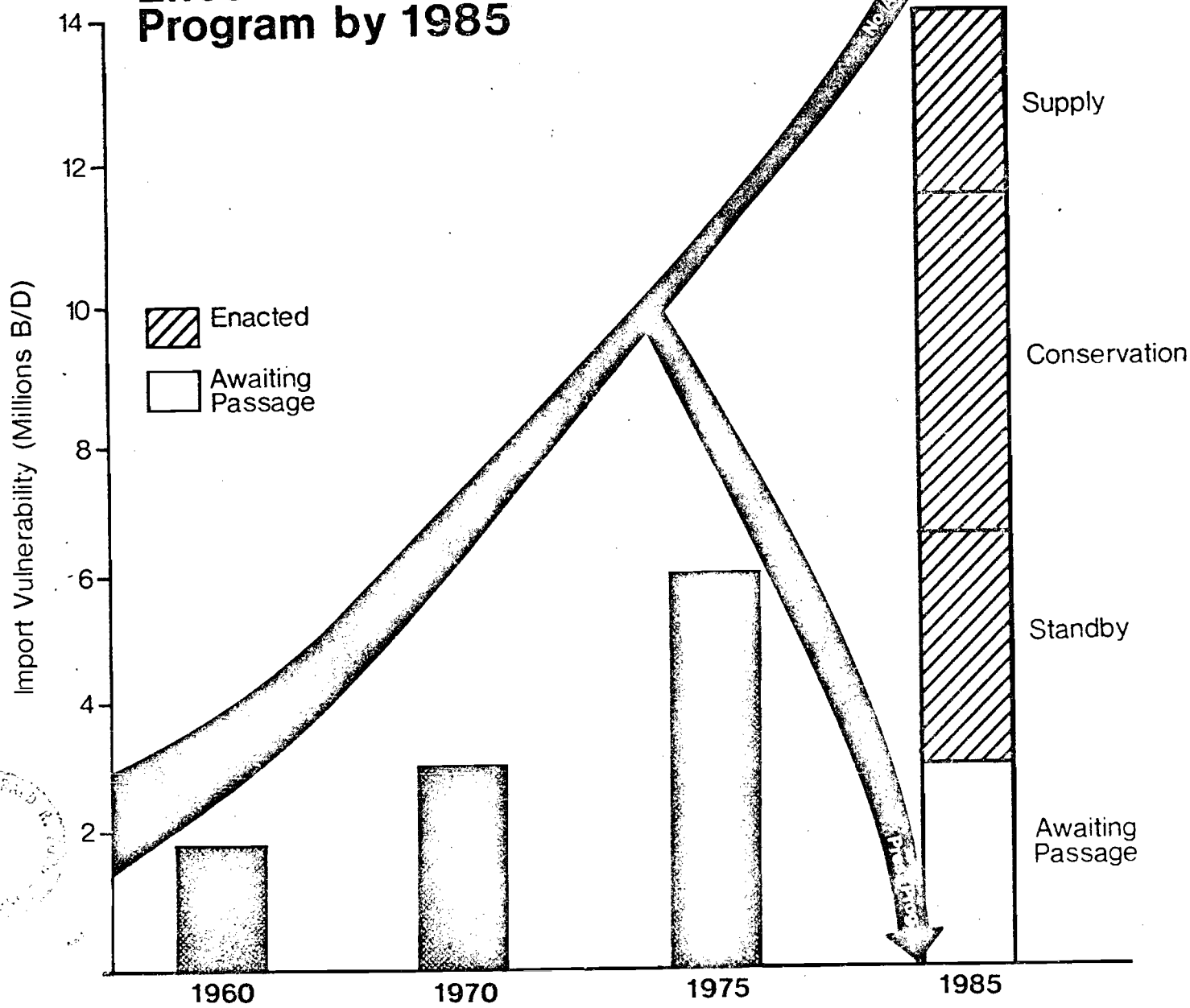
Additional legislation is still needed in other areas to assure that our energy independence goals are met. The other elements in the President's program include measures to increase natural gas supplies, greatly expand coal use, improve the financial health of the utility industry, provide adequate and safe nuclear power, and provide financing for new high risk energy technologies which will be critical to sustaining our long-term energy independence.



Effect of President's Program



Effect of President's Program by 1985



PENDING ADMINISTRATION ENERGY INITIATIVES

	<u>STATUS</u>	<u>PROPOSED ADMINISTRATION POSITION</u>
Energy Independence Act of 1975		
TITLE I - Naval Petroleum Reserves Would authorize the production of petroleum from the NPR's to be sold or used to fill a National Strategic Petroleum Reserve.	In conference; vote expected in January 1976	Support what appears to be the compromise reached in conference (full production of NPR's 1, 2, and 3 under Navy; NPR-4 to be transferred to Interior, but production not authorized).
TITLE III - New Natural Gas Deregulation Wellhead price controls over new natural gas sold in interstate commerce would be removed.	Senate passed deregulation of on-shore production and phased off-shore deregulation; House action expected early next session.	Support Senate bill, but seek modifications on House side on incentive pricing and new contracts provisions.
TITLES V and VI - 1975 Legislative Proposals to Amend the Clean Air Act of 1970 "Significant deterioration" requirement would be deleted; other Amendments would allow greater use of domestic coal, thus reducing the need for natural gas and imported oil.	House and Senate Committees considering legislation which does not meet Administration's requirements; final action in two to four months.	Continue to support Administration position, but work with Congress to delete unduly restrictive provisions; Issue Paper in preparation for ERC.
TITLE VII - Utilities Act of 1975 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.	No Congressional action.	Support enactment -- considerable resistance.
TITLE VIII - Energy Facilities Plans would be developed and implemented to insure CEQA needed energy facilities are sited, approved, and constructed on a timely basis.	No Congressional action.	Support enactment -- considerable resistance.
Nuclear Fuel Assurance Act (NFAA) Would allow ERCA to support the construction of privately owned enrichment facilities.	Hearings held by Joint Atomic Energy Committee.	Support legislation.
Energy Licensing Bill Would provide a more efficient nuclear licensing process.	Hearings held by Joint Atomic Energy Committee.	Support legislation.

TITLE IX - Energy Development Security Act of 1975
Would provide the needed authority to prevent foreign oil producing countries from undercutting U.S. efforts to develop domestic petroleum energy resources or achieve energy independence.

TITLE X - Building Conservation Standards
Would establish mandatory thermal efficiency standards for all new homes and commercial buildings.

TITLE XI - Winterization Assistance
Would establish a grant program for states to assist low income persons, particularly the elderly, in winterizing their homes.

Labor Management Advisory Committee

Natural Gas Emergency Legislation
Would deal with existing and imminent shortages and dislocations of natural gas in the national distribution system.

Energy Independence Authority (EIA)
Would establish a government corporation with authority to provide financing and economic assistance for those sectors of the national economy which are important to the development of domestic energy resources and the conservation of energy.

Synthetic Fuels Loan Guarantees
To facilitate the construction of a synthetic fuels capacity equal to the equivalent of 350,000 bbls/day.

Outer Continental Shelf
Provides for the Secretary of the Interior to submit leasing plans and conduct a regulatory study; provides for grants to Coastal States through sharing of oil revenues.

STATUS

No Congressional action.

House passed; Senate will consider in January.

House passed; Senate will consider in January.

No Congressional action.

Passed Senate as part of Natural Gas Deregulation; cleared House Committee; action expected in January-February.

No Congressional action.

\$6 billion program eliminated from recent ERDA authorization legislation.

Passed Senate; House action expected in January-February.

PROPOSED ADMINISTRATION POSITION

Formal international agreement anticipated by late January; executive agreement to follow which would not bind Congress. Possible future legislation to activate MSP mechanism required if standby mechanism is activated, but not needed now.

Support Senate's building standards enforcement provisions.

Support House bill, which is virtually identical to Administration bill.

Support enactment ~~in~~ considerable resistance.

Support current legislation.

Support legislation.

Support as part of EIA, but also seek separate legislation first.

Under discussion within Administration.

Energy Taxes on Natural Gas and Oil

STATUS

No Congressional action.

PROPOSED ADMINISTRATION POSITION

Drop support.



REQUIRED ACTIONS BY AGENCIES OTHER THAN FEA UNDER
EPCA (PL 94-163).

1. Individual Agency Requirements

A. Department of Interior

1. Prohibition of Certain Leasing Arrangements.

- a. Secretary shall within 30 days, by rule, prohibit specified joint bidding on OCS. (Sec. 105.(a))
- b. Secretary shall report to Congress within 6 months on the feasibility and desirability of extending the joint bidding prohibition to other energy projects on Federal lands. (Sec. 105.(e))

2. Production of Oil or Gas at the Maximum Efficient Rate.

- a. Secretary shall, to the greatest extent practicable, determine the MER and TEPR of each field on Federal land which produces significant quantities of crude oil and/or natural gas. (Sec. 105.(a)(1))
- *b. President has authority to require production at MER or, during a severe energy supply interruption, at the TEPR. (Sec. 106.(a)(2))

3. Conflicts of Interest.

- a. Certain Interior employees must file annual financial disclosure statements with the Secretary (beginning February 2, 1977). (Sec. 522.(a))
- b. The term "known financial interest" will be defined and the methods by which requirements of this section will be monitored and enforced must be specified within 90 days. (Sec. 522.(b))
- c. Annual reports to Congress required (Sec. 522.(b))

B. Department of Commerce

1. Domestic Use of Energy Supplies and Related Materials and Equipment

- a. The President may, by rule, restrict the exportation of energy supplies and equipment. Upon request of the President, the Secretary shall implement these regulations. (Sec. 103)
- *b. The President shall submit quarterly reports to Congress on any restrictions on energy supplies or related materials. (Sec. 103.(f))

C. Department of Transportation

1. Automobile Fuel Economy.

- a. Secretary shall fulfill various requirements related to improving automobile efficiency including the establishment and enforcement of fuel efficiency standards. (Sec. 502)
- b. Within 180 days, Secretary shall issue a comprehensive report to Congress and the President concerning:
 - (1) The installation of fuel flow instruments in new and used automobiles;
 - (2) The inclusion of electric vehicles in the Act's fuel economy standards. (Sec. 512)

D. Environmental Protection Agency

1. Coal Conversion.

- a. EPA authority under ESECA extended. (Sec. 101)

2. Coal Loan Guarantees.

- a. Administrator must certify that any coal to be produced from a mine for which a loan guarantee is issued will be used in compliance with the Clean Air Act. (Sec. 102.(b)(1)(D))

3. Automobile Fuel Economy.

- a. Administrator shall calculate average fuel economy for the purpose of setting standards. (Sec. 503)

b. Administrator shall:

- (1) Develop rules to implement the automobile fuel economy labeling programs;
- (2) Consult with FTC, DOT and FEA in administering this section. (Sec. 506)

E. Department of the Treasury

1. Appliance Efficiency.

- a. Within 180 days, Secretary of the Treasury shall prescribe rules for importation of covered products to meet established efficiency labeling requirements and efficiency standards. (Sec. 331)

F. Federal Trade Commission

1. Automobile Fuel Economy.

- a. FTC has certification authority over modification of penalties due to substantial lessening of competition in the automobile industry. (Sec. 503.(b)(4))

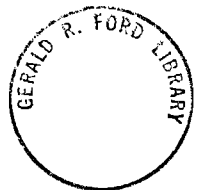
2. Appliance Efficiency.

- a. After certain actions by FEA/NBS, FTC shall prescribe and enforce labeling rules for all covered products. (Sec. 324, 326, and 334)

G. Securities and Exchange Commission

1. Energy Data Base.

- a. Within 24 months, SEC will ensure the development of standard accounting practices for use by all persons engaged in producing crude oil or natural gas in the U.S. (Sec. 503.(a))
- b. SEC shall consult with FEA, GAO and FPC in developing standard accounting practices for all U.S. producers of crude oil and natural gas. (Sec. 503.(b))



H. Civil Aeronautics Board, Interstate Commerce Commission, Federal Maritime Commission, Federal Power Commission, and Federal Aviation Administration.

1. Energy Conservation in Policies and Practices of Certain Federal Agencies.
 - a. Each of these agencies must report to Congress within 60 days energy conservation policies it had instituted since October 1973. (Sec. 382.(a))
 - b. Each must report to Congress within 120 days on proposed programs for additional energy consumption savings by persons being regulated. (Sec. 382.(a))
 - c. Each shall conduct a study, and report to Congress within one year, on any requirement or major regulatory action which mandates or encourages inefficient energy usage. (Sec. 382.(a))
 - d. Each must prepare Energy Impact Statements in certain cases. (Sec. 382(b))
 - e. FEA will provide guidance and assistance in carrying out these requirements.

II. Joint Agency Requirements (lead agency, if any, listed first)

A. Federal Energy Administration/Department of the Treasury

1. Coal Loan Guarantees.

- a. Secretary of the Treasury must be consulted by the FEA Administrator on regulations promulgated under this section. (Sec. 102.(d)(1))
- b. Secretary of the Treasury must concur with FEA Administrator with respect to date of issuance of guarantees. (Sec. 102.(d)(2))
- c. Secretary of the Treasury as well as the FEA Administrator can require records to be kept: (Sec. 102.(d)(3))

B. Federal Energy Administration/Department of Interior/Department of the Navy

1. Strategic Reserves.

- a. FEA Administrator, in cooperation with Secretaries of Interior and Navy, shall submit to Congress within 180 days a report recommending procedures for development of NPR-4. (Sec. 164)

C. Federal Energy Administration/Department of Justice/
Department of State/Federal Trade Commission

1. IEP Authorities.

- a. FEA Administrator, with concurrence of Attorney General and after consultation with FTC and Secretary of State, shall promulgate standards and procedures to carry out voluntary agreements and plans of action to implement allocation/information provisions of IEA programs. (Sec. 252.(b))
- b. The Attorney General and the FTC shall participate from the beginning in the development and, when practicable, in the carrying out of IEA voluntary agreements and plans of actions. (Sec. 252.(d))
- c. The Attorney General and the FTC shall monitor the development and implementation of IEA agreements/plans. (Includes rulemaking and information gathering authorities). (Sec. 252.(e))
- d. The Attorney General and the FTC shall submit to the Congress, every 6 months, a report of the impact on competition and on small business of the actions authorized by section 252. (Sec. 252(i))

D. Federal Energy Administration/Department of State

1. IEP Authorities.

- a. FEA Administrator may transmit to Secretary of State, who may in turn transmit to IEA, the information related to the U.S. energy industry required by the IEP. (Sec. 254.(a))
- *b. Within 90 days after enactment and periodically thereafter, President shall determine if other nations are in substantial compliance with IEA data requirements. (Sec. 254.(3))

E. Department of Transportation/Environmental Protection Agency

1. Automobile Fuel Economy.

- a. Manufacturers will maintain such records and provide such information as the Secretary and the Administrator need to execute their responsibilities. (Sec. 505.(c))



F. Federal Energy Administration/Environmental Protection Agency

1. Automobile Fuel Economy.

- a. EPA to compile automobile fuel economy booklet which FEA will publish and distribute. (Sec. 506(b))

G. General Services Administration/Federal Energy Administration

1. Automobile Fuel Efficiency.

- *a. President, within 120 days, must promulgate efficiency standards for automobiles acquired by all Executive Branch agencies. (Sec. 510)

H. Federal Trade Commission/Environmental Protection Agency

1. Retrofit Devices.

- a. FTC will establish program for systematically examining fuel economy representations made with respect to retrofit devices. If it suspects representations are inaccurate, FTC can request EPA to evaluate. (Sec. 511.(a))
- b. Within 180 days, EPA will promulgate test procedures and criteria for evaluating retrofit devices. (Sec. 511.(d))

I. Federal Energy Administration/Department of Commerce

1. Appliance Efficiency.

- a. FEA Administrator shall direct the National Bureau of Standards (Secretary of Commerce) to develop test procedures for 13 legislated product categories. (Sec. 323.(a))
- b. FEA Administrator will also direct NBS to develop test procedures for other categories of products he subsequently determines should be covered. (Sec. 323.(a))

J. Federal Energy Administration/Department of Commerce/
Energy Research and Development Administration

1. Industrial Energy Conservation.

- a. FEA Administrator to consult Secretary of Commerce and ERDA Administrator on implementation of entire program. (Sec. 372)

K. Department of Commerce/Federal Trade Commission/
Environmental Protection Agency

1. Recycled Oil

- a. As soon as practicable, NBS (Secretary of Commerce) will develop test procedures for determining substantial equivalency of recycled oil with new oil for a particular end use. He will then report such procedures to FTC. (Sec. 383.(c))
- b. Within 90 days (after receiving NBS test procedures), FTC shall prescribe test procedures and labeling standards to indicate any end use for which a substantial equivalency determination has been made. (Sec. 383.(d))
- c. EPA Administrator shall, within same 90 day period, prescribe labeling standards relating to the proper disposal of all oils (new, used or recycled after use. (Sec. 382.(f))

* Indicates Presidential action which may be delegated.



FEA Functions Under the
Energy Policy and Conservation Act
(Other than EPAA Provisions)
(P.L. 94-163)

Coal Conversion (FSECA)

- Authority to issue prohibition and construction orders extended until June 30, 1977 (Section 101). Orders may be enforced and modified until 1985 (Section 101).

Coal Loan Guarantees

- Administrator is authorized to issue loan guarantees to qualified persons for opening new coal mines. Authority expires June 30, 1985 (Section 102).

Strategic Petroleum Reserve

- Office of Strategic Reserves is established in FEA (Section 153).
- Within 90 days of enactment*, Early Storage Plan must be submitted to Congress (Section 155(c)).
- Within 180 days of enactment, an NPR report must be transmitted to Congress (Section 164).
- By December 15, 1976, a Strategic Reserve Plan (SRP) must be submitted to Congress (Section 154).
- Within 6 months of SRP submission a report must be transmitted to Congress setting forth recommendations for utility storage reserves, remote oil and gas reserves, and coal storage reserves (Section 158).
- Annual reports required on anniversary of transmission of SRP (Section 165).

International Voluntary Agreements

- Within 90 days of enactment FEA must have completed promulgation of regulations implementing this section and also have completed formulation of a new Voluntary Agreement pursuant to these regulations (Section 252a).
- Authorities under Section 252 expire June 30, 1979 (Section 252(j)).

*The date of enactment of P.L. 94-163 is December 22, 1975.



Automobile Fuel Economy

- FEA shall publish and distribute auto fuel economy booklets which are to be prepared by EPA. No deadlines or expiration dates apply to this program (Section 506(b) of Motor Vehicle Information and Cost Savings Act, as amended by Section 301).

Appliance Efficiency

- In compliance with 30-day comment period of Section 323 (a) (1), FEA is presently receiving written data, views and arguments with respect to test procedures to be developed (Section 323(a) (1)).
- FEA to direct NBS to develop test procedures in time to meet test procedure publication dates (see below) (Section 323(a) (2)).
- Proposed test procedures for certain specified products must be published by June 30, 1976 and prescribed by September 30, 1976 (Section 323(a) (3)).
- Other listed products have September 30, 1976 and December 31, 1976 test procedure time frames and still other listed products have June 30, 1977 and September 30, 1977 time frames (Section 323(a) (3)).
- Within 180 days of enactment, Administrator shall prescribe efficiency targets for certain specified products (other targets for listed products are required within one year and still others may be set later at the Administrator's discretion) (Section 325).
- Administrator, in coordination with FTC, shall carry out a consumer education program on energy conservation in the use of consumer products (Section 337).
- Annual report to Congress and the President (Section 338).

State Energy Conservation Plans

- Within 60 days after enactment, FEA shall prescribe guidelines for the preparation of State energy conservation feasibility reports. (Section 362(a)).

- FEA shall invite Governors to submit feasibility reports within three months after effective date of such guidelines (Section 362(a)).
- Within six months after enactment, FEA shall prescribe guidelines covering measures required to be in State energy conservation plans and funding of such plans (Section 362(b)).
- FEA shall invite each Governor to submit, within five months after the effective date of such guidelines except for good cause shown, a report on the State's proposed energy conservation plan (Sections 362(b) and 363(b) (2) (B)).
- At earliest practicable date, FEA shall set an energy conservation goal for each State for 1980 (Section 364).

Industrial Energy Conservation

- Within 90 days of enactment, FEA shall identify each major energy-consuming industry and shall establish a priority ranking of such industries on the basis of their respective total annual energy consumption (Section 373).
- Within one year after enactment, FEA shall set an industrial energy efficiency improvement target for each of the ten most energy-consumptive industries (Section 374).
- Annually FEA shall report to the Congress and the President on the industrial energy efficiency program (Section 375(c)).

ESECA Information Gathering

- Following SEC establishment of accounting practices (must occur within 24 months), Administrator must require information to be kept by industry in accordance with Section 505.
 - o Once such requirements are in effect, quarterly reports must be transmitted to the President and to Congress (Section 505).
- ESECA information gathering authority extended to December 31, 1979 (Section 506).

Conflicts of Interest

- Within 90 days Administrator must define, by rule, the term "known financial interest" and must establish, by rule, enforcement and review methods (Section 522).
- Annual reports required on June 1 (Section 522).

Presidential Functions

Materials Allocation

- Upon certain findings, President may issue rules mandating allocation of or priority performance under contracts for energy supplies and equipment (Section 104). Authority under this section does not expire when DPA expires.
- Report is due within 60 days on how authority will be exercised (Section 104).

Standby Energy Authorities

- Within 180 days of enactment, President is required to submit to Congress one or more energy conservation plans and a rationing contingency plan (Section 201).

International Oil Allocation

- President may, by rule, require allocation of petroleum products to meet requirements of IEP (Section 251).

Other Federal Energy Conservation Program

- President shall establish or coordinate Federal agency actions to develop mandatory standards with respect to energy conservation in the procurement policies of the Federal Government (Section 381(a)).
- President shall develop a ten-year plan for conservation with respect to Federal buildings (Section 381(a)).
- Annual report required (Section 381(c)).



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D. C. 20461

OFFICE OF THE ADMINISTRATOR

NOT sent } see note attached (ca. 1/21/76)

FORD, Gerald R.

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: RESIDUAL FUEL OIL DECONTROL

BACKGROUND

The Energy Policy and Conservation Act gives the President flexibility to remove price and allocation controls from petroleum products, one product at a time. Before controls can be removed from any products, a proposal for public hearing and comment must be prepared, and supported by technical findings. These findings must indicate that such decontrol would not adversely impact the supply of any other refined petroleum product; that such oil or refined product is not in short supply; and that exemption from controls will not result in inequitable prices for any class of users of the product.

After review of the hearings, the FEA (through authority delegated by the President) can submit a decontrol proposal subject to disapproval by either House of Congress within 15 days. The proposal must be accompanied by a detailed economic impact analysis.

FEA currently controls price and distribution of petroleum products, including gasoline, residual fuel oil, heating oil, jet fuel, lubricants, naphtha, and others.



ACTION PROPOSED

A review of all product controls indicates that residual fuel oil should be the first product decontrolled. The rationale for this decision is explained below:

- While no decontrol proposal is likely to be popular, residual fuel oil should generate the least opposition.
- The price of residual fuel oil in the major consuming area (the east coast) is currently set by the world market price, since this area imports about 80-90 percent of its residual oil use. Regional prices should not rise much in this area as a result of this action, although they could increase in other parts of the country in which small amounts are consumed and imports do not dominate the market. The only possible price impacts on the east coast may result from removal of some entitlement benefits from Amerada Hess, the largest supplier of residual oil in this area.
- The large percentage of imports used limits the effectiveness of price controls.
- There is currently an adequate world and domestic supply of residual oil, as well as a surplus of refining capacity.
- Decontrol of residual oil will reduce the pressure for reimposition of product entitlements to protect some east coast refiners.

The major arguments against decontrolling residual oil are, first, that there may be some cost impact on other products because higher than proportionate pass-through costs have been placed on residual oil, and second, that the midcontinent area may have some realized price increases since it is less dominated by imports than the east and west coasts. Further, there will be some opposition by utilities to removing residual oil controls, and by some members of Congress for decontrolling any products.

During the week of January 26, FEA will issue a notice of proposed rulemaking and announce hearings on residual fuel oil decontrol. FEA will propose removal of controls for this product at all levels of the distribution chain, including refiners.



NEXT STEPS

If the Congress does not disapprove removal of price and allocation controls on residual fuel oil, such controls will end. If our efforts at decontrolling residual oil are successful, FEA intends to proceed with further de-control actions for other products later this year. Some of these, such as gasoline and heating oil, will generate considerable opposition and we will submit decision memoranda to you with respect to further action.

cc: Official File
Zausner
Pasternack
Reading File
Exec Sec. (4)
Stayback

P:BPASTERNAK:DMS:rm. 4109, x6187, 1/23/76



1-26 Not sent into Presidential
since he already made
call - note from
Connor will be coming



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

January 26, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *F*

SUBJECT: Talking Points for Call to Speaker Albert
Concerning Natural Gas Legislation

The House Interstate and Foreign Commerce Committee reported short-term emergency legislation just prior to the Christmas recess. The House Rules Committee, in a 12-4 vote, agreed to allow the short-term emergency legislation developed by Dingell to be open to amendments on the House floor that would also provide for the long-term deregulation of new natural gas.

Representative Krueger has prepared an improved version of the Pearson-Bentsen bill for amendment to the Dingell emergency bill. A joint effort by FEA, Krueger, and selected Congressmen, has created considerable support for the amendment. In fact, we believe we are now close enough to have the Krueger amendment succeed if a floor vote can be called.

John Dingell has been holding hearings on deregulation, partially in an attempt to block any floor action on deregulation. John Moss has also been holding hearings trying to establish a record of intentional withholding of production by oil and gas companies in order to try to defeat the Krueger amendment. These delaying actions are not having much impact, but the longer we wait for the House vote, the closer we come to the end of winter and the immediate threat of natural gas shortages.

To expedite action on the Krueger amendment, I recommend that you call Speaker Albert to indicate your desire that the vote not be inordinately delayed. He has postponed floor action several times, but now says that the vote will come to the floor in the first week of February.

Talking points for the call are attached if you agree with the recommendation.

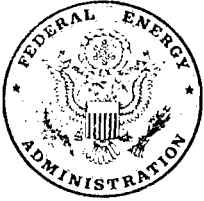


TALKING POINTS FOR CALL TO
SPEAKER CARL ALBERT

NATURAL GAS DEREGULATION

1. Carl, you are as familiar as anyone with the problems that have been created by the government's regulation of gas prices. It is clearly a policy that has failed, both in terms of enabling of this country to produce its gas supplies and of protecting the consumer. The consumer who cannot get gas and has to either convert to a substitute fuel at a higher price or shut down his plant is clearly not being protected.
2. You are also familiar with the solution to this problem. After years of experience with Federal regulation, innumerable studies and Congressional hearings, it is absolutely clear that the only real solution is to deregulate gas -- to get the government out of the decisions of the market place.
3. I understand that the House Rules Committee has agreed to allow floor amendments to the Dingell emergency bill that would deregulate gas. I also understand that Representative Krueger and others have developed an improved version of the bill that passed the Senate that has considerable support in the House.
4. I hope this bill can be voted on soon, at least within the early February timeframe I hear you have indicated. Further delays cannot be tolerated or justified:
 - we need the emergency legislation for this winter;
 - we need to start now producing additional gas if we are to have the gas we need and to start reducing our dependency on foreign oil;
 - the facts are all in.
5. I hope you will do all you can to get this vote as quickly as possible and that you will also help us pass the Krueger bill. We have a real opportunity here, but further delays could impede our chances.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

January 26, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB *F*

SUBJECT: Talking Points for Call to John Melcher
Regarding Conference Committee Action on
Naval Petroleum Reserves Legislation

As you recall the Senate passed a bill that authorized production from NPR's 1, 2 and 3 but retained jurisdiction of all of the NPR's (Including No. 4) in Defense. The House passed similar legislation, but transferred jurisdiction of all of the NPR's to the Department of the Interior. Both bills would require separate authorization for the production of NPR 4 pending completion of a comprehensive study.

The Conference Committee established to resolve House-Senate differences has reached tentative decisions on all elements of the final bill except some minor points. They are ready, in my view, to hold their final meetings and report back to both houses for final action. All that is needed is for them to give the Conference Report priority attention and commit themselves to finishing this Conference in an expeditious manner. A phone call from you to John Melcher, Chairman of the House delegation, should help expedite the process. If you agree, I have attached talking points for the phone call.

Attachment



TALKING POINTS FOR CALL TO
CONGRESSMAN JOHN MELCHER

CONFERENCE COMMITTEE ON NAVAL PETROLEUM RESERVES

1. I understand that the Conference Committee on the Naval Petroleum Reserves has reached tentative decisions and that it is close to final action. I hope you can complete your work as soon as possible in order to allow the NPRs to start making their contributions to reducing our dependence on foreign oil.
2. I have no major problems with some of the tentative decisions reached by the Conference Committee, even though some of them might be strengthened.
 - The jurisdictional split between Defense (NPRs 1, 2 and 3) and Interior (NPR-4) is a good solution to a sticky problem.
 - The creation of the Special Fund for NPR proceeds that can be used to further develop the NPRs, build the Strategic Storage System included in the recently signed Energy Policy and Conservation Act, and fill the storage system is acceptable, although I think the language regarding FEA's and Interior's ability to use the the fund for NPR-4 and the Strategic Reserve system could be made more explicit.
 - Although I would like to see NPR-4 production authorized in this legislation, I realize that this would be out of scope. I am prepared to complete the study that is required by the new energy act regarding NPR-4 and submit it to Congress by December. This study, which is already underway by FEA, Interior and DoD, should provide the basis for an expeditious solution to the question of NPR-4 production.
3. Two other problems that I think should be resolved include:
 - Common carrier status for pipelines out of NPR-1: I think the Senate provision is best in that it allows more companies to compete for the oil and keep the NPR-1 production from forcing cutbacks in other fields.
 - Sale of oil from the NPRs should occur at the highest possible price as tentatively decided by the Conference, but should also be exempt from the composite price

control formula in the new energy act. If it is not excluded, NPR oil will drive down the price of oil paid in other fields and reduce production accordingly. This could be a particular problem for oil owned by the State of California.

4. Most important, however, is the need to complete action on this legislation now. There is no reason for delay. Frank Zarb is prepared to work with you and others to do whatever we can to speed this bill along.





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

January 26, 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

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To expedite action on the Krueger amendment, I recommend that you call Speaker Albert to indicate your desire that the vote not be inordinately delayed. He has postponed floor action several times, but now says that the vote will come to the floor in the first week of February.

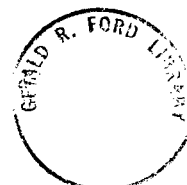
Talking points for the call are attached if you agree with the recommendation.



TALKING POINTS FOR CALL TO
SPEAKER CARL ALBERT

NATURAL GAS DEREGULATION

1. Carl, you are as familiar as anyone with the problems that have been created by the government's regulation of gas prices. It is clearly a policy that has failed, both in terms of enabling of this country to produce its gas supplies and of protecting the consumer. The consumer who cannot get gas and has to either convert to a substitute fuel at a higher price or shut down his plant is clearly not being protected.
2. You are also familiar with the solution to this problem. After years of experience with Federal regulation, innumerable studies and Congressional hearings, it is absolutely clear that the only real solution is to deregulate gas -- to get the government out of the decisions of the market place.
3. I understand that the House Rules Committee has agreed to allow floor amendments to the Dingell emergency bill that would deregulate gas. I also understand that Representative Krueger and others have developed an improved version of the bill that passed the Senate that has considerable support in the House.
4. I hope this bill can be voted on soon, at least within the early February timeframe I hear you have indicated. Further delays cannot be tolerated or justified:
 - we need the emergency legislation for this winter;
 - we need to start now producing additional gas if we are to have the gas we need and to start reducing our dependency on foreign oil;
 - the facts are all in.
5. I hope you will do all you can to get this vote as quickly as possible and that you will also help us pass the Krueger bill. We have a real opportunity here, but further delays could impede our chances.



76 JUN 27 4 9: 54

THE WHITE HOUSE
WASHINGTON

January 26, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JACK MARSH
FRANK ZARB

FROM:

JIM CONNOR JEC

Confirming telephone message to Frank Zarb, the following notation was directed to you in the President's outbox:

"Talked with Speaker Albert and he plans to bring up Gas Deregulation legislation the week of February 2."

Because of the above development, the Recommended Telephone Call to Speaker Albert dated today by Frank Zarb is returned to him.

cc: Dick Cheney





FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

JAN 28 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT
FROM: FRANK G. ZARB
THROUGH: ROGERS C.B. MORTON
SUBJECT: BIWEEKLY STATUS REPORT

As a result of recent colder weather, motor gasoline demand has dropped and distillate fuel oil demand has increased, but remains below the forecast level.

The period September-November had 21.9 percent fewer degree days (warmer weather) than last year and 16.4 percent fewer than normal. December was 7.1 percent colder than in 1974, although 5.6 percent warmer than normal. In the first ten days of January there were 61 percent more degree days than last year and 21.8 percent more than normal.

Imports of crude oil and products for the 4 weeks ending January 9 reached the record level of 6.82 million barrels per day. Crude oil imports, at 4.71 million barrels per day were more than a million barrels higher than last year while product imports were 840,000 barrels per day lower.

Total demand for the period was 17.37 million barrels per day, 705,000 barrels below 1975 and 923,000 barrels below 1973.

Motor gasoline demand for the four week period ending January 9 averaged 6.48 million barrels per day, which was 290,000 barrels per day below the period ending December 26 and slightly below last year's level. This was 7.4 percent above the comparable



1974 embargo period and 4.9 percent above 1973. The average annual rate of increase in motor gasoline demand since 1973 has been approximately 1.6 percent compared with average increases in previous years of 5 percent or more.

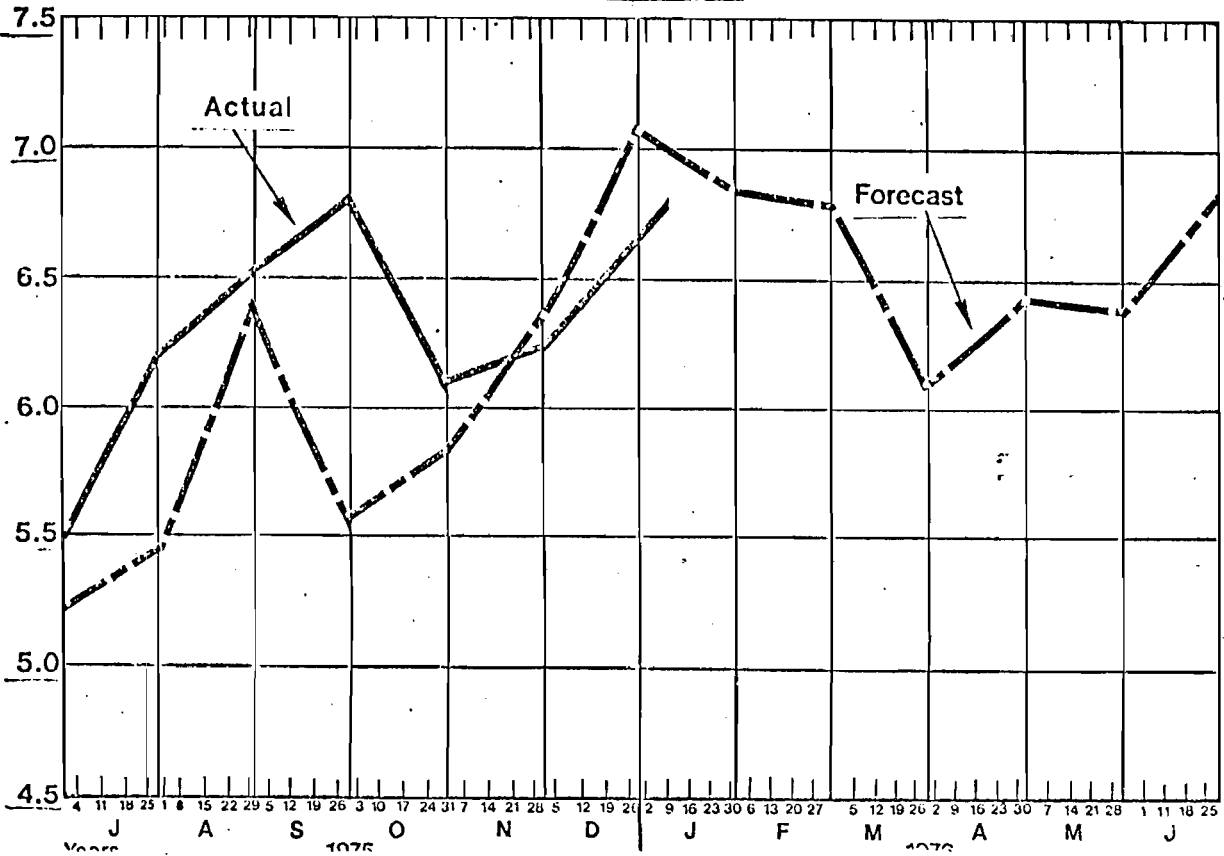


Figure 1

Total U.S. Petroleum Imports

(Crude and Product)

Millions of Barrels per Day

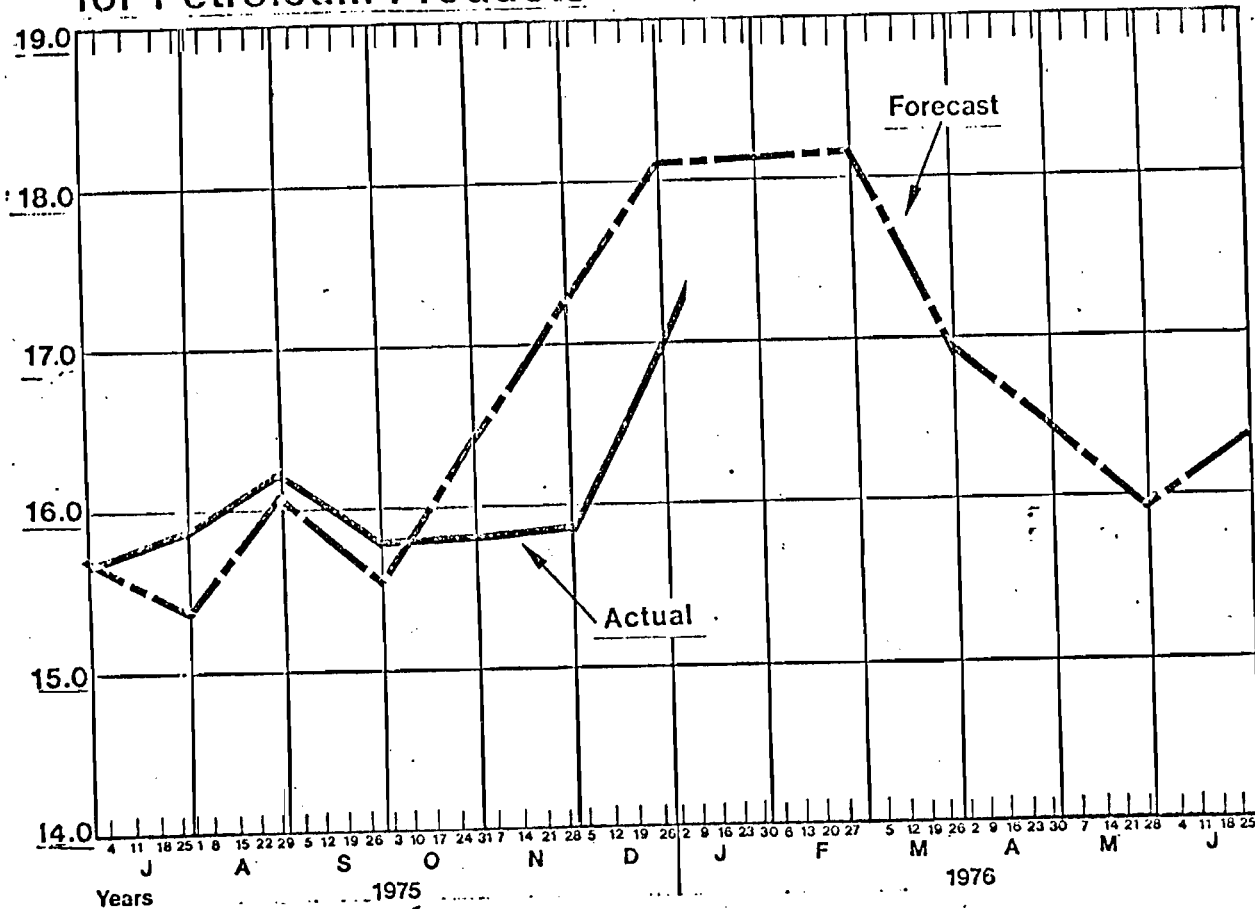


- o For the 4 weeks ending January 9 total imports averaged 6.82 million barrels per day, an all-time high. Crude oil imports at 4.71 million barrels per day were more than a million barrels higher than last year while product imports, at 2.11 million barrels per day, were 840,000 barrels lower.



Total Apparent Demand for Petroleum Products

Millions of
Barrels per Day

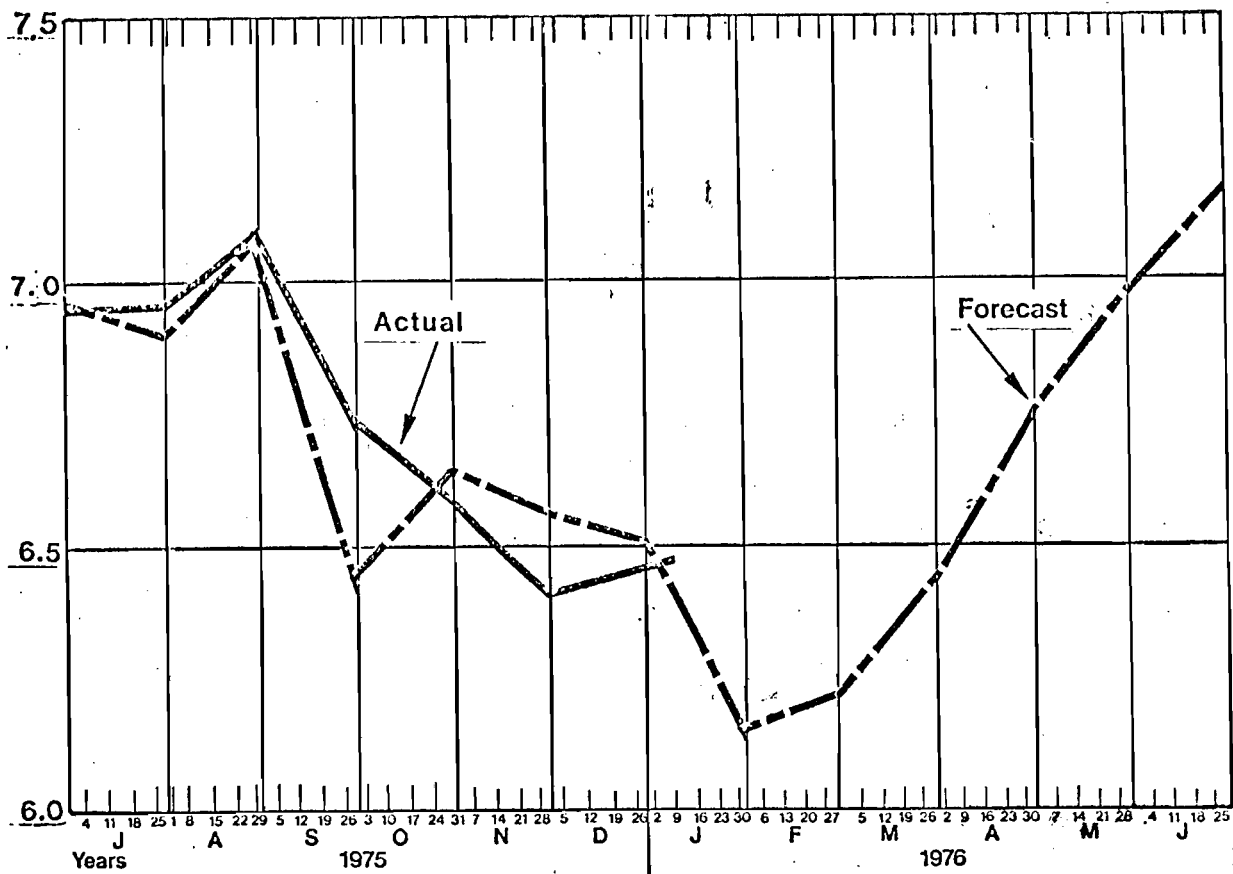


- o Total apparent demand for the 4 weeks ending January 9 was 17,37 million barrels per day, 705,000 barrels below last year, 122,000 below 1974 during the embargo and 923,000 below 1973.



Apparent Demand for Motor Gasoline

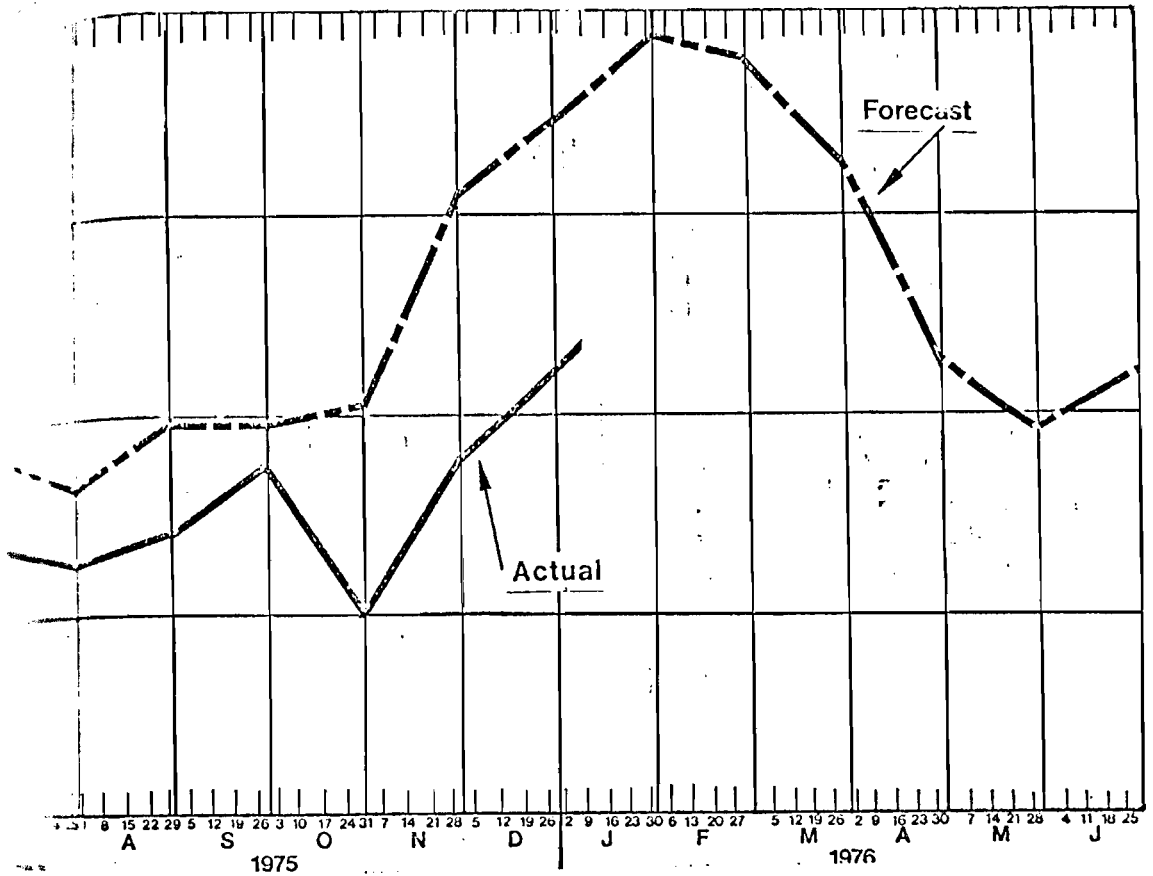
Millions of
Barrels per Day



- o As a result of colder weather, motor gasoline demand for the 4 weeks ending January 9 has dropped from an average of 6.77 million barrels per day for the period ending December 26 to 6.48 million. This was slightly below last year's demand but 7.4 percent above 1974 during the embargo and 4.9 percent above 1973. The average annual rate of increase since 1973, however, was only 1.6 percent compared with average yearly increases in earlier years of 5 percent or more.

ment Demand
Residual Fuel Oil

Millions of
Barrels per Day



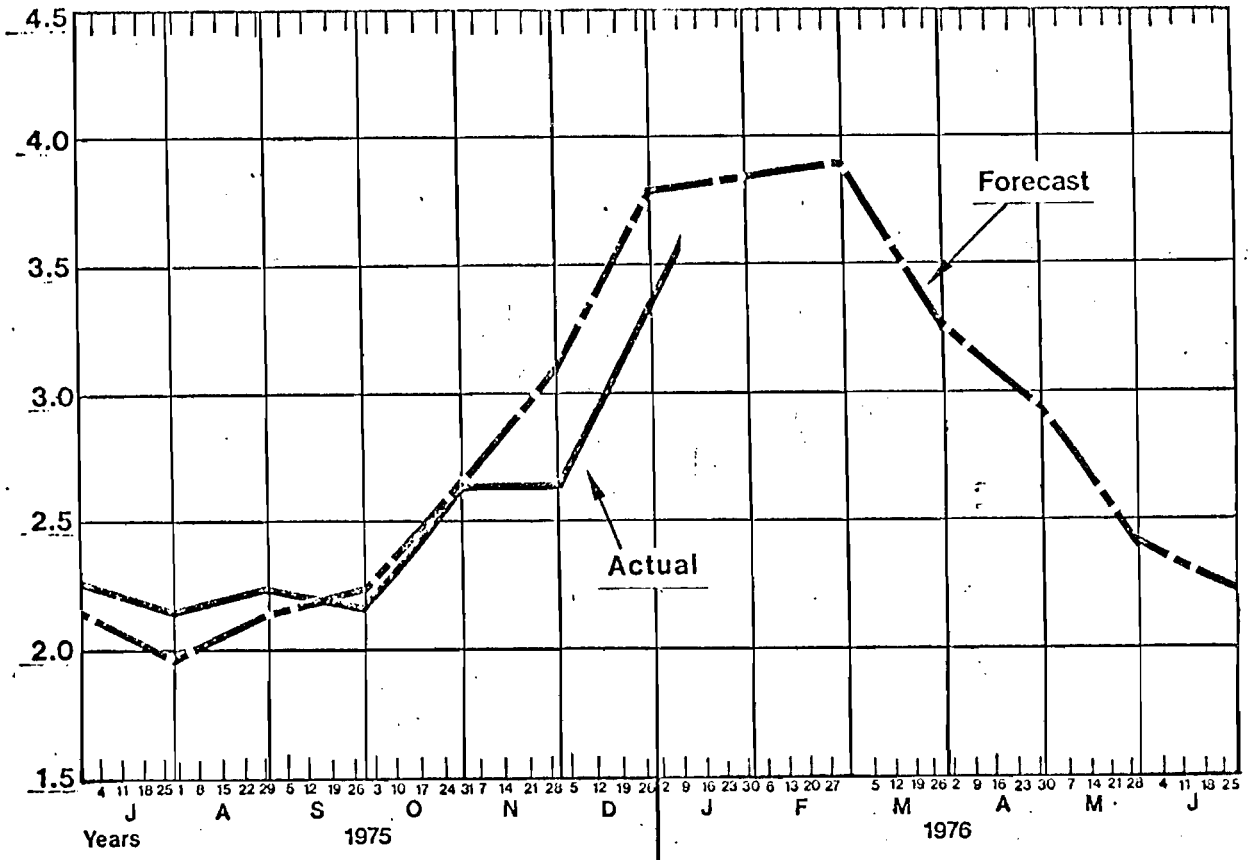
and for residual fuel oil continues to be substantially below the FEA's forecast and the last few years. At 2.69 million barrels per day, it was 516,000 below 1975, 255,000 below 1974 and 1,000 below 1973.



FIGURE 5

Apparent Demand for Distillate Fuel Oil

Millions of
Barrels per Day

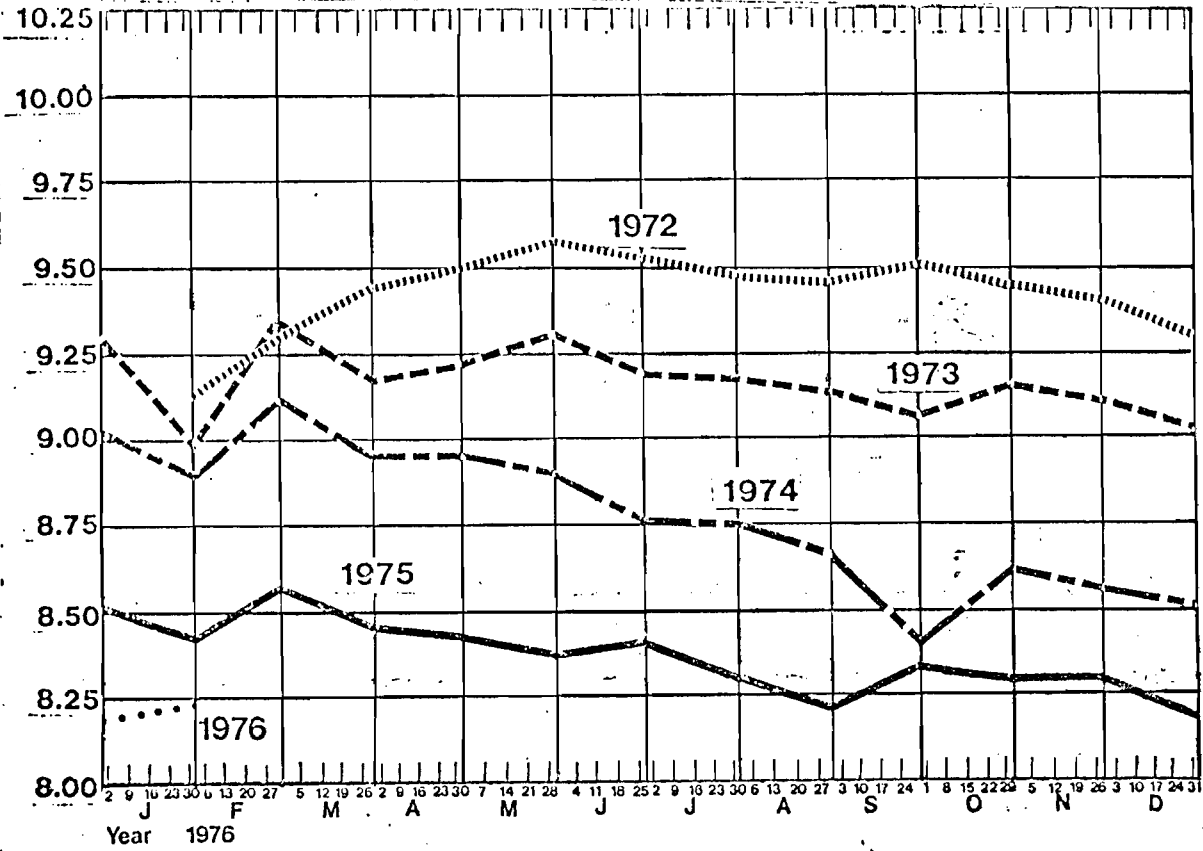


- o Apparent demand for distillate fuel oil at 3.60 million barrels per day is running 216,000 barrels below the forecast but 80,000 above last year. The demand level is 214,000 below 1974, during the embargo, and 315,000 below 1973,



Figure 6

Domestic Crude Oil Production Millions of Barrels per Day



- o The API has changed its method of reporting crude oil production estimates. Instead of making a weekly estimate, it makes a projection for each month, starting with the first week of the month. The monthly projection for January is 8.24 million barrels per day, slightly higher than the figure of 8.22 reported for the 4 weeks ending December 26th.

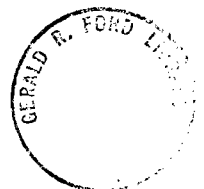
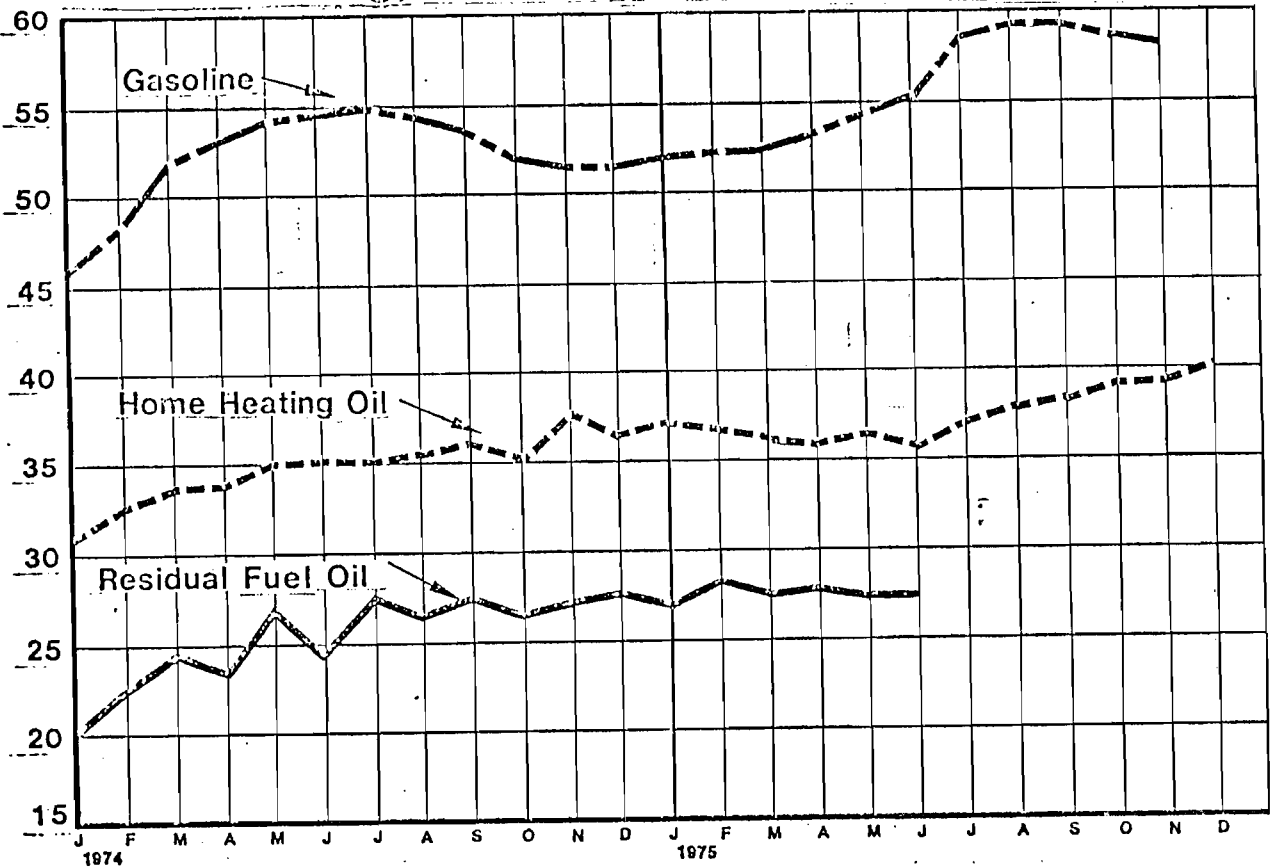


Figure 7

Retail Prices (Gasoline, Home Heating, Residual Fuel Oil)

Cents per Gallon

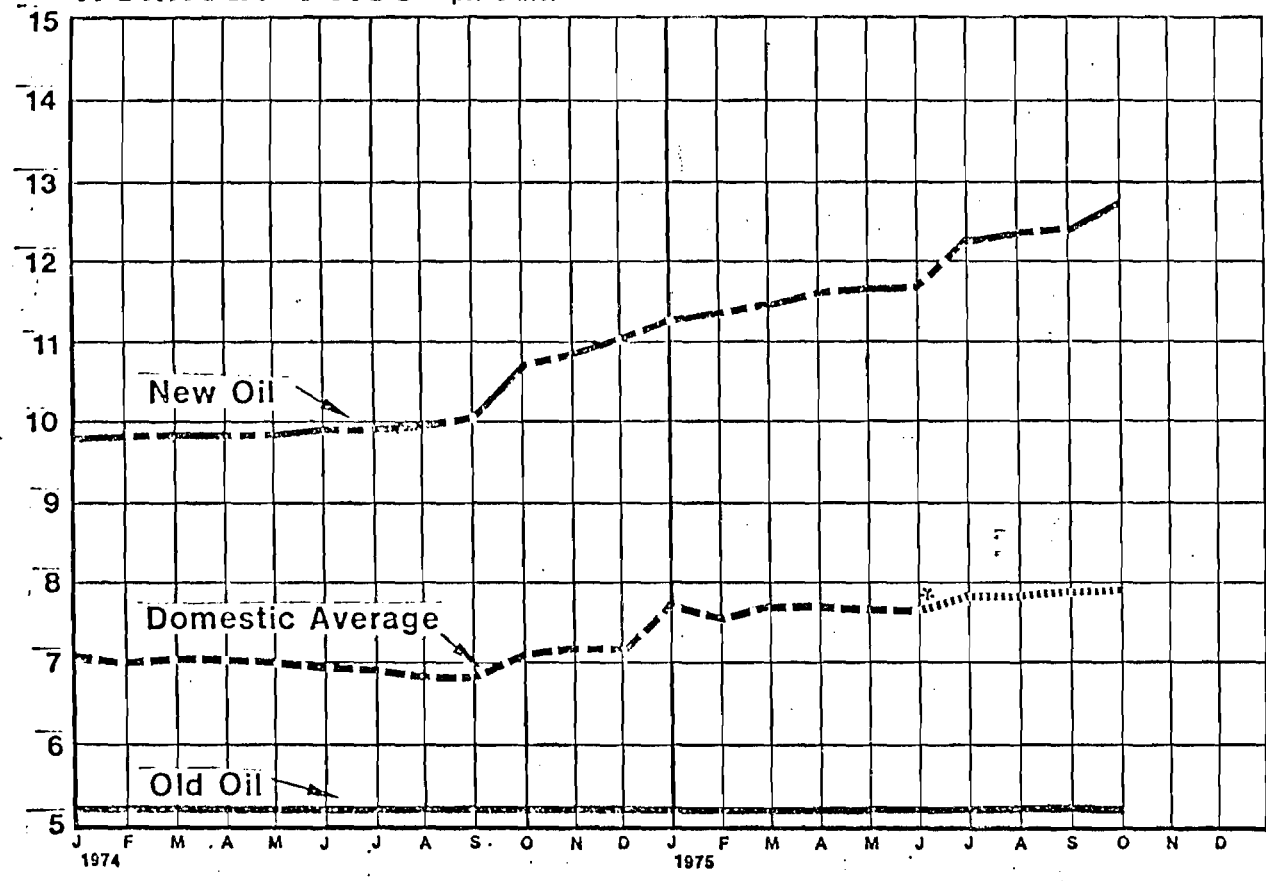


- o During December, the average selling price for heating oil sold to residential customers was 40.1 cents per gallon, an increase of 0.7 cents over the November price.



Crude Oil Wellhead Price

Dollars per Barrel

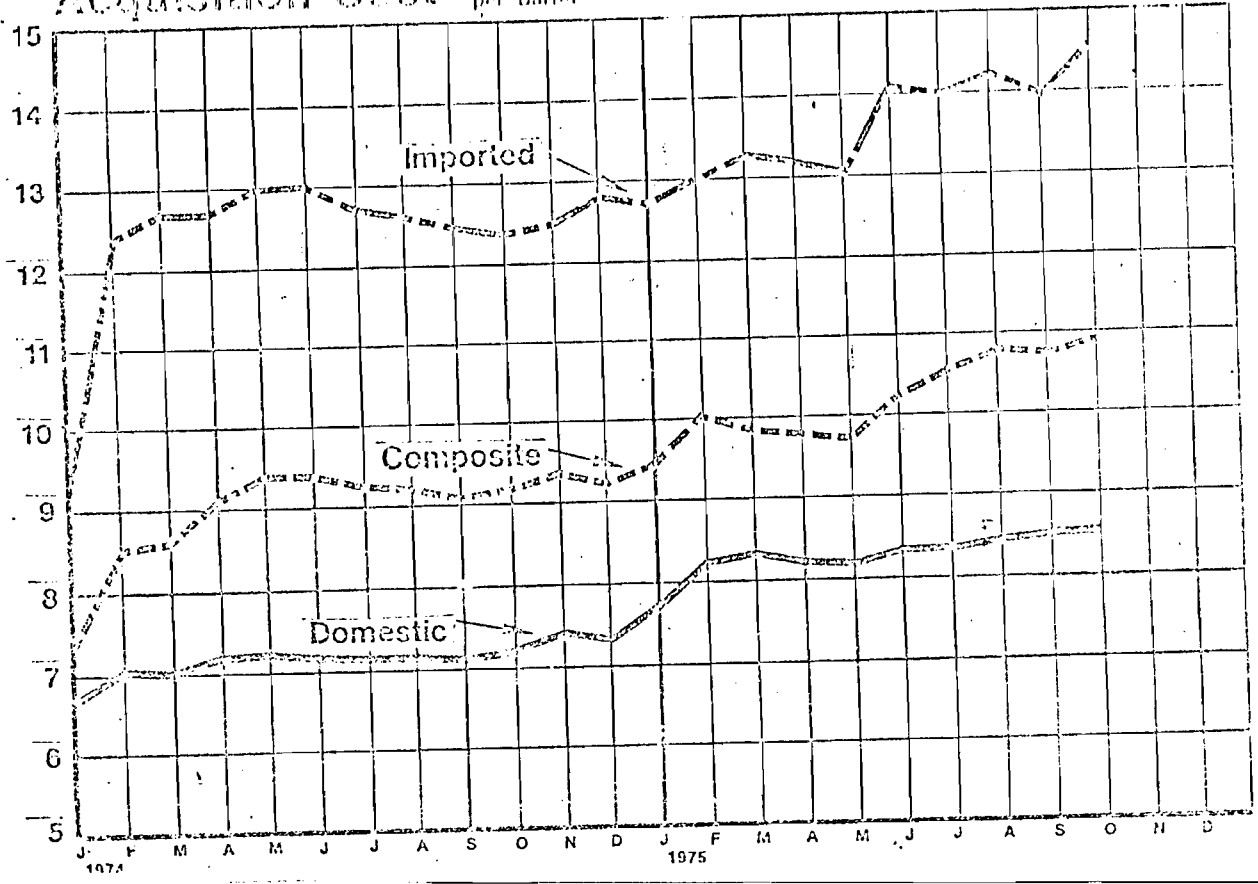


*Estimated

(no new data since last report)



Figure 3
 Cruise Unit Number
 Acquisition Cost ^{Dollars} per Band

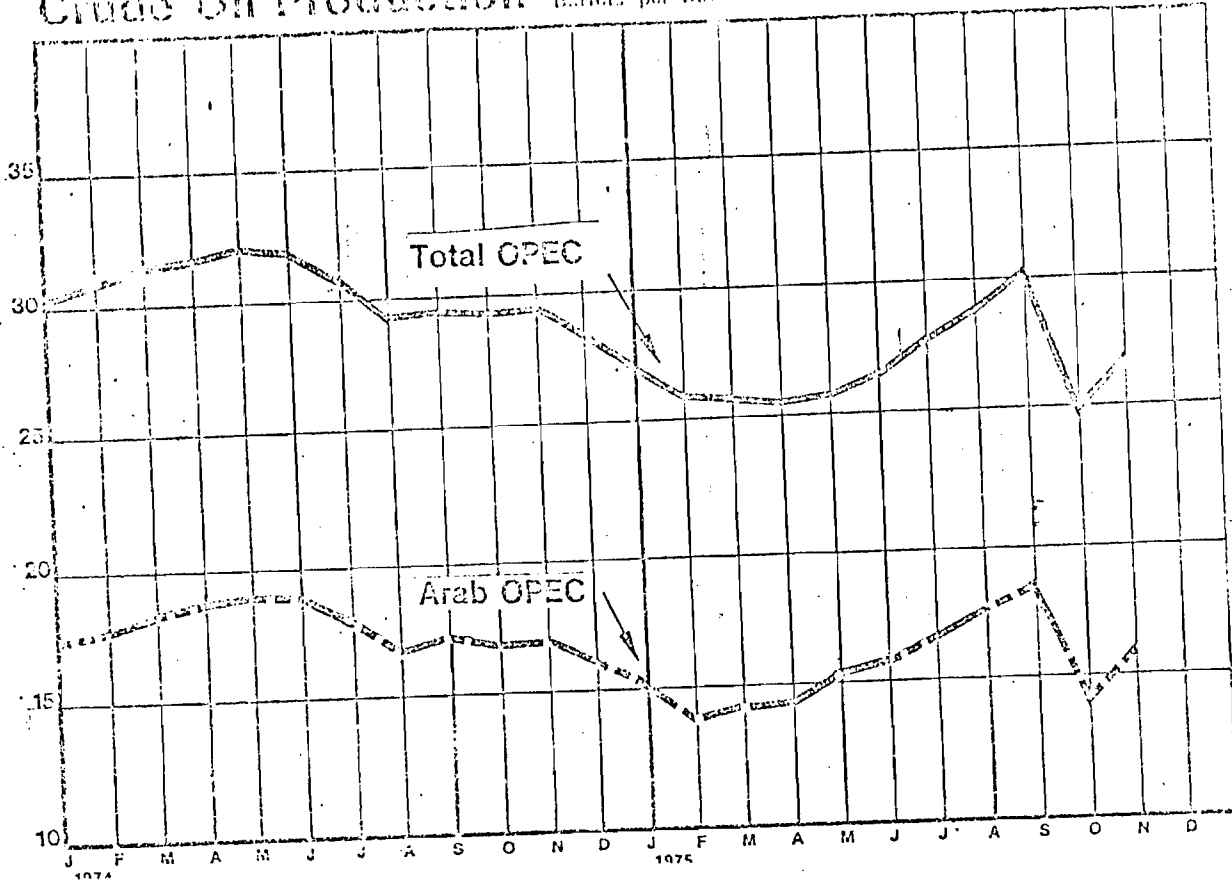


(no new data since last report)



OPEC Countries Crude Oil Production

Millions of
Barrels per Day



(no new data since last report)



DEFINITIONS

Apparent Demand

-- Domestic demand for products, in terms of real consumption, is not available; inputs to refineries plus estimated refinery gains plus net imports of products plus or minus net changes in primary stocks of products are used as a proxy for domestic demand. Secondary stocks, not measured by FEA, are substantial for some products.

Actuals

-- Monthly data through November from FEA's Monthly Petroleum Reporting System, and 4-week moving average from the API Weekly Statistical Bulletin for 4 weeks ending January 9 (figure 1). Demand after November estimated for figures 2, 3, 4, and 5 by FEA primarily from the API Bulletin. Figure 6, BOM through August, 1975; API monthly for September, October, November and December, API projection for January. Figures 7, 8, 9, and 10 from FEA.

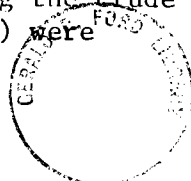
Geographical Coverage

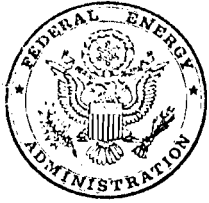
-- The area covered by these data is the 50 States + D.C. "United States". "Imports" include receipts from Puerto Rico and the Virgin Islands. In this, FEA follows BOM practice, as does API. Imports as reported by Census cover the "Customs area" which includes Puerto Rico. Imports, mostly of crude oil, into Puerto Rico are included while receipts, mostly of products, by the "United States" from both Puerto Rico and the Virgin Islands are excluded. Census reports imports into the Virgin Islands separately. For balance of payments purposes, Commerce totals imports into the United States and all of its territories and associated areas (but excludes butane, propane and some minor products from the total).

Forecast

This is actually a composite "backcast"/forecast. The petroleum product demand forecast is based on a projection of the state of the economy, without implementation of the President's conservation program, and on the expectation of normal weather. In this case, the forecast is simulated from June 1975 to June 1976.

The backcast simulates petroleum demand from January 1975 to May 1975. Modifications are made to account for actual weather and macroeconomic changes. However, as with the forecast, it is assumed that none of the President's conservation proposals (including the crude and product fees which were actually imposed) were implemented.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

January 29, 1976

MEMORANDUM FOR JIM CANNON

FROM: FRANK G. ZARB *FZ*

As you requested, attached is a short paragraph on natural gas for the President to use this afternoon in his meeting with the Mayors.

Attachment

CANNON, JAMES



Natural gas accounts for 30 percent of total U.S. energy consumption and 47 percent of non-transportation needs. Our domestic production of this precious fuel peaked in 1973, at 22.6 trillion cubic feet and is now declining faster than our domestic oil production. And yet, since 1968, our homes, businesses and industries have been consuming more natural gas each year than our producers have been adding to reserves. Deregulating the price of new natural gas is the most important action that this Congress can take to stimulate needed exploration and development. With each day that passes without final Congressional action on the deregulation issue, this nation's natural gas supply outlook worsens. I am gratified that the Senate has passed a bill which, with some modifications, would achieve our long-range deregulation goals. I expect the House to move quickly to enact similar legislation.

