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[Jan. 1975?]

THE IMPACT OF THE PRESIDENT'S
PROPOSED ENERGY AND ECONOMICS PROGRAM
ON NET ENERGY COSTS TO CONSUMERS



Office of Economic Impact
Office of Analysis
Federal Energy Administration

I. INTRODUCTION

This paper summarizes the major effects of the President's energy program upon consumer costs. The major elements of the program are:

- A \$2 per barrel import fee on petroleum.
- A \$2 per barrel excise tax on domestic petroleum production and a 37¢ per thousand cubic feet (Mcf) excise tax on domestic natural gas.
- Decontrol of domestic petroleum prices and the deregulation of new natural gas prices.
- A windfall profits tax on all domestic petroleum production that is designed to absorb all the profits that would otherwise flow from decontrolling oil prices, plus an additional \$3 billion. This tax does not itself cause price increases but it recaptures the profits from price increases otherwise induced.
- A rebate to consumers of the energy fees and taxes that are collected.

The effect of these actions, with the exception of the excess profits tax, is (1) to increase the prices of petroleum products by about \$4 per barrel (about 10¢ per gallon) if all increased costs are passed through to the consumer and (2) to at least partially offset these price increases with the tax rebates.

This paper presents the impacts of the President's proposed program on consumer energy bills by region, type of energy product, and income class. The effect of the program on the Consumer Price Index (CPI) is estimated as an indication of the total increase in consumer costs. The estimated effect on the CPI is important because it includes higher consumer costs associated with both direct consumer purchases of energy and indirect purchases of energy.

II. DIRECT ENERGY COSTS

The impact of the President's program on the cost of direct energy purchases by households has been estimated for each type of fuel used. Table 1 presents expenditures by fuel type without the program and the estimated impact of the energy program on these expenditures. Figure I shows this information graphically.

Table 1

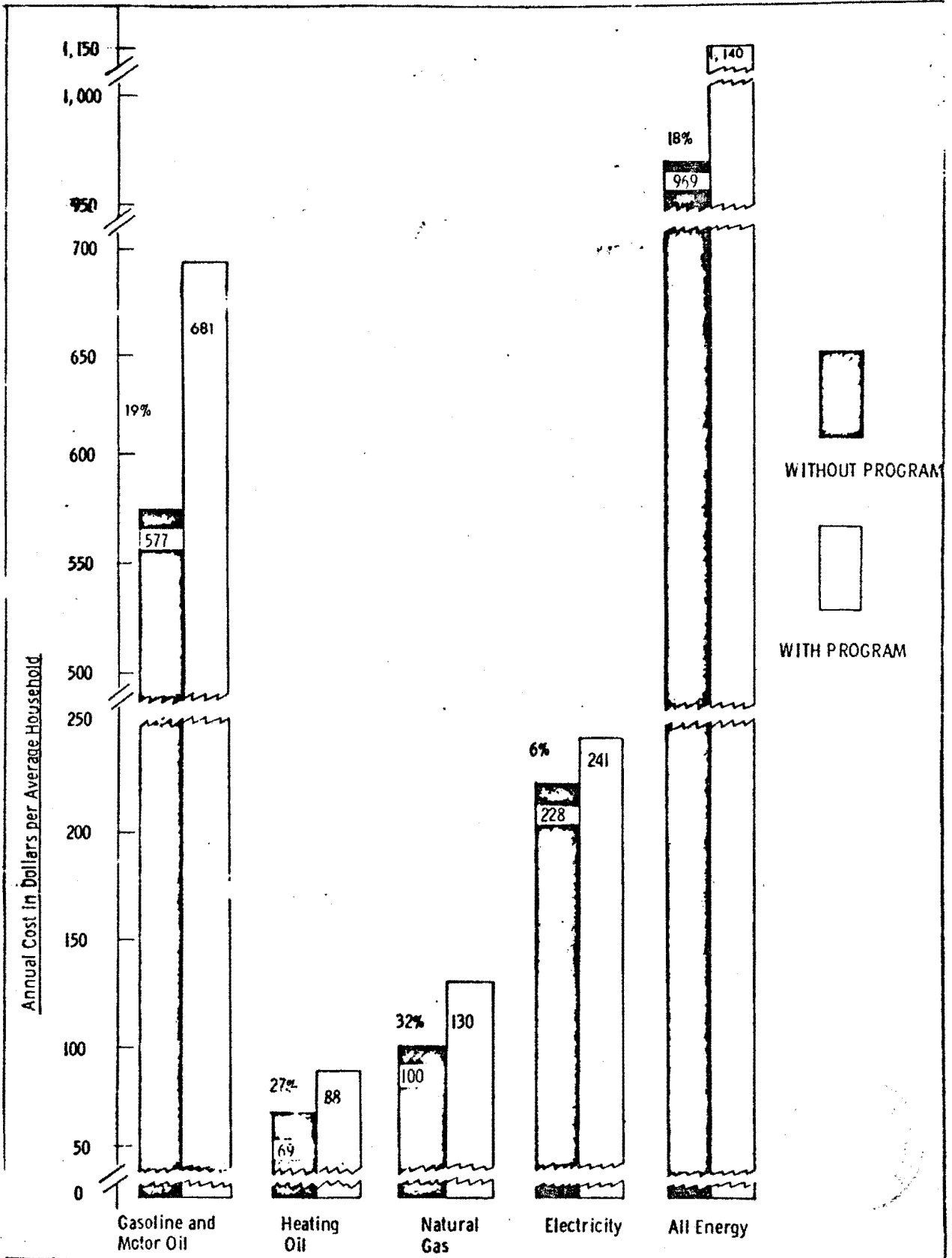
Impact of the President's Energy Program on
Direct Energy Expenditures for 1975
(\$ per year per household)

	<u>Energy Costs Without the Program</u>	<u>Energy Costs With the Program</u>	<u>Increases Due to Program</u>	
Gasoline & Motor Oil	\$572	\$ 681	\$109	19%
Heating Oil	69	88	19	27
Natural Gas	100	130	30	32
Electricity	<u>228</u>	<u>241</u>	<u>13</u>	<u>6</u>
Total	\$969	\$1140	\$171	18%

The estimates in Table 1 were derived as follows:

Gasoline. Consumption estimates without the program have been derived from a Bureau of Labor Statistics (BLS) survey of gasoline use by region. These were aggregated and divided by the total number of households (70 million) to give consumption per household. The current average price of gasoline is approximately 52¢ per gallon. An increase of 10¢ per gallon to 62¢ per gallon represents a 19 percent increase in the price of gasoline. Hence a 19 percent increase in gasoline and motor oil to \$681 per household per year. Moreover, this increase in costs due to the program is an overstatement in that it is assumed that there is no short run response to the increased prices and hence that there is no reduction in consumption.

Figure I
Impact of President's Program on
Direct Energy Expenditures



Heating Oil. Consumption estimates were obtained from a BLS survey in the same manner as for gasoline. The current average price of heating oil is approximately 37¢ per gallon. An increase of 10¢ per gallon to 47¢ per gallon represents a 27 percent increase in the price of heating oil. This 27 percent increase in heating oil prices increases energy costs for heating oil to \$88 per household per year. A small amount of residual fuel oil is also used by households. This quantity (about \$6 per year per household) was obtained from the BLS survey and included in the heating oil estimates.

Natural Gas. The quantities and prices for natural gas were obtained from analyses that are being performed by the Office of Economic Impact, the Federal Energy Administration. The increase in the average price of natural gas is estimated to be 37¢ per Mcf for intrastate gas and 43¢ per Mcf for interstate gas. Interstate sales of natural gas are currently regulated (by the Federal Power Commission) whereas intrastate sales are not. The excise tax of 37¢ Mcf is levied on all gas. The average price of interstate gas should increase 6¢ per Mcf because of the deregulation of new gas.

Electricity. Electricity cost increases were estimated by the Office of Data, the Federal Energy Administration. These estimates account for the effects of increased fuel costs and do not consider the effects of higher rates of return or accounting practices that would effectively raise utility costs.

Regional Impacts

The regional impacts of the President's program upon household energy costs are shown in Table 2 and Figure II. These data were all derived from the same sources as the data in Table 1 and were calculated by dividing the total regional energy cost increase by the number of households in each region.

Table 2 illustrates that the New England, West North Central, West South Central, and Mountain areas have the greatest relative impact. In all of these areas, except New England, the primary cause of the large increase is gasoline prices. In New England the major factor is heating oil.

Regional Distribution of Direct Energy Expenditures per Household

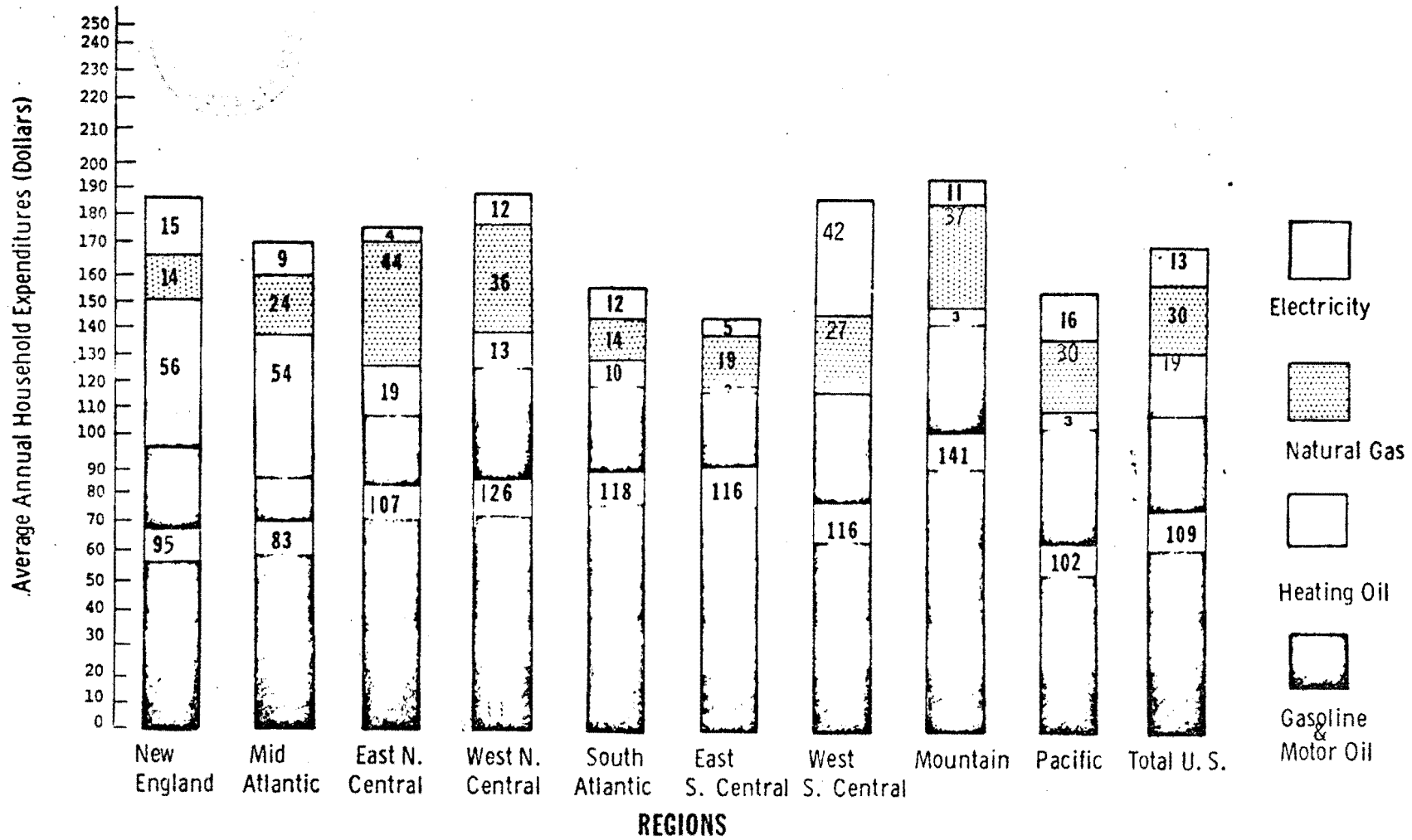


Table 2

Regional Distribution of the Increased Direct Energy Expenditures Per Household

	<u>Gasoline & Motor Oil</u>	<u>Heating Oil</u>	<u>Natural Gas</u>	<u>Elec- tricity</u>	<u>Total</u>
New England	\$ 95	\$56	\$14	\$15	\$180
Middle Atlantic	83	54	24	9	170
East North Central	107	19	44	4	174
West North Central	126	13	36	12	187
South Atlantic	118	10	14	12	154
East South Central	116	2	19	5	142
West South Central	116	0	27	42	185
Mountain	141	3	37	10	191
Pacific	<u>102</u>	<u>3</u>	<u>30</u>	<u>16</u>	<u>151</u>
Total U.S.	\$109	\$ 19	\$30	\$13	\$171

Tables 3, 4, and 5 and Figure III give estimates of the effect of the energy program on different income classes. With the exception of the tax rebate data these statistics were obtained from analyses done by the Washington Center for Metropolitan Studies and are totally independent of the estimates made for the aggregate and regional impacts in Tables 1 and 2. However, close examination and comparison of Table 1 with Table 3 shows that the data are consistent. Specifically, the median income of families in 1972 was about \$11,000. Assuming that inflation has raised this to \$13,000 the \$969 total energy bill given in Table 1 is bracketed by the \$742 and \$1085 bills given in Table 3 for the energy costs of the lower middle and upper middle income classes. The other numbers in Table 3 are roughly consistent with Table 1.

Tables 3 and 4 illustrate that low income groups spend a larger proportion of their income on direct energy purchases than higher income groups. These tables also show that the tax rebate slightly offsets the average increase in energy costs of the poor and the upper middle income class,

significantly offsets the average cost of the lower middle income group and falls short of meeting the higher costs of the well-off group by \$50.

Table 3

Current Energy Costs Without the President's Program a/

	Poor Average <u>\$2,500</u>	Lower Middle Average <u>\$8,000</u>	Upper Middle Average <u>\$14,000</u>	Well-Off Average <u>\$24,500</u>
Gasoline	\$140	\$349	\$ 627	\$ 736
Heating Oil	66	66	66	83
Natural Gas	91	108	117	140
Electricity	160	203	259	319
Coal	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
Total	\$473	\$742	\$1085	\$1294
% of Average Income	18.9%	9.3%	7.8%	5.3%

a/ Source: WCMS Survey for 1972-1973, adjusted for price increases to September 1974.

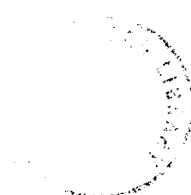


Table 4

Energy Costs with President's Program a/

	<u>Poor</u>	<u>Lower Middle</u>	<u>Upper Middle</u>	<u>Well-Off</u>
Gasoline	\$166	\$415	\$ 746	\$ 876
Heating Oil	83	83	83	105
Natural Gas	120	142	154	184
Electricity	170	215	275	338
Coal	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
Total	\$555	\$871	\$1274	\$1519
% of Average Income	22.2%	10.9%	9.1%	6.2%

a/ Estimated by applying percent price increases for each type of energy from Table 1 to the energy costs in Table 3.

Table 5

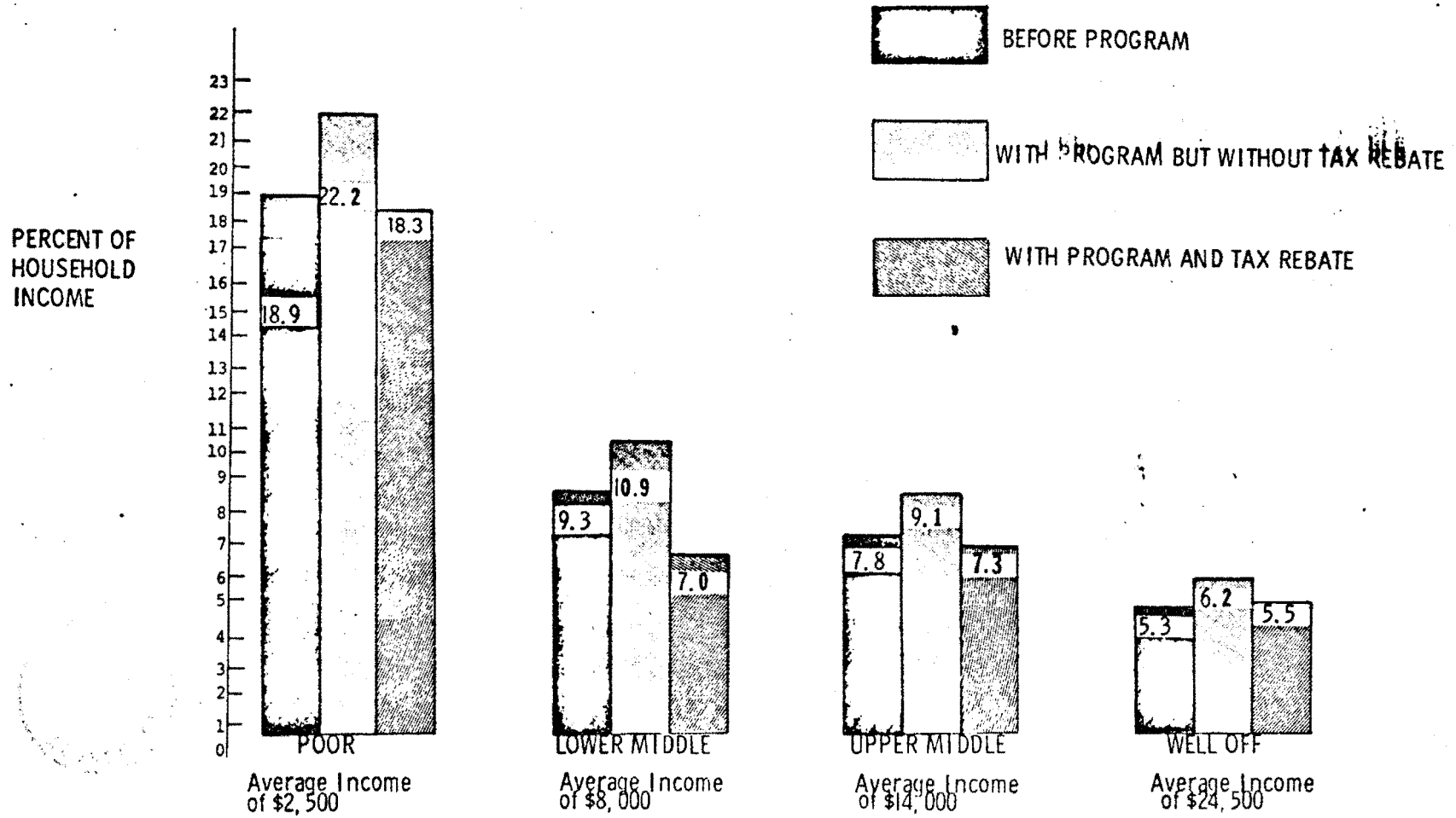
Net Energy Costs of President's Program

	<u>Poor</u>	<u>Lower Middle</u>	<u>Upper Middle</u>	<u>Well-Off</u>
Average Increase in Energy Costs	\$ 82	\$129	\$ 189	\$ 225
Average Rebate	97	311	253	183
Net Energy Costs	458	560	1021	1336
% of Average Income	18.3%	7.0%	7.3%	5.5%



FIGURE III

PERCENT OF INCOME SPENT ON
DIRECT ENERGY PURCHASES



III. TOTAL ENERGY COSTS

The total price impact of the President's energy program will extend beyond the direct energy purchases to any non-energy products or services that require significant amounts of energy in their production or distribution. Chemicals, metal and foods products are examples of areas in which the indirect or ripple energy price effects might be great.

The indirect price effects are uncertain and are difficult to forecast. Most price models that measure and forecast these effects depend on historical experience to estimate the responses of various markets to changes in the costs of inputs. The models attempt to capture the extent that costs are passed on to purchasers and the extent that profit margins are adjusted up or down.

The approach used by the Federal Energy Administration to forecast the indirect price effects of the President's program was to use a stage-of-processing model developed by Data Resource Incorporated (DRI) to forecast the overall rise in the Consumer Price Index (CPI) and to use this estimate to derive total increased consumer costs. The indirect costs are then calculated as the difference between the direct and total cost estimates.

A modified version of the DRI stage-of-processing model was used to forecast the effect that energy price changes have upon the CPI and components of the CPI. The model requires two inputs: (1) forecasts of wholesale energy prices and (2) forecasts of the general wholesale and retail price indices prior to energy price changes. Price information is combined with historical information on the relationship between the stages-of-processing to forecast the effects that energy price changes will have on the prices of crude wholesale goods, intermediate wholesale goods, finished wholesale products, and finally retail consumer goods and services.

Using the methodology described above, it is estimated that the CPI will increase .2 percentage points during the first full year of the program. Given a normal unencumbered economy, the CPI would rise by approximately 2.5 percentage points during the first full year of the program in addition to the normally expected rise; and there would be small increases of 0.3 and 0.2 percentage points in the second and third years. These estimated increases tend to overestimate the effect of the program for two reasons: First the energy price increases that were used as inputs to the model assume a full pass-through of the taxes and import fees. It is unlikely that this

will occur because of the tax rebates to industry and because the economy is generally weak. This excess supply would result if industry attempts to pass through all of the costs. (Only if demand is totally nonresponsive to price changes would firms and businesses be able to pass all of the increases to consumers.) Secondly, the stage-of-processing model is based upon historical mark-up relationships and these may not hold because of the currently poor market demand conditions. That is, demand is currently at such a low level that companies may not be willing to pass on increased costs for fear of further reducing their markets.

For a 2 percentage point increase in the CPI, the total and indirect costs to the household would be \$275 and \$104 respectively. Table 6 summarizes the steps taken to make these estimates.

Table 6

Estimated Total and Indirect Consumer Costs

1. Estimated Personal Consumption Per Household

- a. Estimated 1975 Personal Consumption = \$966.8 Billion a/
- b. Estimated Number of Households = 70 million
- c. Consumption per Household = \$13,810

2. Estimated Costs (per household per year)

	<u>Total</u> ^{b/}	<u>Indirect</u> ^{c/}
High Estimate	\$345	\$174
Best Estimate	275	104

a/ From DRI Long-Term Forecast.
b/ Estimated as 2.5 percent times \$13,810 for high estimate and 2.0 percent times \$13,810 for best estimate.
c/ Calculated as total less direct (\$171).

This table shows that the total costs are likely to be \$275 per household with direct cost being about \$171 on average and indirect costs being about \$104.

FEDERAL ENERGY ADMINISTRATION

Date: January 22, 1975
Reply to: Paul Cyr, Director for Congressional Affairs
Arrn of: *P.C.*
Subject: Selling the President's Energy Program to Congress and the Public
To: John O. Marsh, Jr., Counselor to the President, *JM*

The purpose of this memorandum is threefold:

- To advise you of actions already taken by FEA.
- To inform you of pending actions to be taken by the Congressional Affairs Staff of FEA.
- To present for discussion additional steps which should be taken by the Administration to further enhance acceptance by Congress and the public of the President's program.

ACTIONS COMPLETED BY FEA (ZARB)

- Pre-State of the Union Briefings

Senate Interior Minority Members
Senate Republican Leadership
Senate Ad hoc Economy/Energy Task Force
House Republican Leadership

- Post State of the Union Briefings

Senate Interior Committee
Senate Finance Committee
Senate Commerce Committee
Senate Public Works Committee
House Science and Astronautics Committee
Joint Committee on Atomic Energy
Open Bipartisan briefing to Senators and Senate staff (approximately 85 members represented - followed by Question and Answer period)
Open Bipartisan briefing to House Members and staffs (approximately 650 present - followed by Question and Answer period)

ACTIONS PENDING TO BE TAKEN BY FEA

- Briefings arranged, subject only to selection of suitable dates.

Senate Republican Policy/Conference Committee
Senate Steering Committee
Freshman Senators
The Wednesday Group
House Republican Conference
House Republican Task Force on Energy and Resources
Republican Study Committee
Democratic Research Organization
Democratic Study Group
Freshman Democratic Members of the House
Freshman Republican Members of the House
House Interstate and Foreign Commerce Committee
House Ways and Means Committee
House Interior and Insular Affairs Committee
New England Caucus
Black Caucus
Bull Elephants
RAMS

- Briefings Pending Completion of Negotiations

Senate Armed Services Committee
Senate Budget Committee
Senate Agricultural Committee
Senate Government Operations Committee
Senate Appropriations Committee
Senate Select Committee on Small Business
House Armed Services Committee
House Budget Committee
House Agricultural Committee
House Government Operations Committee
House Appropriations Committee
House Select Committee on Small Business
Joint Economic Committee
Conservative Luncheon Club

THE PROBLEM

Congressional reaction to date indicates that much of the criticism of the President's energy program is attributable to a general lack of understanding of the complete

program, coupled with political reaction as a result of constituency demands as they relate to states, regions and special interests. This reaction is bipartisan, thus leaving the Administration without strong spokesmen on Capitol Hill.

Since the President's economic and energy proposals affect to varying degrees every segment of the economy, the aforementioned Congressional reaction is realistic. Thus we must undertake an immediate, concerted effort to educate and convince the Congress (and public) that the President's energy proposals offer, for the time being, the most thorough and comprehensive approach to the problem - that of long term economic survival, coupled with short and mid-term actions to get the program going now. The educational program should include the direct involvement of all pertinent agencies of the Executive Branch with a coordinated and well orchestrated program.

WHAT MUST WE DO?

1. Presidential/White House Briefings

Invitations should be extended by the President to selected bipartisan groups of the Congress for comprehensive briefings on the President's program. These briefings would be conducted by the President at the White House, supported by top executives responsible for economic and energy programs.

2. Administration Spokesmen

Develop immediately additional Administration spokesmen, to include appropriate Regional Spokesman, and coordinate their efforts. This envisages that these spokesmen would work with key members of Congress (or homogeneous groups) and staffs on economic/energy subjects of mutual interest. An important facet of this segment of the educational process is detailed coverage of selected aspects of the program.

3. Congressional Spokesmen

After the Administration's Congressional educational effort, selected Members of Congress should be solicited to serve as key spokesmen on Capitol Hill and throughout the Nation.

4. Education of the American Public

Concurrent with the Congressional educational program, the White House should take the lead in a massive public educational effort to convince the American public that the President's program offers the most equitable solution to the economic/energy problem, both in the short and long-term.

5. Rebuttal of the Opposition

We must be prepared to immediately react to opposing positions, proposals and statements by presenting factual information to the Congress and the public, as appropriate.

6. Outside Support

Every effort should be made to marshal outside support for the total program or segments of the program, as appropriate.

7. Timeliness

This program must be implemented and functioning prior to the Lincoln Day recess (February 7-12).

8. Involvement

It is visualized that, as a minimum, Executive Branch involvement would include the following:

ERC/FEA	Treasury
Interior	State
Defense	Agriculture
Commerce/FTC	Transportation
HUD	EPA
FPC	Consumer Affairs

cc:
Mr. Zarb

THE WHITE HOUSE

WASHINGTON

BACKGROUND FOR 4:30 MEETING
WITH MAX.



Luss - pls call

To JOM

Date 1-27 Time 9:22

WHILE YOU WERE OUT

M Stan Kudatgo
of FEA

Phone 961-8637
Area Code Number Extension

TELEPHONED		PLEASE CALL	<input checked="" type="checkbox"/>
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	

RETURNED YOUR CALL

Message WCB

Hooking to Marsh -
dl

Operator

EFFICIENCY® LINE NO. 4725 AN AMPAD PRODUCT

Grassler



THE WHITE HOUSE

WASHINGTON

January 27, 1975

MEMORANDUM TO: JACK MARSH
FROM: RUSS ROURKE *R*
SUBJECT: CONVERSATION WITH STAN HIDALGO

Stan says that the Congressional Energy Council is well under way. He suggested that it would be advisable to hold a meeting with you and Paul Cyr, Tom Leffler (Senator Tower) and himself prior to the "larger group meeting" you mentioned you wanted to hold within the next several days. I told him we would be back with him shortly regarding the suggested meeting in this office.

They set up energy task force of key agencies & depts involved in energy legislation. Max or Paul said they should get together again before the two floor fight (Kennedy-Jacobs) and (Tauff-dalib limit) - Cyr is running around. apptd. - (followed Calloway meeting)



he wrote to O. W. W. Decline of
U.S. resources, military, for supplies
and services have fast-fading
to

It went to Brent... -

2 1/2

2 1/2

Robert,
May 19
A.P. -
Corp



FEDERAL ENERGY ADMINISTRATION

JAN 27 1975

Date: January 27, 1975

Reply to
Attn of: Paul Cyr - Coordinator, Ad Hoc Congressional
Energy Council

Subject: List of Members and Background Information on
the President's Energy Program

To: Members Ad Hoc Congressional Energy Council

John O. Marsh, Jr.	White House	456-6586
Max Friedersdorf	White House	456-2591
Robert Wolthius	White House	456-2591
Vern Loen	White House	456-2717
Bill Kendall	White House	456-2711
Pat O'Donnell	White House	456-2757
Charles Leppert	White House	456-2140
Doug Bennett	White House	456-2140
Bob Bonitati	OMB	395-4657
Fred Webber	Treasury	964-2037
John Kyl	Interior	343-7261
Dick Fryklund	Defense	697-6210
Bob Reintsema	Commerce	967-3663
Jim Sparling	Commerce	967-3663
Sol Mosher	HUD	755-5005
John Foltz	Agriculture	447-7977
John Snow	Transportation	426-4563
Sam Goldberg	State	632-9532
Hollister Cantus	ERDA	245-3404
Bob Ryan	EPA	755-2930
Paul Cyr	FEA	961-8637
Stan Hidalgo	FEA	961-8637
Tom Loeffler	FEA	961-6112

Enclosed you will find:

1. Current Congressional Reaction to President's Energy Proposal
2. Analysis of Gasoline Rationing
3. Analysis of the Economic Impact of President's Program
4. Press Booklet on the President's State of the Union Message, etc.

FEB 14 1974

THE WHITE HOUSE
WASHINGTON

M

February 14, 1975

MEMORANDUM FOR: ENERGY/LIG MEMBERS

FROM: MAX L. FRIEDERSDORF

m.l.f.

Due to the numerous House and Senate hearings scheduled on energy we are requesting that all appearances by Administration witnesses be coordinated through the Congressional Relations Department at FEA. These requests for appearances should be cleared through FEA and coordinated with Charlie Leppert here at the White House who is the overall coordinator for energy hearings on my staff.

cc: Jack Marsh
Bill Kendall
Vern Loen
Charles Leppert
Doug Bennett
Pat O'Donnell
Bob Wolthuis



energy

February 15, 1975

MEMORANDUM FOR: KEN COLE
 ROGERS MORTON
 FRANK ZARB

FROM: JACK MARSH

Bill France, owner of the Daytona 500 and friend of the Administration, has called with a suggestion that I felt I should pass on for your consideration.

Mr. France suggests the government sponsor a series of low cost loans to industry for the purpose of plant modernization to take sulfur out of coal exhaust and thereby benefit both the coal use program and clean air observation.

Bill France says that with the cost of sulfur reduction operates to retard this modernization program.



February 21, 1975

MEMORANDUM FOR: FRANK ZARB

FROM: JACK MARSH

I have noted increasing comment about commercial fisherman.

Can we help?

See Sikes statement.

Thanks.





FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D. C. 20461

FEB 25 1975


OFFICE OF THE ADMINISTRATOR

February 25, 1975

MEMORANDUM FOR THE PRESIDENT

THRU: ROGERS C.B. MORTON

FROM: FRANK G. ZARB /S/

The House and Senate Democrats are now drafting more comprehensive energy proposals. Although there is no agreement upon the final shape of these plans either within each body or between the House and Senate, the major elements of their plans are beginning to surface. (The attached chart indicates the key measures in each plan.) A broad comparison of these plans with the Administration's program is given below; a more detailed comparison will be provided as the plans become more specific.

General Analysis

- o Both plans in their current form would result in increased vulnerability (more imports) over the next three to five years.
- o Neither plan is very specific on the methods for implementing their suggested options.
- o Each plan contains portions of the Administration's program.
- o Both programs establish strategic petroleum reserves and authorize standby authorities.
- o Both plans exclude the oil import fee, crude oil excise taxes, and natural gas excise taxes.

Senate Plan

- o Drastically reduces short-term goals (has no targets in 1975-1977 period); yet establishes a stringent goal for 1985.
- o Only short-term conservation measure is an unspecified gasoline tax linked to unemployment levels.



- o Long-term conservation program is largely similar to Administration's program, with some additional mandatory industrial measures and small car tax incentives.
- o No modification of environmental standards.
- o Establishes National Energy Production Board and Energy Trust Fund.
- o Would set coal and natural gas windfall profits taxes.

House Plan

- o This plan is somewhat closer to the Administration's program, especially in energy supply measures.
- o Sets less stringent goals of 350,000 and 1,000,000 barrel per day import reduction in 1975 and 1977 respectively.
- o Would utilize 8¢ gasoline tax for 1975 (increasing to 12¢ in 1976 and to 16¢ in 1977) and 6 percent cutback in allocations, coupled with an import quota to achieve 1975 goals.
- o Adds new car excise taxes and rebates (depending on miles per gallon) and punitive taxes for increased use of electric power.

We will continue to monitor and update this analysis as more information becomes available.

Attachment

	ADMINISTRATION PROGRAM	SENATE PROGRAM	HOUSE PROGRAM
GOALS	1975: Reduce imports by 1 MMB/D 1977: Reduce imports by 2 MMB/D 1985: Invulnerable (4-5 MMB/D)	1975- Variable depending on economic health 1977: health 1985: Reduce imports to 10 percent of total energy consumption (less than 5 MMB/D)	1975: Reduce imports by 0.35 MMB/D 1977: Reduce imports by 1.0 MMB/D
MAJOR CONSERVATION MEASURES	<p><u>Short-Term</u></p> Tax & import fee program Decontrol of old oil Natural gas excise tax Voluntary program Windfall profits tax	<p><u>Short-Term</u></p> Gasoline tax (gradual-phased with reduced unemployment-amounts unspecified) Windfall profits tax on oil, coal, and gas	<p><u>Short-Term</u></p> Achieve goals by import quota & matching conservation program Gasoline tax - 8c/gallon in 1975; 12c in 1976; 16c in 1977 6 percent allocation cutback Windfall profits tax *
	<p><u>Long-Term</u></p> Auto efficiency goals Appliances efficiency goals Auto & appliance efficiency labeling Thermal efficiency standards Thermal insulation tax credit Low-income conservation program	<p><u>Long-Term</u></p> Small car tax incentives Auto efficiency standards * Federal insulation & residential conservation program * Appliance & auto efficiency labeling * Thermal efficiency standards * Improved mass transit R&D to develop urban electric car Industrial conservation investment incentives Industry efficiency standards	<p><u>Long-Term</u></p> New car excise taxes (low mileage per gallon) New car rebates (high efficiency cars) Thermal insulation tax credit* Punitive tax for increased use of power Efficiency labeling of all energy consuming products * Prohibition on gas use in new power plants
MAJOR SUPPLY MEASURES	<p><u>Short-Term</u></p> Coal conversion (ESECA) Elk Hills (NPR-1)	<p><u>Short-Term</u></p> National Energy Production Board Coal conversion incentives (not environmental)	<p><u>Short-Term</u></p> Coal conversion * Auto emission relaxation * NPR development *
	<p><u>Long-Term</u></p> Natural gas deregulation OCS development Clean Air Act amendment Surface mining Coal leasing Electric utility Facility siting Synthetic fuels program	<p><u>Long-Term</u></p> Enhanced recovery incentives * New natural gas deregulation with statutory ceilings Change OCS bidding system & initiate Federal exploration Repeal depletion allowance for major oil companies Surface mining * Facility & land use legislation Energy Trust Fund Coal transportation network Synthetic fuels program * Electricity transmission line financial incentives	<p><u>Long-Term</u></p> OCS development (suggest govt. corp for exploration) Surface mining Eliminate foreign & most domestic depletion allowance Energy Conservation & Development Trust Fund Synthetic fuel program * Expedite nuclear plants Enhanced recovery incentives
EMERGENCY MEASURES	Strategic Petroleum Reserves Standby authorities	Strategic Energy Reserve (1 billion bbl) * Standby authorities *	Strategic Petroleum Reserve (amount unspecified) * Standby authorities *

* indicates similar program to Administration proposals

February 28, 1975

MEMORANDUM FOR: FRANK ZARB

FROM: JACK MARSH

Frank, I've not read this, now am I familiar with its sponsor, but thought it might be of possible interest to you.

Sent copy of book No Time to Confuse: A Critique of the Final Report of the Energy Policy Project of the Ford Foundation: A Time to Choose America's Energy Future (Institute for Contemporary Studies)



THE WHITE HOUSE
WASHINGTON

Zarb-

99ul figure
per week. Accuracy?
R. call FEA
Tom Buell(?)

Spence Perry
254-3234

THE WHITE HOUSE
WASHINGTON

If you want to
rationing
FEA.

Allocation?

Spence Perry
254-3234



June 2, 1975

Dear Mrs. Mink and Mr. Udall:

In further reply to your joint letter of May 22 which you addressed to the President, I can advise that Mr. Frank G. Zarb plans to be present on June 3 for the scheduled hearing of your Subcommittees on Energy and Environment and Mines and Mining.

The grounds for the President's veto of H.R. 25 were stated in his memorandum of May 20, and it would be inappropriate to furnish any further information about considerations which may have contributed to the President's decision. The Presidential action taken and the memorandum furnished to the Congress speak for themselves, in the manner of all such Presidential decisions.

Sincerely,

Philip W. Buchen
Counsel to the President

The Honorable Patsy T. Mink
House of Representatives
Washington, D. C. 20515

The Honorable Morris K. Udall
House of Representatives
Washington, D. C. 20515



June 2, 1975

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Philip W. Buchen
Counsel to the President

The Honorable Patsy T. Mink
House of Representatives
Washington, D. C. 20515

The Honorable Morris K. Udall
House of Representatives
Washington, D. C. 20515



June 2, 1975

Dear Mrs. Mink and Mr. Udall:

In further reply to your joint letter of May 22 which you addressed to the President, I can advise that Mr. Frank G. Zarb plans to be present on June 3 for the scheduled hearing of your Subcommittees on Energy and Environment and Mines and Mining.

The grounds for the President's veto of H.R. 25 were stated in his memorandum of May 20, and it would be inappropriate to furnish any further information about considerations which may have contributed to the President's decision. The Presidential action taken and the memorandum furnished to the Congress speak for themselves, in the manner of all such Presidential decisions.

Sincerely,

Philip W. Buchen
Counsel to the President

The Honorable Patsy T. Mink
House of Representatives
Washington, D. C. 20515

The Honorable Morris K. Udall
House of Representatives
Washington, D. C. 20515



DRAFT 5/30/75

In reply to your joint letter of May 22, addressed to the President, this is to advise you that individuals from the Administration will be made available on June 3 for the scheduled hearings before the Subcommittees on Energy and Environment and Mines and Mining.

The basis for the President's veto of H. R. 25 was stated in his memorandum of May 20, and it would be inappropriate to furnish any further information about considerations which may have contributed to the President's decision. The action taken by the President and the Memorandum of Disapproval sent to the Congress is the information provided in the manner of all such Presidential decisions.



In reply to your joint letter of May 22, addressed to the President, this is to advise you that individuals from the Administration will be made available on June 3 for the scheduled hearings before the Subcommittees on Energy and Environment and Mines and Mining.

~~In response to your request for the information and considerations which may have contributed to the President's decision, it would be inappropriate to furnish such information.~~ [The action taken by the President and the Memorandum of Disapproval sent to the Congress is the information provided in the manner of all such Presidential decisions.]



JUN 6 1975

THE WHITE HOUSE

WASHINGTON

June 5, 1975

MEMORANDUM FOR THE CABINET

FROM: JERRY WARREN *J*

Frank Zarb, in his attached commencement address to the Hofstra University School of Business, gave an excellent summary of the challenges facing the nation in the area of energy. I would particularly call your attention to Frank's conclusion concerning the effect of frayed public confidence on today's public debate on national issues. Because this is of deep concern to all of us, I believe you will find Frank's ideas on this subject both interesting and relevant.

Enclosure

bcc: Senior White House Staff

THE FEDERAL ENERGY ADMINISTRATION
FEDERAL BUILDING
12TH AND PENNSYLVANIA AVENUE, NW.
WASHINGTON, D.C. 20461

REMARKS OF THE HONORABLE FRANK G. ZARB
ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION
BEFORE THE

GRADUATING CLASS OF THE SCHOOL OF BUSINESS
HOFSTRA UNIVERSITY
HEMPSTEAD, LONG ISLAND
MONDAY, JUNE 2, 1975
8:00 PM, EDT

EMBARGOED FOR RELEASE UNTIL:
MONDAY, JUNE 2, 1975, 8:00 PM, EDT

President Payton, Dean Lazarus, distinguished guests, members of the faculty, parents, friends, and graduates of the School of Business:

I have many reasons to thank you for inviting me to join you today. For one thing, my own undergraduate and graduate degrees were conferred here not very long ago. That has always been a source of pride for me. After all, not everyone can boast of being associated with such a thriving institution, composed of eight schools of advanced learning -- nine if you include Bill's Meadowbrook.

Then too, Hofstra is where I met my wife, Pat, so the university has many pleasant memories for me.



But I'm also glad to be here because it refreshes my sense of values. I live and work in Washington, D.C. -- a city that has been described as "an island, surrounded on all sides by reality." And there is some truth in that statement.

It's a city where words are sometimes chosen for what they don't mean as well as for what they say; where lines are written to be read between; and where the media scrutinizes, and interprets every detail.

At times that atmosphere can distort perspective, and lead one to believe that the political intensity of Washington is also characteristic of the rest of the nation.

So it is sobering to return to Hofstra, pick up a back issue of the Chronicle, and read that the University Senate elections were cancelled because of a lack of candidates. I can think of a number of people in Washington who would love to see that headline in the Washington Post.

Seriously, I want to congratulate everyone who received a degree today. And I also want to spend a few moments reflecting on the past, present and future of this country, and the government that tries to guide it.

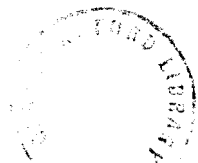


I received my own MBA from Hofstra in 1961. Two decades before the United States had played the major role in stemming the spread of fascism; had assumed the burden of free world leadership from older, less energetic nations; and proceeded on a course of international policy unheard of in history. Rather than plunder the defeated, we chose instead to make available to them the means of resurrecting themselves and seeking their own economic and political salvation.

Nations -- once defeated, powerless and vulnerable -- were lifted off their knees and given the means to survive in peace, and to compete, economically and politically, with the country that had conquered them. In doing that, the United States provided the world with a most extraordinary demonstration of reasoned compassion as a national characteristic.

By the time I came to receive my degree in 1961, that work of reconstruction had been completed, and the United States -- as well as the rest of the free world -- was entering the sixties with a surge of justifiable exuberance, and hope.

As a nation, we were the foremost among equals -- supreme among superpowers, envied for our economic and social vigor, proud of our institutions, and still willing to exert our power in the world -- and at home -- on behalf of those less fortunate than we.



In that same year -- 1961 -- John F. Kennedy could stand on the steps of the capital and say: "...ask not what your country can do for you. Ask what you can do for your country." How many people could say those words in 1975 without being accused of naivete. Moreover, how many among us tonight could hear those words without making the accusation.

Our national experience over the last fourteen years has led to a sense of skepticism that now defines altruism as arrogance, and seeks the mean and narrow comforts of cynicism. In one decade and four years, the United States has undergone a transformation economically, institutionally, and socially that seems to have left us discontented with ourselves and with the world.

And it doesn't take a very close reading of the history of the last decade to make that frame of mind understandable -- though hardly acceptable.

It is easy to see tragedy in the last ten years -- in the assassinations, in a fruitless and bitter war, in the real constitutional torment of a Presidential resignation, and in the economic tides that have brought inflation at the flood and recession at the ebb.

As a nation, we seem to have gone from the robust vigor of youth, to a middle aged identity crisis -- in 14 short years, from the assumption that all things are possible to the feeling that perhaps nothing is attainable, and even if it is, it is probably not worth the attempt.

And we find ourselves in this situation precisely when the world is entering a new and possibly dangerous era. I am not speaking only of questions of war or peace, but of economic, social and political flux -- of different relationships among countries, and of new economic, and political arrangements.

Perhaps I can best illustrate the kinds of challenges we are facing by briefly describing the nature and complexity of the energy problem.

Anyone who deals with energy is struck by the complexity of its production and delivery system, and by its social, economic and political ramifications.

Its availability and price determine how a worker living here on "the Island" gets to work. Sometimes, during the embargo, the question might have been whether he got to work at all.

Half way around the world, its availability and price affect the production of fertilizer, and, quite possibly, determine whether the future of several million human beings is one of an adequate standard of living or of starving to death.

On the grand stage of global politics and economics, energy can mean the survival or collapse of entire nations.

We do, in fact, face a situation which is ominous in economic -- and most important -- in human terms.



The last five years have seen significant changes in the world's oil distribution system. More and more, power over that system has shifted to the governments of the producing countries.

Because of this we have witnessed an increasing mixture of politics and profit in determining oil prices, and it's difficult to tell at any given time which is the predominant element.

Those -- stated very simply -- are the political and economic factors in the energy situation. But the problem is much more complex.

The hose that goes into the gasoline tank here in Long Island doesn't stretch all the way to an oil field in Oklahoma or Saudi Arabia. Between the two is a host of interdependent producers, shippers, refiners, and marketers -- large and small, majors and independents. It's been estimated that at any given moment, there are some 800 million barrels of crude oil and product in transit.

Moreover, the industrialized nations of the world -- and the United States in particular -- have become accustomed to fingertip availability of energy in all its forms. We don't work, play or even live without it. It permeates all of our lives in almost every aspect.

And in so far as it touches -- and intimately conditions -- the way we live, energy becomes an emotionally charged issue. The way we as a nation react to that issue -- and others -- will either manifest the fundamental political strength of our system -- of the way we govern ourselves; or it will constitute a prima facie case against the ability of a democracy in 1975 to meet a crisis.

And I'm not talking now about just the energy crisis, but about any of the problems that are bound to emerge in the future; nor am I speaking only of the way government handles the affairs of the nation. I mean the kind of civilized dialogue that must take place in any democratic society before we -- as a free people -- can produce any sort of unified response to public issues.

It concerns me -- and it should concern all of us here -- that so much public debate seems to be predicated on the assumed bad faith of the other side. There seems to be an instinctive suspicion of the motives of anyone whose position is contrary to ours -- an inclination to question the sincerity of a statement rather than its content.

There is in that tendency a disposition to believe only in the truth of our own pronouncements, only in the justice of our own cause, and only in the good will of those who think as we do -- in short to identify narrow concerns with the general good of the nation to the exclusion of other considerations.



The logical outgrowth of these trends is to distort the way we perceive public policy. The economy becomes all; or the environment becomes paramount -- or energy or politics. And the country is then viewed through the prism of polarity, with diatribe masquerading as debate and confrontation supplanting conciliation.

That kind of factionalism poisons the wellsprings of public debate and turns the common ground of compromise into a desert. It paralyzes the ability of government to act on behalf of clearly perceived and commonly held national goals because, in our free system, government can act to meet major challenges only if it is energized by public support for national objectives.

In that sense, the relationship between government and people is like a complete electrical circuit. Fully charged and grounded in popular support, it is capable of enormous productive effort for the common good; overloaded with invective and distrust, it shorts out.

Today, unfortunately, it is the latter which is true. The circuit breakers of public confidence have been tripped -- and not without some justification.

But I am convinced that they can -- and must -- be closed again if we as a nation are to respond creatively to the issues before us now, and those that lie in the future.



And we as citizens can contribute to repairing those circuits by insisting on courage in our leaders and honesty in our government, but perhaps most of all by repairing the frayed strands of confidence that bind all of us together as a people.

We owe ourselves, at least, the same generosity of spirit which we showed to our conquered former enemies after World War II. We owe ourselves the opportunity to rekindle that confidence which once marked us as a people. We owe ourselves a chance to restore the exuberance that once characterized our national life.

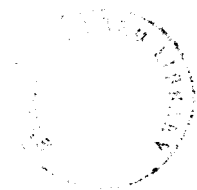
In short, we owe each other the trust that turns residents of the same country into fellow citizens. And that means a willingness to attribute decent motives to those who disagree with us.

As graduates you now go forth toward other plateaus in life. You will have a major role in shaping the future of our nation. You will as you should, argue strongly for the principles that you believe in.

As you do, keep open your mind as well as your heart. Argue firmly for your beliefs but protect with even more vigor the right of others to firmly disagree.

There is an element of risk in that, but it is a risk well worth the taking.

Thank you.



Send to Max [unclear]

THE WHITE HOUSE
WASHINGTON

August 13, 1975

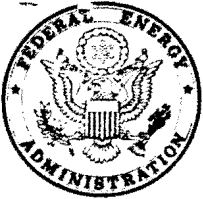
MEMORANDUM FOR: JACK MARSH ✓
DONALD RUMSFELD
JIM CANNON
JIM LYNN

FROM: JIM CONNOR *JC*

The attached memo from Frank Zarb is forwarded
for your information.

encl.

SEP 15 1975
✓



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D. C. 20461

AUG 13 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: Jim Connor
FROM : Frank G. Zarb

Phil *for FZ*

This is an update of my April 22, 1975, memorandum to Jerry Jones listing legislative items I anticipate being submitted to the Congress during the remainder of the year:

1. Nuclear Disaster Insurance Amendments - already submitted.
2. Energy Reorganization - the FEA Act requires a report to Congress making certain recommendations as to the future of the functions and authorities exercised by FEA. We will be recommending legislation dealing with the organizational structure of Federal agencies having jurisdiction over various aspects of the President's national energy program, as well as submitting an amendment to the FEA Act increasing the authorization of appropriations to correspond with the cost of FEA's increased responsibilities.
3. Synthetic Fuels Commercialization Proposals - the ERC Synthetic Fuels Commercialization Task Force will be submitting legislative proposals in the near future.
4. Conservation Program - the Conservation Program explained by FEA Assistant Administrator Roger Sant at Camp David on June 6, 1975, if adopted, will require authorizing legislation in such areas as "van-pooling" and paid-time advertising. FEA is presently preparing that legislation.



August 30, 1975

Barb
crossed Max
(lookup)

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: JACK MARSH

Attached are the remarks that Frank made in Kentucky on Wednesday.

Could one of your people arrange to get these placed in the Record, perhaps by someone from Kentucky who supports the Administration's position. Who represents Louisville?

JOM/dl

Attachment--copy of Frank Zarb's speech in Louisville, Kentucky Wednesday, August 27th



SEP 9 1975

THE WHITE HOUSE

WASHINGTON

September 8, 1975

MEMORANDUM FOR:

PHIL BUCHEN

FROM:

MAX FRIEDERSDORF *m.f.*

SUBJECT:

White House Contacts with Regulatory Agencies

Pursuant to Don Rumsfeld's reminder that absolutely no White House contacts should be made with regulatory agencies, Jack Marsh and I would appreciate your listing these agencies and commissions.

Our problem is that we receive a sizable number of Congressional inquiries concerning the Federal Energy Administration.

There are other such quasi-regulatory agencies about which we need clarification.

A listing of all prohibited agencies for contact would be helpful in instructing our staffs.

cc: Don Rumsfeld
Jack Marsh



see: Jim Jordan

[Sept 1975]

September 11, 1975

MEMORANDUM TO:

FRANK ZARB

FROM:

RUSS ROURKE

Frank, recognizing your own extremely tight schedule, I believe it would be extremely helpful if you were to designate one of your FEA people to participate in the Annual Conference Banquet referred to in Jim Jordan's letter.

Many thanks.

RAR:cb



SEP 12 1975

THE WHITE HOUSE
WASHINGTON

September 12, 1975

MEMORANDUM FOR: BOB WOLTHUIS
BILL KENDALL
PAT O'DONNELL
VERN LOEN
CHARLES LEPPERT
TOM LOEFFLER
RUSS ROURKE

FROM: MAX FRIEDERSDORF

As discussed earlier, Don Rumsfeld has reiterated the ban on Congressional contacts with regulatory agencies.

Phil Buchen's office has provided us with a list of those agencies and commissions this ban affects and also an interpretation of the policy on quasi-regulatory agencies such as EPA and FEA where there is some question.

I am attaching a copy of two memorandums pertaining to this matter and I request that you study these carefully and adhere to the ban on contacts.

When in doubt on any Congressional inquiry pertaining to these agencies or commissions, please contact the White House Counsel's office.

cc: Don Rumsfeld
Jack Marsh



THE WHITE HOUSE

WASHINGTON

September 9, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF
THROUGH: PHIL BUCHEN *T.W.B.*
FROM: DUDLEY CHAPMAN *DC*
SUBJECT: White House Contacts with
Regulatory Agencies

Attached is a copy of a memorandum for Don Rumsfeld which lists the independent regulatory agencies as you requested.

You indicated that your main problem concerns the Federal Energy Administration. This is one of three which has both the characteristics of an independent regulatory agency and of an executive agency. This means that the permissibility of contacts will depend on the nature of the communication: If it concerns a regulatory function of the FEA, the policy toward independent regulatory agencies applies; if it concerns the FEA's policy-making role, it may be treated the same as any other executive agency. Since the choice will not always be obvious, you should consult the Counsel's office the same as you would for the independent regulatory agencies.

[Handwritten signature]

September 9, 1975

MEMORANDUM FOR: DON RUMSFELD
THROUGH: PHIL BUCHEN
FROM: DUDLEY CHAPMAN
SUBJECT: List of Independent Regulatory Agencies

You requested a list of the independent regulatory agencies that people in the White House should not contact without prior clearance from the Counsel's office. The following agencies fall within this category:

Civil Aeronautics Board
Commodity Futures Trading Commission
Consumer Product Safety Commission
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Maritime Commission
Federal Reserve System
Federal Trade Commission
Interstate Commerce Commission
National Credit Union Administration
National Labor Relations Board
National Transportation Safety Board
Nuclear Regulatory Commission
Occupational Safety and Health Review Commission
Renegotiation Board
Securities and Exchange Commission
United States International Trade Commission

The foregoing agencies are regarded by the Justice Department as clearly falling within the category of independent regulatory agencies, in that they are both independent and exercise regulatory authority over some class of persons or businesses.



The following agencies perform a mixture of executive and regulatory functions. They should be treated as independent agencies on issues involving the regulatory functions (i. e., rule making and adjudication):

- Environmental Protection Agency
- Federal Energy Administration
- United States Civil Service Commission

In addition, the following agencies do not exercise regulatory powers comparable to the independent regulatory agencies but do have comparable independence and should be treated as equivalent to the regulatory agencies with respect to commenting on particular cases, applications and the like:

- Equal Employment Opportunity Commission
- Federal Home Loan Bank Board
- Foreign Claims Settlement Commission of the United States
- Indian Claims Commission
- Overseas Private Investment Corporation
- Pension Benefit Guaranty Corporation
- National Selective Service Appeal Board

In addition, the ban on contacts extends to the litigating and adjudicatory divisions of the Department of Justice and the IRS.

