The original documents are located in Box 10, folder "Energy - Oil Decontrol" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

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ENERGY A031 LEAD 340

BY JOHN CHADWICK

ASSOCIATED PRESS WRITER

WASHINGTON (AP) - PRESIDENT FORD AND CONGRESS ARE TRYING TO REACH A LAST-MINUTE COMPROMISE ON THE IMPENDING DECONTROL OF OIL PRICES, SENATE SOURCES SAID TODAY.

THE PRESIDENT HAS SAID HE WILL VETO A BILL PASSED BY CONGRESS THAT WOULD EXTEND PRICE CONTROLS FOR SIX MONTHS BEYOND AUG. 31, BUT THE BILL HAS NOT BEEN SENT TO HIM YET.

THE SENATE PARLIAMENTARIAN SAID TODAY THAT WORD FROM MAJORITY LEADER MIKE MANSFIELD IS NEEDED BEFORE THE MEASURE IS SENT TO FORD, INDICATING THE BILL WAS BEING HELD AT THE CAPITOL TO AVOID A POCKET VETO WHILE CONGRESS IS IN RECESS.

ALTHOUGH MANSFIELD WAS NOT IMMEDIATELY AVAILABLE FOR COMMENT, ONE SOURCE SAID ''DISCUSSIONS ARE STILL GOING ON....THEY ARE STILL HOPEFUL OF WORKING OUT A COMPROMISE.''

OIL PRICE CONTROLS AND THE NATIONWIDE OIL ALLOCATION SYSTEM, DESIGNED TO PROVIDE FUEL ON AN EQUITABLE BASIS TO EACH SECTION OF THE COUNTRY, WILL LAPSE AUG. 31 UNLESS THE PRESIDENT SIGNS THE DISPUTED BILL.

AS COMPROMISE WAS BEING DISCUSSED ON THE PRICE CONTROL ISSUE, REP. HARLEY O. STAGGERS, CHAIRMAN OF THE HOUSE COMMERCE COMMITTEE, VOICED CONCERN THAT SUDDEN DISMANTLING OF THE OIL ALLOCATION SYSTEM COULD CAUSE CHAOS IN THE FUEL INDUSTRY.

STAGGERS, D-W.VA., SAID THE END OF THE ALLOCATION SYSTEM COULD MEAN THAT MANY SERVICE STATIONS WOULD BE UNABLE TO OBTAIN ENOUGH FUEL TO STAY IN BUSINESS.

HE SAID HE STILL HAS A ''GLIMMER OF HOPE'' THAT FORD WILL LET THE EXTENSION BILL PASS, WARNING THAT IF THE PRESIDENT FOLLOWS THROUGH ON HIS VETO PROMISE ''HE MAY WELL BE VETOING HIS OWN CHANCES FOR RE-ELECTION.

''IT WILL BE THE PRESIDENT WHO WILL HAVE TO ANSWER TO THE AMERICAN PEOPLE WHEN GASOLINE PRICES LEAP OUT OF SIGHT,'' HE SAID.

FIVE MAJOR OIL COMPANIES, MEANWHILE, ISSUED ENDORSEMENTS OF FORD'S POSITION, CALLING FOR AN IMMEDIATE END TO OIL PRICE CONTROLS.

GULF, EXXON, SHELL, TEXACO AND CONTINENTAL URGED IMMEDIATE DECONTROL IN STATEMENTS TUESDAY.

AT THE WHITE HOUSE, DISCUSSIONS OF A POTENTIAL SHORTAGE OF NATURAL GAS CONTINUED. PRESS SECRETARY RON NESSEN SAID TUESDAY THAT THE PRESIDENT IS SEEKING SOLUTIONS TO THE NATURAL GAS PROBLEM.

THERE ALSO WERE REPORTS THAT FORD WOULD SEEK CONGRESSIONAL AUTHORITY TO CONTINUE CONTROLS ON BOTTLED PROPANE GAS THROUGH NEXT WINTER.

NESSEN SAID, 3RD GRAF A031

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PRESS ELEASE - FRANK G. ZARB - 7 15 EDT

After the meeting today between the President, Senator Mansfield and Speaker Albert, the White House announced that the President would not object to a short extension of oil price controls if he is reasonably confident the Congress will act favorably and promptly on a phased decontrol plan. The announcement also indicated that the bill extending controls for six months would be vetoed.

FEA Administrator, Frank G. Zarb announced that a short extension, if signed by the President, would be applied retroactively. Since the Congress does not return until September 2, there would be a short gap in the Allocation Act authority between the August 31 expiration of current authority and any possible Congressional action on the short extension. It is likely, however that the Congress will intend no regulatory gap and will intend to reinstate automatically the price and allocation regulations in effect on August 31 with the passage of any short extension.

FEA, in consulation with the Department of Justice, has reviewed the legal effects of such a gap and concluded that by an extension the Congress can revive the current controls retroactively to September 1. If the President signs such a short extension, appropriate regulatory action can then be taken to correct any transactions in violation of FEA's current controls that occurred during the gap.

[July 1975]

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB Z

SUBJECT: NEXT STEPS IN DECONTROL

Background

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

Projected Sequence of Events

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

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

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

Options Regarding Timing and Possible Follow-Up Steps

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

Timing

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

1. Before the President leaves for Europe.

   - This will leave time for the Congress to attempt to override the veto and react publicly before they depart.

2. After the Congress is in recess, but before the ten days expire on the simple extension.

   - Congress will not be able to override the veto before the recess, but the President will be out of the country when the address is delivered.

Possible Further Steps

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

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

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

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

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

Summary of Options:

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

POOL REPORT--MACKINAW-KINCHELOE AFB-ANDREWS--July 13, 1975

After his tennis match--in which the ford-milliken team lost narrowly to the seidman-mrs. milliken duo, 7-5, 6-4, the president played a round of ~~gold~~ golf with griffin, and congressman elford cederberg. The threesome started on the seventh hole and finished on the sixth. Griffin later told the pool that the golfers kept score for awhile before abandoning the practice.

After a few handshakes with about 100 spectators at the helipad, the president and mrs. ford choppered to Kincheloe AFB, arriving about 40 minutes late. You saw the handshaking at the base. The pool saw two signs: "Mr. President we love you" and "let's ford-i-fy the U.S. in '76." One youngster told the president: "I like you on tv."

after wheels up at 7:17, nessen came back to say ford would see kissinger at the white house tonight for a report on the latter's trip. No readout of the meeting should be expected.

The monday ayem bipartisan congressional leadership meeting will be to brief the members on the president's domestic oil decontrol program, which nessen says we should expect to be wrapped up in time for unveiling tomorrow.

As for the president's 62nd birthday tomorrow, Nessen says we can expect some sort of family birthday event which he will tell us about tomorrow.

Participants at the decontrol meeting will be mike mansfield, scott, byrd, griffin, moss and curtis from the senate and albert, o'neill, rhodes, mcfall, michel, burton and anderson from the house. Other subjects included will be regulatory reform, turkish aid and the marianas islands.

The president plans to watch the launch of the apollo spacecraft from the oval office tuesday after going to the state department to watch the soyuz launch earlier in the day.

Nessen was asked when the president would make his next political trip and he said there would be no directly political trips on behalf of his candidacy there until next year. Then he said: "You mean nonpolitical "He's just out there being president of all the people," Nessen puckishly claimed.

Griffin came back to say he thought the president had received an enthusiastic welcome in his home state. He later volunteered, "while it wasn't a political trip, the fact that he was able to show such solid support in his home state was a good omen. The fella's got to start somewhere." He then lapsed into treatise on the joys of notthern michigan.

~~dufrack/pippert/leubsdorf~~

— MORE —

POOL REPORT--MICHIGAN TO ANDREWS- PAGE TWO

About ten miiutes ~~[illegible]~~ before landing, the president came back to talk with the pool. No photos permitted. He was wearing his maroon golf slacks, white polo shirt with green alligator and white bucks. ~~[illegible]~~ His face was reddened FROM THE SUN and he was holding his pipe.

asked about his golf, ford said: "it wasn't a very expert performance." But he seemedmore pleased about tennis, noting: "I only play about once every three weeks."

asked if he was pleased with the support shown on the trip--nessen interjected to say "it was a nonpolitical trip, you know that"--ford said "we made a lot of friends." asked ~~[illegible]~~ what about electoral votes, ford said "we just think in terms of friendsh"

asked ~~if he~~ when he would send the decontrol plan to the hill, he said either monday or tuesday. asked if he thot chances were any better, he said: "I think so...you I know the alternative from the point of view of an overall program, is worse. I don't think the congress would be so ill-advised..i don't think it would be in their best interests to ~~[illegible]~~ have done nothing...i think the wiser heads in the congress will see the wisdom of doing something affirmatively rather than negatively...I'm always an optimist...the majority ~~that~~ of the congress will have the wisdom..(to do something in the direction of) action rather than reaction..."

~~"It's a very tenuous situation~~

asked if without action ~~that~~ that means prices ~~[illegible]~~ would shoot through the roof, ford said "It's a very tenuous situation in the interim but some hard choices have to be made." asked how you ~~reconcile~~ strike abalance between letting the price of gasoline soar and providing oil companies with more money for exploration, ford said: if congress enacts the windfall profits tax with ~~[illegible]~~ a plowback, that's one part of the program...if they ~~would~~ only enact a payback to thepeople of about 4.5 billion dollars and to the cities and the states--2 to 2½ billion dollars, and business roughly the same...then everything evens off.

"If congress does nothing...then we get the worst of all worlds."

ford said the congress had to face up ~~with the~~ to the hard ~~[illegible]~~ realities and was then askedif thepeople were ready to do likewise. "I think they are," he said. "I think they're wiser than the congress."

~~when asked if he ... in response to a question~~

ford's ~~subn~~ sunburn was noted and the president said, "I feel great." he was asked if he also felt like 62 and he said, "No, I ~~I~~ feel about 40." he said he might go swimming tonight to cap the trip.

asked about helsinki, ford said he expects to hear from kissinger about the status.

defrank/pippert/leubsdorf

EMBARGOED FOR RELEASE
UNTIL 9:45 A.M. (EDT)

July 14, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

To reduce our growing dependence on foreign oil, I will today send to the Congress a compromise plan to phase out remaining Government price controls on domestic oil by January, 1978.

During this period of decontrol, a price ceiling will be placed on all domestically produced oil to ensure that American crude oil prices cannot be dictated by foreign oil producers.

By removing these government controls, domestic production of oil will be stimulated and energy conserved. Decontrol and the import fees I imposed earlier will reduce our dangerous reliance on foreign oil by almost 900,000 barrels a day in just over two years.

There is no cost-free way to reduce our dependence on increasingly expensive foreign oil. Although gradual decontrol will result in a price increase on all petroleum products -- less than one and one-half cents per gallon by the end of the year and seven cents by 1978 -- this is a small price to pay for our independence from the costly whims of foreign suppliers.

If the Congress acts on this compromise, on my other proposed energy taxes, including the tax on excessive profits of oil companies, and on the energy tax rebates for the American consumer, then the burden of decontrol will be shared fairly. Our economic recovery will continue. We will be able to protect American jobs.

The problem is -- 60 percent of all domestic production is still price controlled at about $5.25 per barrel. This price discourages the use of new and more expensive production techniques. It encourages wasteful use of this limited domestic resource.

But the powers I possess under the current law to phase out controls are limited. Either the Senate or the House of Representatives can prevent gradual decontrol from going into effect.

I urge the Congress to accept this reasonable compromise. If it does not, my only alternative to ensure continued progress toward energy independence, will be to veto an extension of the oil price control law which will expire in August.

The plan I propose will gradually lift price restrictions on controlled oil and place a ceiling on all domestic crude oil prices.

more

We still have the choice of acting in our own best energy interests instead of reacting to decisions made by foreign countries. We must start thinking of the energy crisis in terms of American jobs, homes, food and financial security.

Our economic well-being and national security depend upon American control of the American economy. We cannot jeopardize the future by avoiding the tough energy choices today. We must pay the price necessary to give us command of our own economic destiny.

# # # #

EMBARGOED FOR RELEASE
UNTIL 9:45 A.M. (EDT)

July 14, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

The President's Compromise Oil Decontrol Plan

THE PRESIDENT'S ANNOUNCEMENT

The President today announced administrative actions to gradually decontrol the price of old oil (oil now under federal price controls) over a 30-month period. In addition, the President announced for the same period a ceiling on the price of all uncontrolled domestic oil (other than from wells which produce less than 10 barrels per day which are currently exempted from controls) equal to the price of uncontrolled domestic crude oil in January, 1975, plus two dollars a barrel to account for the import fees already in place. This will be approximately $13.50.

The President also called for enactment of energy taxes including a windfall profits tax (with appropriate plow-back provisions) and extension of the Emergency Petroleum Allocation Act to implement the decontrol plan. These actions will result in substantial energy savings, provide an incentive for expanding domestic production, and ultimately remove a complex and counter-productive set of regulations.

Under the President's plan imports will be reduced and prices will increase gradually, but consumers will receive energy tax rebates. Phased decontrol will thus not impede economic recovery.

BACKGROUND

-- The price of old oil is currently controlled at an average of about $5.25 per barrel, while the average price of new domestic oil is now uncontrolled and is about $13.00.

-- Controlled oil currently represents about 60 percent of domestic oil production. New, released, and stripper well oil account for the remainder.

-- Domestic oil production has been declining since 1970 (it is down 11% since early 1973) and is now about 8.4 million barrels per day (MMB/D), a decline of more than 500,000 barrels per day from last year (see chart 1).

-- Imports are predicted to average about 6.5 million B/D, but are expected to rise to up to 7 MMB/D by the end of this year, which is about 40% of domestic consumption.

-- Imports are expected to grow to an average of more than 7.5 MMB/D in 1977, if no action is taken to reduce demand or increase supply. The added imports in the next two years are expected to come mainly from Arab nations and could double our vulnerability to an embargo (see chart 2).

more

-- The Emergency Petroleum Allocation Act of 1973, which requires the control of prices and distribution of oil expires on August 31, 1975.

-- None of the measures requested by the President almost 6 months ago in his State of the Union Address has been enacted by the Congress.

-- The President originally proposed in his State of the Union Address immediate and total decontrol in April, 1975. In response to concerns expressed by some Members of Congress, on April 30, 1975, the President directed FEA to develop a 25-month compromise decontrol plan. The Federal Energy Administration held public hearings on this proposal in May.

-- Under provisions of the Emergency Petroleum Allocation Act, either House of Congress has five working days in which to disapprove a decontrol plan by majority vote.

OBJECTIVES OF THE PLAN

The plan announced by the President is designed to meet the following objectives:

-- Achieve a major reduction in imports by providing an incentive to increase domestic production and by cutting demand through increased conservation.

-- Reduce the power of foreign oil cartels to control the prices Americans pay for energy.

-- Provide a compromise decontrol plan acceptable to the Congress.

-- Remove over a 2-1/2 year period the complex, counter-productive, and administratively burdensome government regulations.

-- Eliminate excessive oil company profits and minimize consumer and economic impact by rebating energy taxes.

PRINCIPAL ELEMENTS OF THE PLAN

Today's proposal by the President would gradually remove price controls from all currently controlled oil over a 30-month period beginning August 1 of this year and ending in January 1978. Each month the amount of oil under controls is decreased by an additional 3.3% of a decontrol base production level (which is the average monthly production of old oil during April, May and June of this year).

The 30-month ceiling on prices for domestic crude oil proposed by the President would be equal to the highest price charged for a particular uncontrolled domestic crude oil in the month of January 1975, plus $2.00 per barrel -- the current import fee -- for a total of approximately $13.50 per barrel.

Prices of domestic oil produced from stripper wells -- wells producing less than 10 barrels per day -- are not now controlled nor would they be under the President's proposal.

more

The President also announced that along with the decontrol plan, he would urge the Congress to enact his proposed energy taxes including a windfall profits tax with appropriate plowback provisions and to extend the Allocation Act with appropriate modifications to cover this 30-month decontrol period.

IMPACT OF THE PLAN

-- On Prices:

The President's phased decontrol plan will increase the average petroleum product price (such as gasoline) by a cumulative amount of approximately:

End of		
1975	-	1¢/gal.
1976	-	4¢/gal.
1977	-	7¢/gal. (Total)

-- On Import Savings:

	(barrels per day)		
End of	Phased decontrol	-	Phased decontrol and existing $2 import fee
1975	25,000		175,000
1977	300,000		900,000

# # # #

CHART 1

DOMESTIC PRODUCTION OF CRUDE OIL

CHART 2

IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS

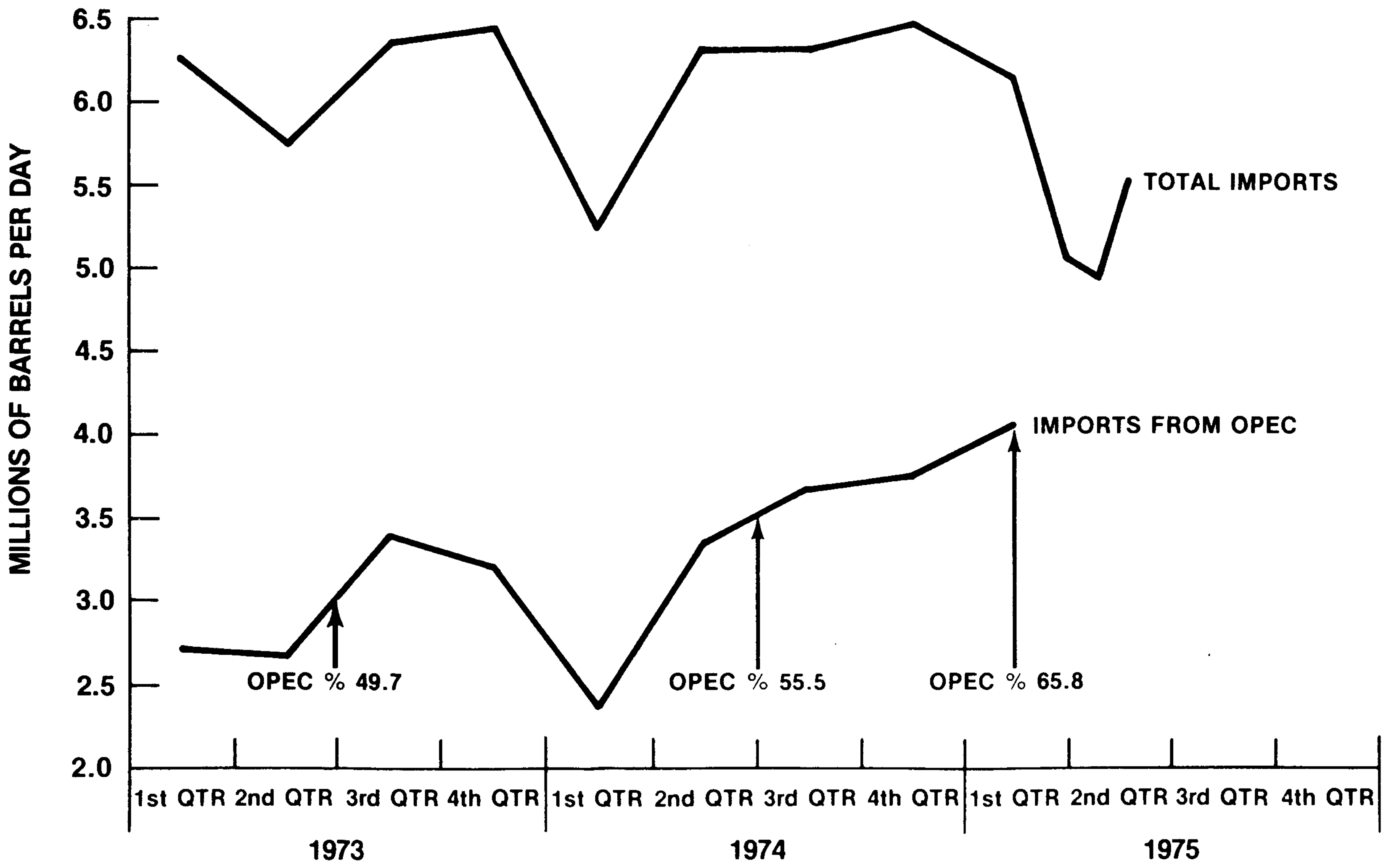
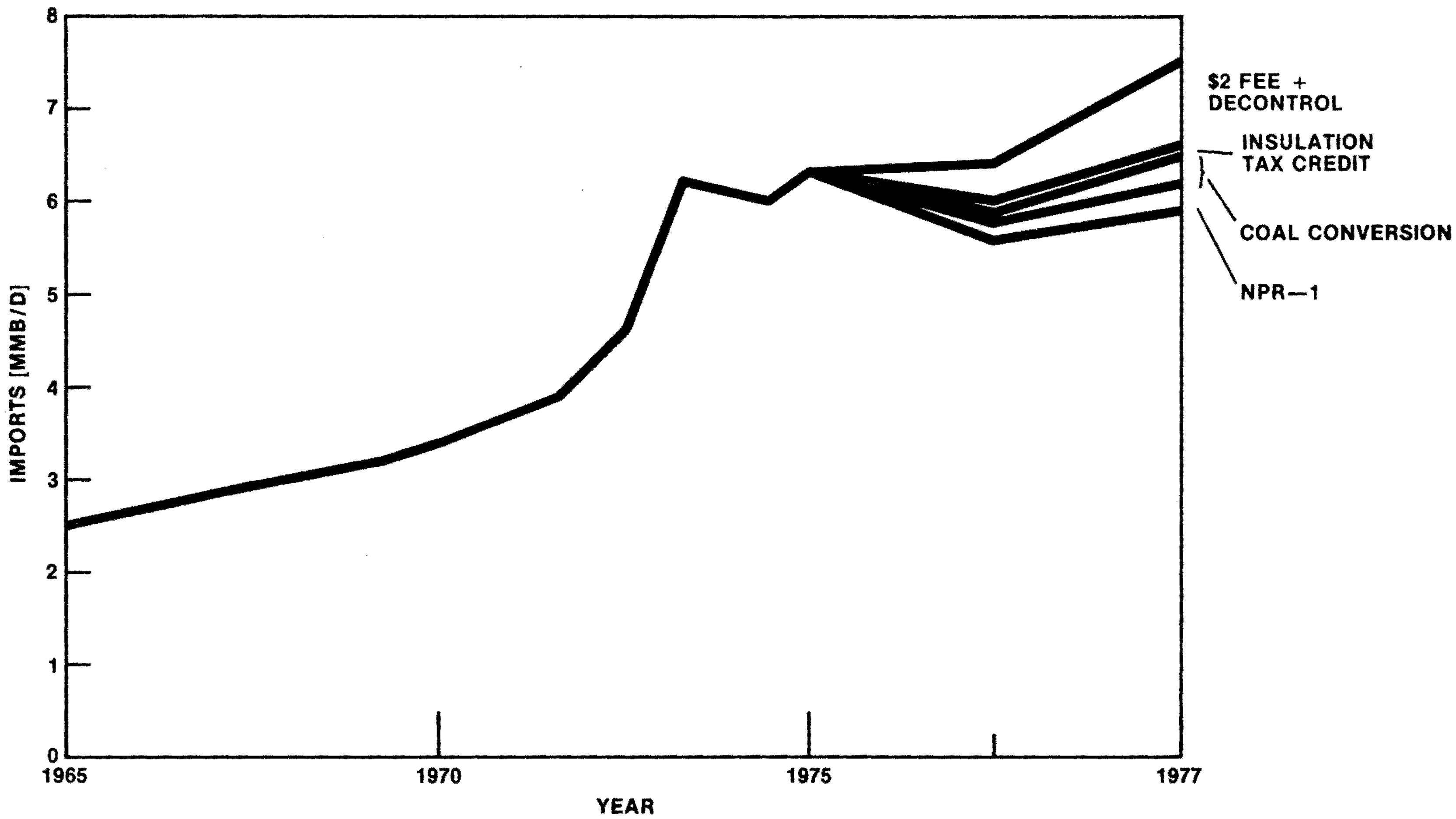


CHART 3

EFFECTS OF PRESIDENT'S PROPOSALS



THE WHITE HOUSE
WASHINGTON

August 6, 1975

TO: RON NESSEN

FROM: MIKE DUVAL

For your information X

Comments:

Cf. 8-4-75

A forum—ideas, analysis, diverse opinion

Harris Survey

Public makes big shift, supports oil decontrol

By Louis Harris

THE PUBLIC'S support for deregulation of all oil produced in the United States has now risen to a decisive 54 to 22 per cent majority, a rise from a 46 to 31 per cent plurality in April, according to the latest Harris Survey.

The new support represents a turnaround from the 42 to 28 per cent plurality who opposed deregulation only a year ago. The survey, conducted in July among a cross-section of 1,497 adults nationwide, shows that an identical 54 to 22 per cent majority also supports complete deregulation of natural gas produced in this country.

These latest results represent a victory for President Ford who has long advocated decontrol of the prices of domestic oil and natural gas. Ford believes deregulation would provide an incentive for domestic production of more basic energy and would reduce American dependence on foreign energy sources.

WITH MAJORITY support for his program, the President not only could achieve deregulation, but receive credit for sticking to his position in the face of heavy congressional opposition.

Earlier this month, the Harris respondents were asked: "Would you favor or oppose deregulation of the price of all oil produced in the United States if this would encourage development of oil production here at home?"

	Favor	Oppose	Not sure
July, 1975	54	22	24
April	46	31	23
July, 1974	28	42	30

Nearly 2 in every 10 people openly admitted to the Harris Survey that they had changed their minds on the energy decontrol issue. When asked why they had switched their position, three major reasons were cited:

- "Deregulation will result in more domestic production and eventually bring prices down," said nearly a third of those who changed their minds. A Denver truckdriver said, "Under price controls, we've been producing less and less oil here in the U. S. By letting the price go up, we'll get more production and that will finally bring the price down. Same thing as happened with meat."

- "Now with decontrol, we will encourage rather than discourage exploration for new oil and natural gas," said another third who now favor deregulation.

A young secretary in Rochester, N. Y., said, "It's clear that by keeping controls on the price of oil and gas produced here at home, we are discouraging the oil companies from finding new fuel sources. We ought to try to give them an incentive to see if more oil and natural gas will be produced."

- "By encouraging exploration at home, we can move toward less dependence on Middle East oil," said nearly one in six of the people who shifted their views.

As a businessman in Moline, Ill., commented, "I'm fed up with our being at the mercy of the oil potentates in the Middle East who keep raising prices and then holding back on the oil. If we produce more in this country, we will be able to tell those Arab countries where to go."

The risk acknowleged in deregulation, is that the price of gasoline, home fuel, and other basic energy resources will rise sharply, bring back rising inflation, and abort the promising recovery of the economy. Underlying the Ford decontrol policy is that, as the prices of oil and natural gas rise, there will be a commensurate falloff in the consumption of energy by both the public and industry.

The Harris Survey tested the possibilities of a decline in gasoline consumption if the price of gas were to rise from 10 to 50 cents a gallon over current levels. Families who own cars were asked:

"If the price of gasoline were to go up [read amount] a gallon, would you be likely to use your car as much as you do now, a little less often, a lot less often, or not at all?"

Use car:	10c	20c	30c	40c	50c
	%	%	%	%	%
As much as now	54	35	24	22	22
Little less often	34	32	25	15	11
Lot less often	10	28	41	48	46
Not at all	1	3	8	13	17
Not sure	1	2	2	2	4

Clearly, the survey shows, sizable numbers of Americans believe that they would cut back on the use of their cars if the price of gasoline were to rise further. The higher the rise, the more they would curtail use of their automobiles.

However, survey experience in human behavior dictates counting only those car owners who say they would use their cars "a lot less often" or "not at all" to reveal the magnitude of any cutback in auto use. Following is the likely cut in car use if gasoline prices were to rise.

At price rise of:	
10c a gallon	11
20c a gallon	31
30c a gallon	49
40c a gallon	61
50c a gallon	63

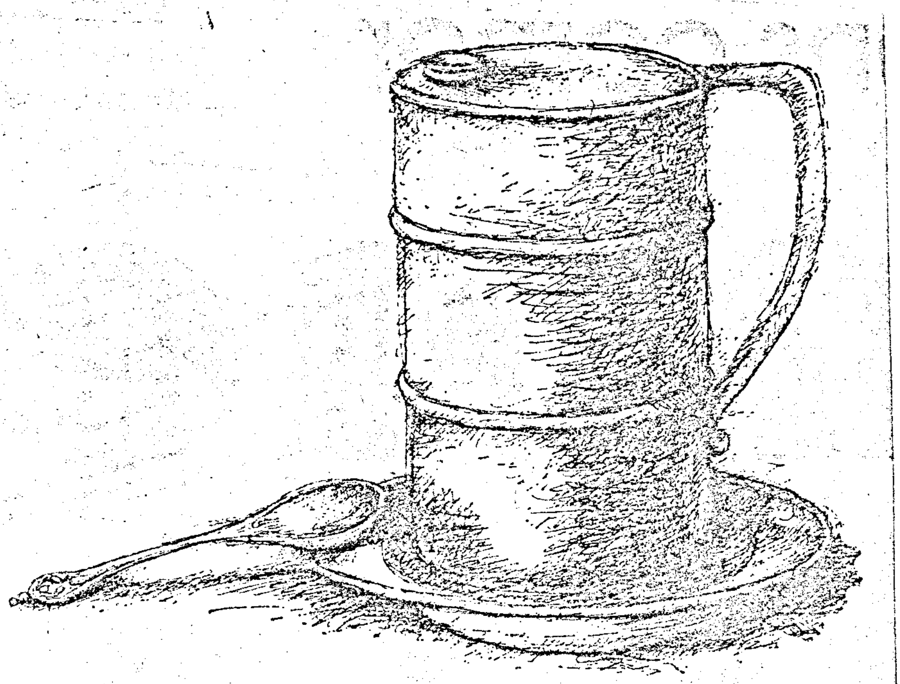
THE BIGGEST cutback would take place when the price of gasoline rose from 10 to 20 cents a gallon over current levels, jumping from 11 to 31 per cent.

Americans now appear to be prepared to allow the price of oil and natural gas to rise by deregulation of domestic production, and they are counting on the price mechanism to curtail consumption sufficiently to cope with the oil shortage.

WASHINGTON POST
August 14, 1975

Joseph Kraft

The Energy Mess



By Geoffrey Moss for The Washington Post

Maybe what President Ford likes to call his energy program isn't just a cozy arrangement for lining the pockets of the big oil companies. But events are giving the horse laugh to any other interpretation.

By the end of the month the big companies will be getting higher revenues without paying increased taxes. They will also be receiving public credit for actions which in fact work to hurt their chief competitors—the independent refiners.

The point of departure for what is emerging is the present law fixing prices on oil produced from wells discovered before 1972. Such so-called "old oil" constitutes about 40 per cent of the amount produced in this country. Its price is now controlled at $5.25 per barrel.

The law controlling oil prices expires on Aug. 31. Just before recessing, the Congress passed a six-month extension. But President Ford said he will veto the extension when it reaches his desk at the end of this month.

If so, producers of old oil could raise their prices to the going rate for all other oil—about $13 per barrel. The increased revenues would go chiefly to the major oil producers, for these big companies own most of the old oil.

Virtually everybody, including both the administration and the congressional Democrats, profess to believe higher oil revenues should be subject to increased taxation. But the Congress has not yet passed an excess profits tax on oil, because the Democrats figured such a move would have made it easier for the President to decontrol oil. So the higher revenues coming to the companies when the controls come off would not be subject to higher taxes.

Moreover, to soften the blow to the consumers, the President and various political allies have been asking the oil companies to hold the price of gasoline steady at the filling station even after controls expire. Particularly instructive in that vein is a letter sent out by four senators known for their connections with the oil lobby and the White House. The senators are John McClellan, Arkansas Democrat, and three Republicans—Paul Fannin of Arizona, Carl Curtis of Nebraska and Clifford Hansen of Wyoming.

In their letter, the four senators urge the oil companies to "exercise every possible pricing restraint during the very critical days that will come after Aug. 31." They indicate such restraint would be "in the highest public interest." They intimate it would not, even if arrived at by collusion, be subject to anti-trust prosecution.

Various signs, including full-page ads calling for price restraint by the Union Oil Co., suggest the big oil companies are going to harken to the senators. It is easy to see why.

If prices are raised at the wellhead but held at the pump, the squeeze will be on the refiners. The biggest companies will not be hurt so badly because they will rake in the extra money coming from decontrol of old oil.

But their only serious competitors, the independent refiners who buy at the wellhead, will be clobbered. So even as they are praised for serving "the highest public interest," the big companies will be chewing up their main competitors.

This giveaway, to make matters worse, does not even achieve the stipulated goal of the President's energy program—reduction of dependence on foreign sources. Nothing is now being done to cut back consumption. Imports are not going down. The less so given the recent court decision outlawing the $2-per-barrel excise fee which the President applied as pressure on Congress to accept his energy program. For President Ford is now apt simply to remove the fee.

All of this is not going to be lost on foreign producers of oil. The message they are bound to get is that the United States is not cutting consumpion and that there is at least a $2-per-barrel margin available for price increases.

What this suggests to me is that the energy program has become an energy mess. The country needs a fresh start. That means accepting the proposition that what may be good for the companies may be bad for America. It means a serious program which identifies large national goals and sets out the means, public and private, for reaching those objectives.

MEETING WITH THE PRESIDENT

8:00 am August 15

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

August 14, 1975

DEPUTY ADMINISTRATOR

MEMORANDUM TO FRANK G. ZARB

FROM: JOHN A. HILL

SUBJECT: President's Jawboning of Oil Companies

A number of the President's advisors have suggested the possibility of having the President jawbone or meet with the oil companies to persuade them to moderate their price activity following decontrol. In my view, this would not be a wise effort.

As explained below, the President should treat this issue in a very low key manner:

- Price increases resulting from decontrol will be gradual, even in the absence of any jawboning efforts. FEA experts and reliable industry sources have concluded that the market will not immediately accept drastic price increases, and that the 3 to 4 cents increase likely to result from decontrol will be spread out over a period of 4 to 6 months. In addition, a number of companies have already publicly stated their intention to exercise price restraint. Although there is some "public interest" motivation behind these statements, they also reflect realistic assessments of what the market will bear.

- Any sustained attempt by the majors to hold down old crude oil prices would not only result in suits by royalty owners, but also work to the disadvantage of small and independent refiners who do not have access to old oil. Efforts by the majors to hold down prices would begin to reduce the market shares of these independents almost immediately and the issue of further concentration or monopolization of the oil industry would become very hot. Presidential involvement in efforts to hold down prices could make the President politically culpable vis-a-vis such a development.

- The independents generally support the President's veto of the Allocation Act. Their support, however, could rapidly dissipate if they believe there is to be a concerted effort to hold down crude or product prices by the Administration and the majors. Since they correctly believe that their ability to remain competitive will depend upon crude prices equalizing fairly rapidly and product prices following them in a reasonable time, we need their support to sustain the veto.

- We have been arguing for six months for the need to increase prices to reduce demand and stimulate production. Jawboning efforts at this point to hold down such price increases could appear as slightly schizophrenic.

- The antitrust implications of jawboning, particularly if connected with possible waivers of certain anti-trust provisions as some have suggested, are significant. The President should not be in a position of raising anti-trust issues, vis-a-vis the oil industry at this time.

- The President should not be placed in a position of asking the majors to do something they are likely to do anyway. There is no need to be beholden to them in the future on this or any other issue.

It may be appropriate at some point to have the President indicate his concern, not with prices, but with market shares and propane diversions. Staff work on this option is now underway.

Attached is a Q&A for the President on the issue of jawboning. He is likely to get such a question in light of the fact that Rod Hills' memorandum was leaked to the press, and the considerable questions we have had on the issue in the past week.

Attachment

JAWBONING OF OIL INDUSTRY

Question:

Mr. President, there has been some information in the press about a possible meeting between you and the heads of the major oil companies. Do you plan to have such a meeting and, if so, what do you intend to say to them? Will you attempt to exhort them to hold prices down?

Answer:

I have no plans for such a meeting. My advisors tell me that market conditions are likely to exert a restraining influence on any major price increases immediately following decontrol. A number of companies have already publicly indicated their intention to take steps to avoid any major dislocations in the market that might result from immediate decontrol. Although there will be some problems of adjustment, they should occur with a minimum of friction without any special jawboning or similar efforts on my part.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

August 14, 1975

DEPUTY ADMINISTRATOR

MEMORANDUM TO FRANK G. ZARB

FROM: JOHN A. HILL

JAH

SUBJECT: President's Jawboning of Oil Companies

A number of the President's advisors have suggested the possibility of having the President jawbone or meet with the oil companies to persuade them to moderate their price activity following decontrol. In my view, this would not be a wise effort.

As explained below, the President should treat this issue in a very low key manner:

- Price increases resulting from decontrol will be gradual, even in the absence of any jawboning efforts. FEA experts and reliable industry sources have concluded that the market will not immediately accept drastic price increases, and that the 3 to 4 cents increase likely to result from decontrol will be spread out over a period of 4 to 6 months. In addition, a number of companies have already publicly stated their intention to exercise price restraint. Although there is some "public interest" motivation behind these statements, they also reflect realistic assessments of what the market will bear.

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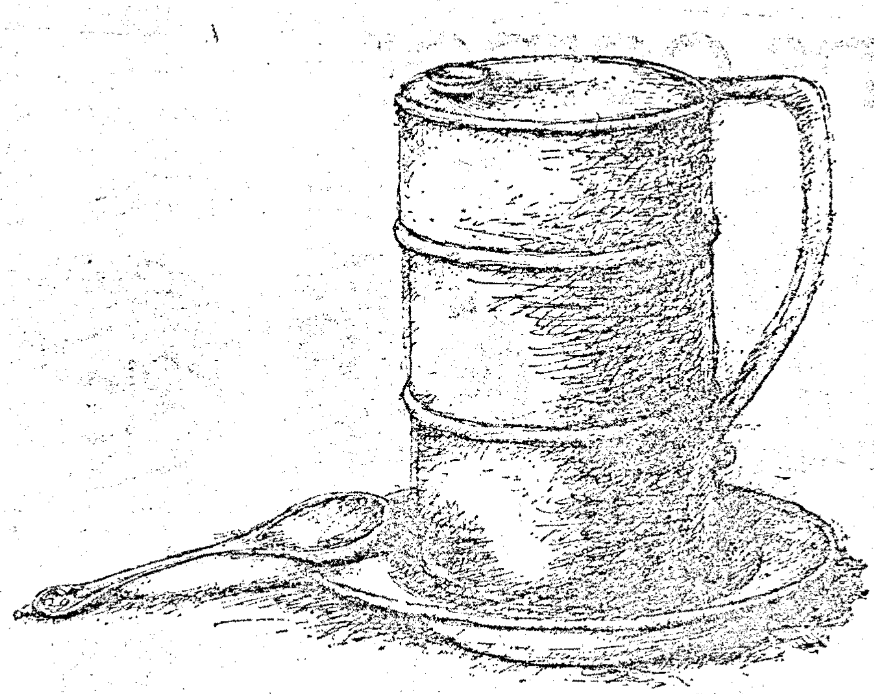
WASHINGTON POST
August 14, 1975

Joseph Kraft

The Energy Mess



By Geoffrey Moss for The Washington Post

Maybe what President Ford likes to call his energy program isn't just a cozy arrangement for lining the pockets of the big oil companies. But events are giving the horse laugh to any other interpretation.

By the end of the month the big companies will be getting higher revenues without paying increased taxes. They will also be receiving public credit for actions which in fact work to hurt their chief competitors—the independent refiners.

The point of departure for what is emerging is the present law fixing prices on oil produced from wells discovered before 1972. Such so-called "old oil" constitutes about 40 per cent of the amount produced in this country. Its price is now controlled at $5.25 per barrel.

The law controlling oil prices expires on Aug. 31. Just before recessing, the Congress passed a six-month extension. But President Ford said he will veto the extension when it reaches his desk at the end of this month.

If so, producers of old oil could raise their prices to the going rate for all other oil—about $13 per barrel. The increased revenues would go chiefly to the major oil producers, for these big companies own most of the old oil.

Virtually everybody, including both the administration and the congressional Democrats, profess to believe higher oil revenues should be subject to increased taxation. But the Congress has not yet passed an excess profits tax on oil, because the Democrats figured such a move would have made it easier for the President to decontrol oil. So the higher revenues coming to the companies when the controls come off would not be subject to higher taxes.

Moreover, to soften the blow to the consumers, the President and various political allies have been asking the oil companies to hold the price of gasoline steady at the filling station even after controls expire. Particularly instructive in that vein is a letter sent out by four senators known for their connections with the oil lobby and the White House. The senators are John McClellan, Arkansas Democrat, and three Republicans—Paul Fannin of Arizona, Carl Curtis of Nebraska and Clifford Hansen of Wyoming.

In their letter, the four senators urge the oil companies to "exercise every possible pricing restraint during the very critical days that will come after Aug. 31." They indicate such restraint would be "in the highest public interest." They intimate it would not, even if arrived at by collusion, be subject to anti-trust prosecution.

Various signs, including full-page ads calling for price restraint by the Union Oil Co., suggest the big oil companies are going to harken to the senators. It is easy to see why.

If prices are raised at the wellhead but held at the pump, the squeeze will be on the refiners. The biggest companies will not be hurt so badly because they will rake in the extra money coming from decontrol of old oil.

But their only serious competitors, the independent refiners who buy at the wellhead, will be clobbered. So even as they are praised for serving "the highest public interest," the big companies will be chewing up their main competitors.

This giveaway, to make matters worse, does not even achieve the stipulated goal of the President's energy program—reduction of dependence on foreign sources. Nothing is now being done to cut back consumption. Imports are not going down. The less so given the recent court decision outlawing the $2-per-barrel excise fee which the President applied as pressure on Congress to accept his energy program. For President Ford is now apt simply to remove the fee.

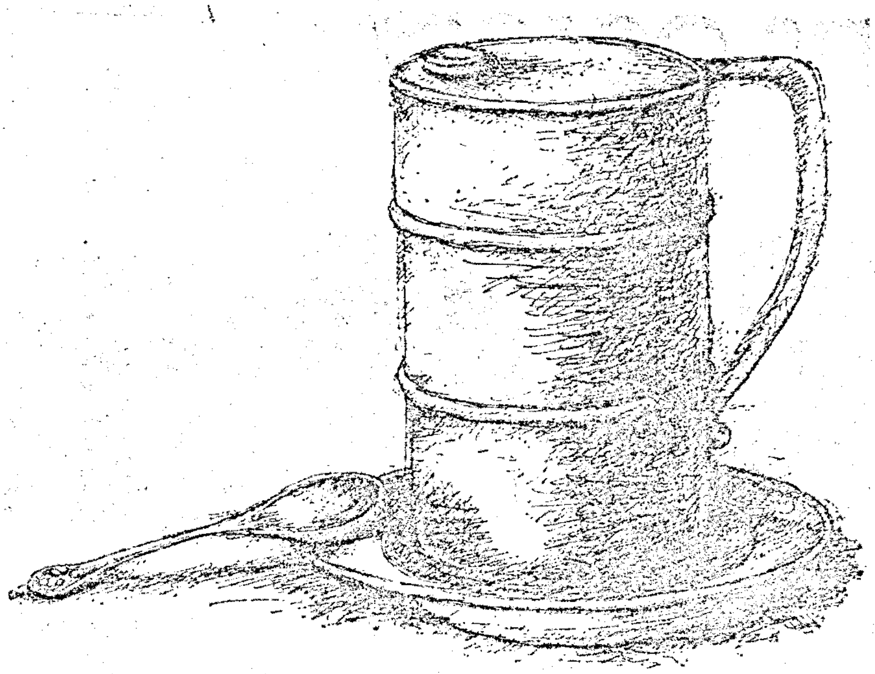
All of this is not going to be lost on foreign producers of oil. The message they are bound to get is that the United States is not cutting consumpion and that there is at least a $2-per-barrel margin available for price increases.

What this suggests to me is that the energy program has become an energy mess. The country needs a fresh start. That means accepting the proposition that what may be good for the companies may be bad for America. It means a serious program which identifies large national goals and sets out the means, public and private, for reaching those objectives.

WASHINGTON POST
August 14, 1975

Joseph Kraft

The Energy Mess



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MIKE MANSFIELD
MONTANA

United States Senate
Office of the Majority Leader
Washington, D.C. 20510

August 29, 1975

The President
The White House
Washington, D.C.

Dear Mr. President:

On August 1, I wrote you expressing my personal view that the national interest could best be served at this time by an extension of oil price restraints beyond the current month. Since that time I have had an opportunity to consider the matter further and am even more firmly convinced of the impending peril to the economy posed by unrestrained across-the-board price increases in petroleum products. I am convinced as well that if given a little time the Executive and Legislative Branches can come to terms with a solution to the energy price problem agreeable to all sides.

It is for these reasons that I again write you to the end that the Nation might avoid the extraordinary position now faced. Neither the Administration nor the Congress seek abrupt and total decontrol. Together, both Branches and both parties have worked diligently to produce a solution to the energy pricing issue. I am frank to say that it has been your effort that has provided the primary impetus to the energy issue and to the need to develop a comprehensive energy policy for the Nation. Because of your effort, much has been done to shape and implement such a policy; more, in fact, in the past six months than ever before in the Nation's history. Before the August adjournment it was clear that we had come close to resolving the only major energy issue remaining to be resolved -- the question of phasing out price controls in the most orderly and non-disruptive manner possible.

On July 15, the Senate passed S-1849, the Emergency Petroleum Allocation Extension Act of 1975, by a vote of 62 to 29 with eight Senators not voting. On July 31, the House of Representatives passed the Senate bill by a vote of 303 to 117 with 14 not voting. Thus, the Congress has overwhelmingly expressed its view with regard to the pressing need for an extension of the Act for a 6-month period. The issue now centers on whether or not there will be a veto of the Act when it is presented for your signature, which brings me directly to the point of major concern.

What I suggest is that simply because the final details of an agreeable pricing policy have not emerged, the Nation should not be made to suffer the consequences of no pricing policy at all as is the case with total decontrol, nor should the efforts to work out the final details of such a policy be abandoned.

I am frank to say that I do not know what will happen come Labor Day with winter close behind, when, barring an extension, all controls will end. There are as many views on this matter as there are "experts." What further confuses the picture is the fact that no one knows what will happen when the OPEC cartel meets three weeks from now to discuss further price increases. What is clear to me, however, in spite of the ifs, ands and buts, is that the consumer will be hurt come September if controls are not extended, that the price of petroleum and all of its by-products will go up, that the prices of other energy sources will go up, that inflation will be rekindled throughout the economy, that the burden of all of this will be borne most by those in our society who can least afford it, that the flickers of economic recovery now indicated could well be snuffed out and that we might expect a return to double-digit inflation, close to double-digit unemployment and a much greater budget deficit than already projected. What is also compelling in these circumstances is that there are absolutely no measures on the books that would serve to mitigate the adverse impact of total decontrol, be they in the form of windfall profits taxes, tax rebates to particularly hard-pressed consumers or protection for small, independent producers who might otherwise be driven out of the marketplace.

In short, the potential perils posed by abrupt and total decontrol are clear enough to me to urge that we in the Congress be permitted to continue to explore with the Executive the possibility of a more orderly and less disruptive approach to the pricing issue. That we have come close to agreement already is encouraging. For the sake of the Nation, I hope we are allowed to continue these negotiations. To them and to their success I stand firmly committed.

Respectfully,

Mike Mansfield

cc: Hon. Carl Albert
Hon. Thomas P. O'Neill, Jr.
Hon. Hugh Scott
Hon. John J. Rhodes
Hon. Robert C. Byrd

THE ENERGY ALLOCATION ACT SHOULD BE EXTENDED

1. The Congress and the Administration can produce a reasonable solution to the oil price question which includes an orderly phase-out of controls and far less disruption to the economy than would occur from total and abrupt decontrol.

2. Total decontrol with the ripple effect means a return to double-digit inflation with higher costs for food, gasoline, clothing, air transportation, medical costs, home heating oil, etc.

3. Total decontrol means a return to 9 percent unemployment and, very likely, double digits.

4. Total decontrol means a budget deficit even larger than now projected.

5. Total decontrol falls hardest on the poor, the unemployed -- those least able to bear the burden.

6. There are no mitigating measures

- no windfall profits taxes
- no tax cuts or rebates
- no competitive protections for small, independent producers who will be driven out of the market.

7. OPEC intends to raise prices - it meets September 23 - thus creating even greater disruption to the economy.

Note: For details see "No. II"

THE NATIONAL INTEREST WOULD BEST BE SERVED BY EXTENDING THE EMERGENCY PETROLEUM ALLOCATION ACT

1. Virtually all economists agree that if the Petroleum Allocation Act is not extended, it means chaos and disruption to the economy.

   (a) Even without the $2 per barrel tariff on imported oil, oil decontrol will directly inflate oil prices by $13 billion annually.

   (b) The multiplier and ripple effect could cause between $20 and $30 billion in inflationary impact on the economy.

   (c) The stimulus of the tax cut would be wiped out.

   (d) It will drain consumer spending power for all other goods and services and will badly hurt economic recovery.

   As Examples: The costs of propane, of fertilizers, of air transportation, of auto transportation, of synthetic fibers will all increase.

2. OPEC is scheduled to meet September 23 to discuss increases.

   (a) A $1.50 per barrel OPEC increase will add another $8 to $10 billion annually to inflation - further increasing the costs of all goods and services dependent upon petroleum and its by-products.

   (b) Domestic decontrol of oil prices signals OPEC that high prices are o.k. Decontrolling domestic prices and removal of the tariff provides OPEC with an opportunity to increase their prices by $2 and claim they are not increasing the total price for the United States consumers.

   (c) In the absence of domestic controls, any increase posted by

OPEC may be quickly followed by increases in domestic prices as well. Veto of the Petroleum Allocation Act removes the FEA's authority to establish domestic oil prices and effectively substitutes OPEC price control over domestic energy.

(d) Steeply higher petroleum prices will reduce the demand for all other goods and services. As a consequence, the impact on employment has been estimated to be a loss of up to 500,000 jobs. The transportation industry, food producers, medical services, universities that can't pass on costs, and many other sectors will be especially hard hit.

3. Winter is approaching. The loss of petroleum allocation authority will severely impact the nation this winter.

(a) With the expiration of allocation authority, controls over propane will lapse. Propane prices to farmers and rural residents will steeply rise and supplies of propane will be very tight to household consumers. Without allocation, utilities and large industrial users that are experiencing natural gas curtailments will monopolize available supplies.

(b) With projected shortages of natural gas, it is imperative to have a petroleum allocation program in place to assure that alternative fuel supplies are made available to curtailed gas customers. This will help minimize the number of plant closings due to fuel shortages.

(c) The availability of oil products to sparsely settled sections of the country will be endangered in the absence of a mandatory petroleum allocation program.

(d) In the event of a severe winter, or in case of a future oil embargo, it is essential that the machinery for allocating petroleum products be continually in place.

4. There are no measures on the books that would mitigate the adverse impact of total/abrupt decontrol.

(a) Congress has not passed windfall profits taxes.

(b) Congress has not passed further tax cuts to alleviate the consumer's burden.

(c) There are no protections for small independent producers.

5. The termination of the Emergency Petroleum Allocation Act threatens to severely reduce competition in the petroleum industry.

(a) Elimination of controls will mean that many independent refiners will be squeezed out of business because major integrated petroleum companies will have access to much lower cost crude oil. The old oil will not go up in cost to the integrated producer, but only to the independent purchasers.

(b) Elimination of controls will mean the independent service station operators will be further squeezed out of business because of the cost and supply advantages that will accrue to the major integrated petroleum companies.

6. There is already evidence of the damage to the economy of decontrol.

(a) Many petroleum companies have already substantially increased their prices in recent months by passing through costs.

(b) This has created much greater public hostility to even further price increases.

(c) The most recent reports on inflation indicate that food and fuel prices are again causing rapid inflation throughout the economy. To prevent this cycle from getting out of hand, it is imperative that oil prices be controlled.

(d) Even the petroleum industry no longer speaks with one voice. The Mobil Oil Corporation, in a letter to the members of the Senate dated August 22, 1975, calls for phased decontrol of oil prices over an extended period of time and indicates that immediate decontrol as would occur with the expiration of the Emergency Petroleum Allocation Act "might cause a shock to America's fragile economic recovery."

(e) Arthur Burns has indicated that oil price decontrol may result in a 2-percent increase in inflation, substantially more than the Administration's estimate. All of these factors may shift the balance in favor of overriding the President's veto.

7. A veto will hurt the chances for enacting a national energy program. A veto at this time means a total commitment to sky-high prices by the President. Signing the bill provides the opportunity for a compromise (simply because it is only a six-month extension). The House is currently considering H.R. 7014, which is scheduled to be completed on an urgent basis. To that measure can be added the product of any compromise worked out between the Congress and the Administration.

SETTLING THE OIL PRICE ISSUE WITH A PROGRAM OF GRADUAL DECONTROL IS POSSIBLE. IT COULD BE ENACTED WITHIN 30 DAYS.

I. Only a short time is needed to settle the decontrol issue.

The House voted 228 to 189 on the President's proposal to phase out controls over a 39-month period. A needed switch of 20 members indicates that the two branches are coming closer to settling the oil price issue. In the national interest this effort must be continued to avoid the economic disruption of total and abrupt decontrol and to prevent the OPEC cartel from setting oil price policy for the nation. A phase-out over what period of time and to what price lid are issues that can be resolved.

It is reasonable to propose that the matter can be settled within 30 days. But time is needed.

If signed into law and not vetoed, S. 1849 would provide the time. It would extend current controls for six months. Six months may be too long. But the two Houses could act on a measure for an orderly, less-disruptive phase-out well within the next 30 days. When it returns on Wednesday, the House will have under consideration H.R. 7014, the energy bill to which a phase-out program could be added. For its part, the Senate could consider a phase-out proposal well within the next 30 days and the Leadership is willing to commit the Senate to that undertaking.

The alternative of veto (unless overridden) provides no time for cooperation and compromise. This alternative moves the nation into total and abrupt decontrol on Labor Day. OPEC meets in three weeks and oil prices then and thereafter would be dictated by the OPEC cartel. In 30 days, Congress and the Executive together can settle on an oil price policy for American consumers. The veto alternative would vest the OPEC cartel with this power.

II. Time is needed to act on other essential measures related to decontrol.

Gradual decontrol is part of a comprehensive program requiring other legislative action. Time is required to enact these proposals needed to offset the adversity of decontrol.

Only if S. 1849 is not vetoed would Congress have the time -- the opportunity to enact other essential elements of the President's program which complement decontrol and provide protection for consumers and the economy.

These include windfall profits taxes, tax rebates/cuts and the preservation of competition (protection for small, independent producers from predatory practices by large companies).

None of these measures are now on the books. They too could be considered and disposed of within 30 days.

THE WHITE HOUSE

WASHINGTON

August 29, 1975

The Honorable Mike Mansfield
Minority Leader
United States Senate
Washington, D. C.

The Honorable Carl Albert
Speaker of the House
House of Representatives
Washington, D. C.

Dear Senator Mansfield and Speaker Albert:

SUBJECT: Summary of our discussions with the President earlier today concerning oil decontrol

The following, I believe, represents a fair summary of our discussion with the President:

1) The President would not veto a 30-day extension of the Emergency Petroleum Allocation Act (Messrs. Mansfield and Albert suggested 45 days) if he is confident that the Congress will act favorably on a "phase-out" decontrol program.

2) The details of the compromise phase-out program would be as follows:

   a. Decontrol would take place over a 39-month period, at a monthly rate of; 1 1/2 percent first year, 2 1/2 percent second year, 3 1/2 percent last fifteen months. This program would not increase prices during the first year.

   b. A ceiling of $11.50 will be placed on new and released oil escalating at the rate of 5¢ per barrel per month during the 39-month period.

   c. Price control and allocation authorities required to support this program would be enacted for the 39-month period. An appropriate windfall tax program with plow back and consumer rebate provisions would also be enacted.

d. The 60¢ per barrel fee on imported products would be withdrawn by the President.

3) It was agreed that this compromise does not affect the President's authority to retain the existing $2 per barrel import fee on crude oil.

4) The President has indicated that he will veto the six-month extension, but withhold the actual veto message until after Thursday, September 4, 1975.

It is clear that it would be in the best interest to clarify whether or not this compromise will be accepted by the Congress at the earliest possible date.

Sincerely,

Frank G. Zarb
Frank G. Zarb, Administrator
Federal Energy Administration

FGZ:cb

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THE WHITE HOUSE

WASHINGTON

August 30, 1975

MEMORANDUM FOR: FRANK ZARB

FROM: MIKE DUVAL Mike

SUBJECT: Face the Nation

You may wish to make the following points:

. President doesn't want to raise prices. Problem is Nation's security. Must avoid economic disaster. Choices are: (1) surrender to OPEC, (2) bureaucrats control us all and higher taxes, or (3) higher prices and rebates.

. President doesn't want political confrontation. He wants a solution -- compromise based on principle.

. Every U.S. family is paying a $400 yearly subsidy to the foreign oil cartel.

. The country can solve this problem but the choice is not easy: pay the near-term cost or run up the white flag.

Here is a summary of the Q & A's we identifed this morning:

Q- What is the Mansfield compromise?

A- I know, but he must reveal. Basically the President's 39-month compromise plan.

Q- Why compromise now since rejected before?

A- President wants solution -- not confrontation. Some Congressmen have said their constituents want tough energy plan. Harris poll.

Q- Governor Shapp says the oil and gas shortages are contrived. Are they?

A- It would be nice if true because then a painless "solution" would work. Facts simply don't support this fiction. Problem with oil is the foreign cartel and U.S. price controls. Problem with gas is the federal price controls. Use Senator Long's "eggs" story.

Q- Will import fees stay on?

A- Until decontrol, yes for $2 and no for .60¢. This is our only weapon against foreign control. Hit security argument.

Q- Oil companies don't need more profits?

A- President's plan isn't designed to give them more profits. It forces conservation and, through a very strict windfall profits tax, provides funds exclusively to increase domestic production. Remember, the President has been trying to get Congress to pass an "anti-oil company profits" bill since January.

Q- Why not roll prices back to $7.50?

A- No domestic production. This is a 1973 estimate. Since then: inflation up 30%, depletion eliminated, and new estimates on cost of producing high cost/risk oil.

Q- What if Arab-Israel settlement?

A- Of course, we all support the President's efforts to bring peace to the Middle East. But peace won't bring lower oil prices and peace won't weaken the cartel. The President's diplomatic plan will bring peace. The President's energy plan will keep American dollars and jobs in America.

Q- Isn't ERFCO the answer:

A- President's State of the Union Address did contain long-range proposals including R & D and steps to help finance and protect U.S. energy development. The President is considering additional proposals. However, there is still a need to solve today's problem.

Q- Are you squeezing out independents (Kraft article)?

A- No problem if phased-decontrol. If not, will help by windfall profits tax.

Q- Propane?

A- OK under phased-decontrol. If immediate decontrol, will get legislation to protect propane-users, especially farmers.

Q- What happens if the Supreme Court eliminates the import fees and Congress overturns the President's veto of the oil price control extension?

A- Surrender.

Remember, smile and look into the camera with those sexy blue eyes!

cc: Ron Nessen

Statement By the President

I am today signing H.R. 9524, ~~temporarily~~ extending to Nov. 15 the Emergency Petroleum Allocation Act of 1971, which expired on August 31. ~~until November 15, 1975.~~

This additional extension of ~~price~~ controls on domestic petroleum for ~~another~~ 47 days carries out my part of an understanding with the leaders of the House and Senate, and will provide more time for the Congress to act on a sound and mutually acceptable plan for phased decontrol or, alternatively, to pass the emergency legislation necessary to cushion the effect of immediate decontrol on certain ~~key~~ elements of our domestic economy.

Last week's decision by the OPEC foreign oil cartel to raise their prices to American consumers by 10 percent proves beyond any further argument the urgent need for the United States to reduce its growing dependence on imported fuel at prices arbitrarily set by others.

(MORE)

Since my State of the Union message last January, I have been constantly urging the Congress to move rapidly on a comprehensive energy independence program for this country's future security and prosperity. I have offered to compromise again and again. ~~The~~ A majority of the Members of this Congress, thus far, have ~~still~~ refused to do anything that will increase domestic energy production.

Price controls on domestic oil production have been in effect for four years. During ~~which~~ that time our domestic oil production has declined and our expenditures for foreign oil have increased more than 700%.

We are now sending more than $25 billion a year out of the United States to import foreign oil, enrich foreign producers, and provide foreign jobs. This dollar outflow will ~~increase~~ grow larger under the ~~new~~ latest OPEC price hike. If spent at home, $25 billion would employ one million American workers and speed our economic ~~recovery~~ growth. Letting the OPEC oil cartel ~~finance~~ dictate America's economic growth is ~~[illegible]~~

absurd ~~absurdity~~. Yet a majority in the Congress does nothing to reverse our growing oil dependence and increasing vulnerability to this obvious threat.

When the price of gasoline goes up at the service station, I want the American people to know exactly where the blame lies. Until Congress acts, there is nothing this country can do about arbitrary OPEC price hikes -- and there may be still another fuel price increase ~~one~~ next June.

The rhetoric of those in Congress who are delaying action on long-range energy independence asserts that they are trying to hold fuel prices down to protect the American consumer. This is nonsense. Obviously, the Congress cannot hold OPEC oil prices down. They are going up. ~~And~~ we are already dependent on foreign oil for about 40% of our total needs. The only way Congress can really protect the American consumer is to enact a long-range energy program that ~~will~~ encourage~~s~~ Americans to produce our own energy with our own workers from our own resources at our own prices.

By going along with this temporary extension of th~~e~~s expired [redacted] controls law, I am giving Congress another 47 days to take its first significant step in solving our energy problem. The Congress has two immediate choices: (1) to enact a mutually-acceptable plan for phased decontrol of domestic price controls on crude oil; or (2) to pass the ~~cushion~~ cushioning legislation I have recommended:

I propose -- to protect propane gas users, including farmers and millions of people who live in rural areas and in mobile homes;

I propose -- to protect independent retail service station and heating oil dealers from arbitrary curtailment and cutoffs;

I propose -- to protect independent refiners from loss of their supplies of crude oil at reasonable prices;

I propose -- and to protect all consumers from undue loss of purchasing power through a windfall profits tax on domestic oil companies with a consumer refund provision.

Congressmen and Senators
your

If ~~this Congress~~ cannot take one or the other of these common-sense courses before November 15, then a majority

have failed

in Congress will ~~fail~~ their responsibility to the American people. I am serving notice as I sign this temporary extension that a majority in Congress has already temporized too long. If the latest OPEC price increase hasn't awakened them

an aroused

to the peril our country faces, only ~~an aroused~~ citizenry will.

The

~~A majority of this~~ Congress must face up to the hard

which

decisions ~~that~~ will restore America's energy independence, reinvigorate America's economy and save American jobs before

Congress has ~~they have~~ failed thus far.

it is too late. I stand ready to cooperate fully ~~with the leaders of the Congress~~ to make this long-overdue start in the right direction.