The original documents are located in Box 9, folder "Energy - General (2)" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

MIKE MANSFIELD
MONTANA

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

August 1, 1975

The President
The White House
Washington, D.C.

Dear Mr. President:

As we enter the statutory August adjournment, an assessment of national energy policy is essential. During the past six (6) months, the federal government has attempted to overcome 40 years of inattention by giving the highest priority to the development of a national energy policy. You have provided great focus and stimulus to these efforts. I personally have never witnessed a more intensive undertaking by any Congress and I believe these efforts by so many have been most productive. However, there remain certain aspects of the comprehensive program that have yet to be resolved. Among these are pricing aspects with regard to domestic oil. I believe, however, that even this difficult determination will soon be achieved. This is particularly so in view of the fact that on so many energy policy issues there has been substantial cooperation and accord between the Congress and the Administration.

We have all become more informed on the details of the energy problem and especially on how energy decisions precipitate economic consequences. I, myself, have advocated a policy of gradual removal of controls and I believe the development of such a policy will evolve as the legislative process is permitted to work its will. Over what period and to what price are questions that can be answered in a legislative forum.

As you know, in the last several days, many of us here in the Congress have been meeting with Mr. Greenspan, Mr. Zarb and others within the Administration to the end that a mutually agreeable solution along these lines would emerge. My impression is that we have come close -- very close -- to arriving at a satisfactory answer; one that all sides could live with and one that would demonstrate to the American people that their government -- both branches, both houses of Congress and both parties -- is working in harmony to resolve this most difficult issue. As close as we have come, however, time did not permit the solution to emerge. As a result, we are left in an extraordinary position.

Without restraint, oil price increases could seriously damage the economy at a time when some hopeful signs are beginning to develop in certain sectors. Without restraint, oil price increases would provide profit rewards of inordinate and unconscionable dimensions and at the cruel expense of those of our citizens least able to afford enormous price increases. No single economist, in or out of government, welcomes the all-at-once spectre of unrestrained oil prices with unrestrained impact on the American consumer. That the final details of an agreeable pricing formula have not been worked out, however, does not mean that, at least for the interim, we should not seek together to prevent what all agree would be the disasterous consequences brought on by the full economic impact of abrupt decontrol and no restraining or mitigating levers at all, be they aimed at equitable allocations, prices or profits or offsetting rebates. If allowed to happen, in my judgment, the damage occasioned would not and could not be rectified.

To avoid such an occurrence is the reason I write this letter. It is to provide you with my thoughts on this issue which I view with the greatest degree of concern. It is to advise you that in my judgment the opportunity exists to enact a sensible oil price policy; one perhaps that will not give all sides everything they seek, but one which does not leave the Nation with the worst of all possible worlds -- as is the situation we face if the Emergency Allocation Act is not extended. In my judgment, an extension of the Allocation Act would avoid for the Nation the "worst of all" options. I am confident that you will provide the leadership that will permit the constructive process of the past six months to continue.

Sincerely,

Mike Mansfield

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

P.S. I believe the added time will permit the completion of a truly national policy on energy worked out between the branches. We have come a long way since January, both on energy and economic recovery.

M.M.

THE WHITE HOUSE

WASHINGTON

August 8, 1975

MEMORANDUM FOR: RON NESSEN

FROM: WARREN RUSTAND WSR

SUBJECT: White House Conference on Energy Conservation

I would appreciate your comments and recommendation on the proposed White House Conference on Energy Conservation and the President's participation in this event. Attached is a memorandum outlining the Conference.

I would appreciate receiving your comments as soon as possible. Thank you.

COMMENTS

THE WHITE HOUSE

WASHINGTON

July 10, 1975

MEMORANDUM FOR THE PRESIDENT

THRU: JACK MARSH

FROM: WILLIAM J. BAROODY, JR. B

SUBJECT: WHITE HOUSE CONFERENCE ON ENERGY CONSERVATION

PROPOSAL: That a White House Conference on Energy Conservation be held in Washington in early September, 1975, and that you personally participate as fully as your schedule will permit.

PURPOSE: To focus national attention on the need for citizens to conserve energy, voluntarily; to provide Presidential leadership; to elevate voluntary energy conservation above the legislative battle; to provide a potential launching pad for an ongoing community-based citizens energy conservation program.

BACKGROUND: Although there is no disagreement between the Congress and the Administration on the need to reduce our wasteful consumption of energy, the concentration on legislative and/or executive actions to achieve that end has overshadowed the need for citizens and industry to take voluntary steps to manage their energy consumption more efficiently.

There is an abundance of Federal programs, aimed at persuading the public to conserve energy. No less than twelve Federal agencies and/or departments are conducting advertising campaigns, distributing publications, providing speakers, holding seminars and workshops, etc. By and large, these fragmented appeals have not succeeded in impressing the public: recent public opinion surveys conducted by FEA indicate that energy conservation is considered a pressing problem by only 12% of the people. Only 37% believe there is a serious energy problem.

This proposal seeks to gather together all the Federal programs, and the multitude of energy conservation programs underway in the private sector, and present them to the public under your leadership.

PLAN: For this one- or two-day Conference, you may wish to involve the Congress as co-sponsor. The Conference is timed to coincide with the re-convening of Congress following the August recess.

The general plan is to invite approximately 1,000 leaders who are or should be deeply involved with energy conservation, to present the facts of the energy situation, and to discuss ways and means of reducing energy waste in industry, commerce, transportation and the home. As in the regional White House Conferences, the emphasis will be on dialogue between government and the people. Presentations, panel discussions and audience interaction will be utilized.

RECOMMENDATIONS: That you authorize the Office of Public Liaison to implement, with the appropriate White House and Cabinet offices, these actions:

	APPROVE	DISAPPROVE
1. Announce Conference & date		
2. Announce your participation		
3. Obtain Congress' co-sponsorship		
4. Assemble invitation list & issue invitations		
5. Obtain funding & staff support for Conference from appropriate Departments and Agencies		

Highlight Report
Volume XV

Prepared for
THE FEA OFFICE OF
ENERGY CONSERVATION
AND ENVIRONMENT

Energy/Conservation *October, 1975*

How The Public Views...

• The Nation's Dependence On Oil Imports
• A Possible Natural Gas Shortage This Winter
• The Overall Need To Save Energy

The attitudes expressed in this study are especially significant in view of the recent meeting in Vienna of the Organization of Petroleum Exporting Countries (OPEC), as well as efforts in Washington to reach a compromise on the decontrol of the price of oil and natural gas.

Public opposition to increased dependence on foreign oil is growing. So is the fear of a natural gas shortage this winter. People at all levels of society display a high degree of concern over the need to save energy.

The general implication is that the public seems not only ready, whether it likes it or not, to accept the fact that the era of cheap energy is over, but also recognizes the proposition that consumption of foreign oil needs to be reduced and domestic resources developed.

The big question is whether or not leaders in both the public and private sectors will make the hard choices necessary for the nation as a whole to deal with the reality of the current energy situation, both at home and abroad.

The need to conserve energy is recognized by an overwhelming majority of the American public.

In fact, on balance, most segments of the population consider the need to save energy very serious.

ATTITUDES TOWARD THE NEED TO SAVE ENERGY[1]

Latest Survey	Not Serious At All	Somewhat Serious	Very Serious	
Total Public	10%	39%	49%	88%
By Sex				
Men	13%	38%	46%	84%
Women	7%	40%	52%	92%
By Age				
18-29	8%	45%	46%	91%
30-49	12%	40%	47%	87%
50 and over	11%	34%	51%	85%
By Education				
Less than high school complete	11%	35%	49%	84%
High school complete	11%	43%	45%	88%
Some college	6%	39%	54%	93%
By Family Income				
Under $10,000	11%	34%	51%	85%
$10,000-$15,000	11%	48%	40%	88%
Over $15,000	7%	42%	50%	92%
By Race				
White	10%	41%	47%	88%
Nonwhite	11%	29%	58%	87%
By Party Preference				
Democrat/Lean Democrat	9%	41%	50%	91%
Republican/Lean Republican	10%	40%	46%	86%
Independent	10%	39%	47%	86%
By Occupation				
White collar	9%	43%	46%	89%
Blue collar	14%	40%	43%	83%
Not employed	9%	34%	54%	88%
By Region				
East	8%	37%	50%	87%
Midwest	13%	46%	41%	87%
South	9%	38%	50%	88%
West	9%	34%	56%	90%
Environmental Activists	12%	31%	56%	87%

"No opinion" omitted

[1]"From what have you heard or read, how serious would you say the need is to save energy—would you say it is very serious, somewhat serious, or not serious at all?"

What is more, almost half of the public believe that it is just as important now to save energy as it was a year ago. In fact, a substantial number think that the need to save energy is even greater today.

Without pinpointing any single factor, those who believe that the need to save energy has increased (38%) give many reasons for their opinion, ranging from inflation, to increased consumption, to wasteful usage, to international politics, to lack of overall action.

THE NEED TO SAVE ENERGY TODAY VS. A YEAR AGO[1]

Latest Survey	Decreased	Remained The Same	Increased	
Total Public	8%	49%	38%	87%
By Sex				
Men	8%	51%	35%	86%
Women	7%	48%	40%	88%
By Age				
18-29	10%	42%	47%	89%
30-49	6%	56%	33%	89%
50 and over	8%	49%	34%	83%
By Education				
Less than high school complete	7%	50%	32%	82%
High school complete	9%	47%	42%	89%
Some college	7%	51%	39%	90%
By Family Income				
Under $10,000	6%	45%	41%	86%
$10,000-$15,000	11%	55%	32%	87%
Over $15,000	8%	55%	35%	90%
By Race				
White	7%	51%	36%	87%
Nonwhite	9%	35%	54%	89%
By Party Preference				
Democrat/Lean Democrat	10%	49%	36%	85%
Republican/Lean Republican	6%	53%	34%	87%
Independent	5%	48%	44%	92%
By Occupation				
White collar	10%	48%	40%	88%
Blue collar	8%	51%	35%	86%
Not employed	6%	50%	37%	87%
By Region				
East	6%	47%	40%	87%
Midwest	9%	52%	35%	87%
South	7%	48%	39%	87%
West	9%	50%	38%	88%
Environmental Activists	11%	49%	38%	87%

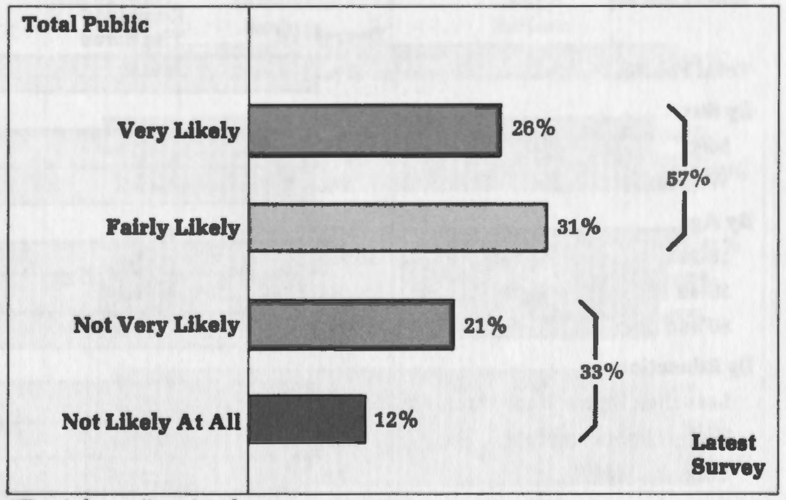
"Don't know" omitted

[1]"Compared to what it was a year ago, would you say the need to save energy has increased, decreased, or remained about the same?"

The likelihood of another oil embargo is considered a distinct possibility by a majority of the public. All segments of the population share this attitude, with very few (12%) discounting the possibility of another cutoff of oil imports.

LIKELIHOOD OF AN OIL EMBARGO

"In 1973 the oil-exporting countries cut off oil to the U.S. How likely would you say it is that the oil-exporting countries will again cut off oil to the U.S. sometime within the next 12 months—would you say very likely, fairly likely, not very likely, or not likely at all?"

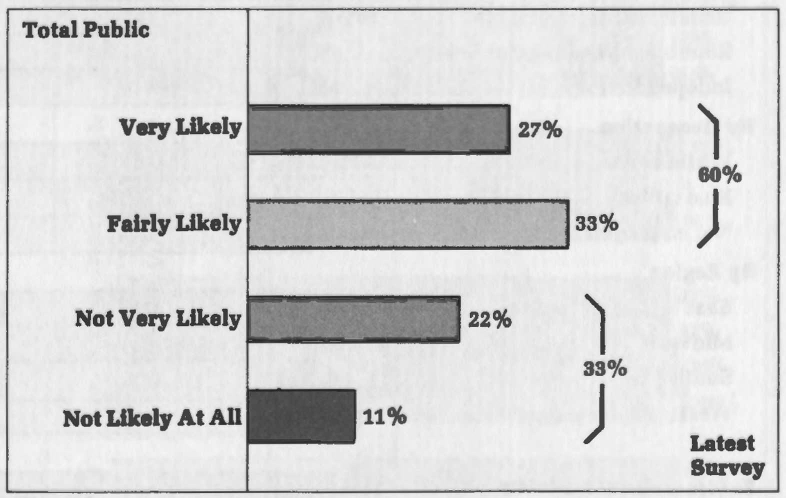


"Don't know" omitted

A similar proportion also believe that another oil embargo would lead to long gasoline lines—a view shared almost equally by people in all parts of the country.

LIKELIHOOD OF LONG GASOLINE LINES

"At the time that the oil-exporting countries cut off oil to the U.S. there were long gasoline lines. How likely would you say it is that this could happen again within the next 12 months—would you say very likely, fairly likely, not very likely, or not likely at all?"



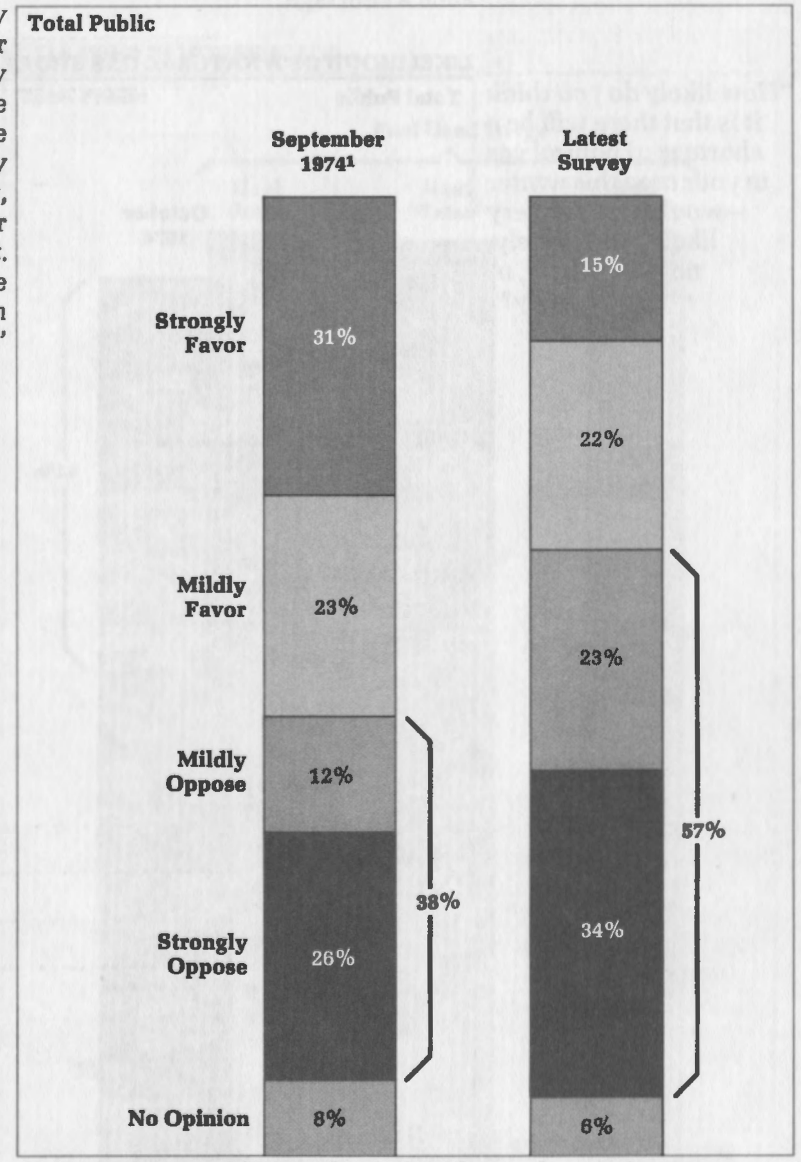
"Don't know" omitted

Overall, a majority of people now oppose increased dependence on foreign oil—a dramatic change in attitudes from a year ago.

This view is shared almost equally by those of all political persuasions, whether Democrats, Republicans, or Independents, and by people in all parts of the country.

OPPOSITION TO INCREASING OIL IMPORTS FROM FOREIGN COUNTRIES

"There have been many suggestions made for improving the energy situation. As I read these suggestions, please tell me if you strongly favor it, mildly favor it, mildly oppose it, or strongly oppose it. . . . More oil should be imported from foreign countries."



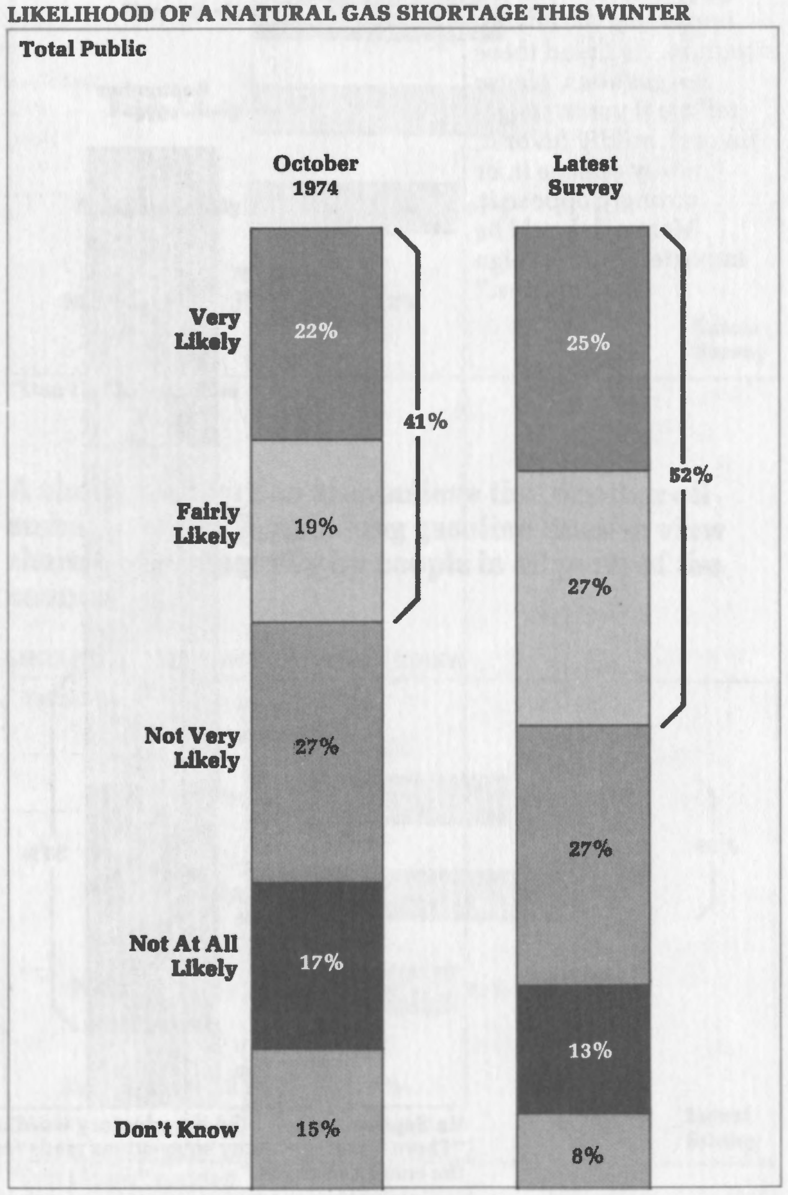
[1]In September, 1974, the introductory wording to the question was, "There have been many suggestions made for solving or at least lessening the energy shortage."

Attitudes toward the possibility of a natural gas shortage have changed so that now a majority of the public believe there is a likelihood of such a shortage this winter.

Majorities of people in all parts of the country, except the West, anticipate a shortage in their area. About half the residents in all types of localities—rural, small towns, suburbs, and cities alike—also foresee the possibility of such a shortage.

LIKELIHOOD OF A NATURAL GAS SHORTAGE THIS WINTER

"How likely do you think it is that there will be a shortage of natural gas in your area this winter —would you say very likely, fairly likely, not very likely, or not at all likely?"

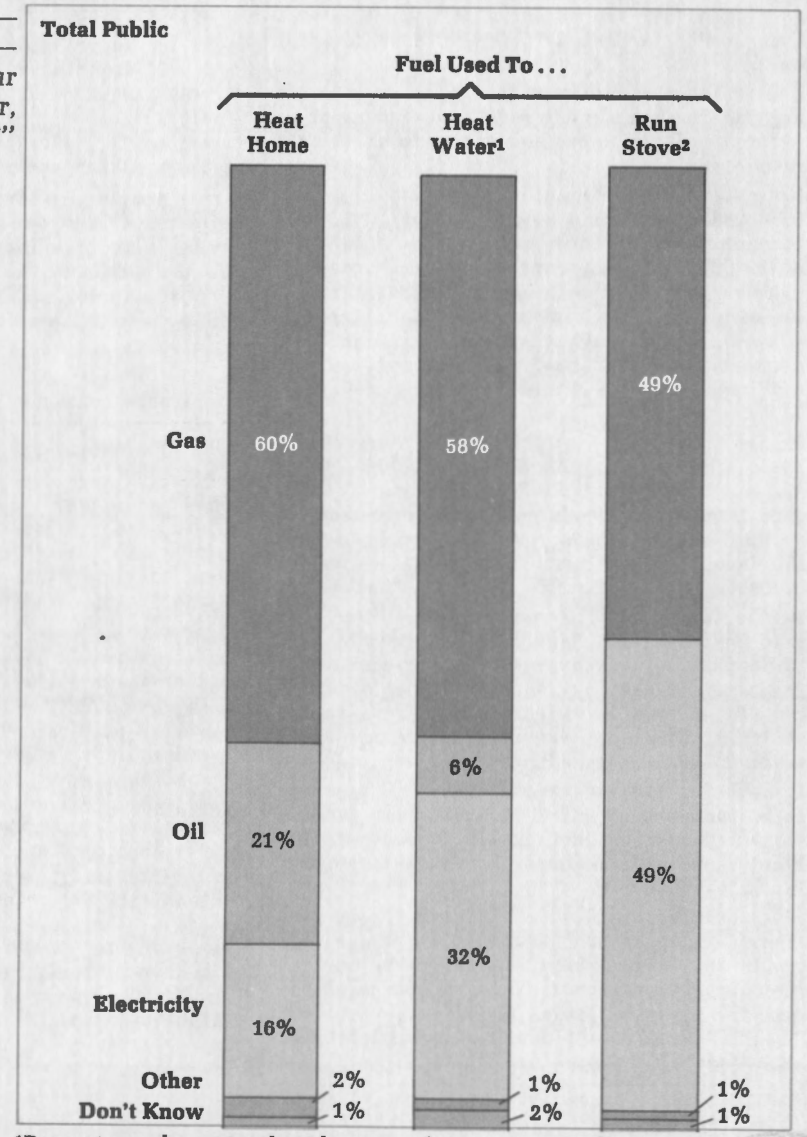


The fear of such a shortage is significant since natural gas is the fuel most widely used in the home, according to the testimony of the public itself.

What is more, homes in all parts of the country are highly dependent on gas for one use or another. For example, 46% of those in the East say they use gas for home heating, with even more people reporting such use in other parts of the country: 74% in the Midwest; 52% in the South; and 70% in the West.

FUELS USED IN HOUSEHOLDS

"Which of these— gas, oil, or electricity— is used to . . . heat your home, heat your water, run your stove?"



[1]Percentages do not total 100 because of computer rounding.

[2]Less than one-half percent use oil to run the stove.

Implications For Management

Attitudes revealed in this study and other ORC energy research indicate that the public seems ready to recognize and accept the fact that the energy shortage is real and that the era of cheap energy is over.

As data on pages two and three indicate, the overwhelming majority of people not only acknowledge the need to save energy but also say that doing so is even more important than it was a year ago. Moreover, almost half (49%) of the public also think that this need will extend far into the future.

What is more, attitudes have changed significantly in regard to whether the energy situation is real or contrived. A year ago the public was divided over the issue: 32% believed the energy shortage to be real; 37% believed it to be contrived; 25% felt it to be some of both. By the middle of 1975, the bulk of Americans (45%) had concluded that the situation is real; 32% still thought it contrived; 17% felt it to be some of both.

The public also indicates that it firmly believes that the time has come to reduce our consumption of foreign oil and to produce energy from our own resources.

Note the sharp shift in opinion (page 5) in regard to increasing oil imports—with some degree of opposition to imports now expressed by a majority of the public. Equally important, Americans seem to recognize that the threat of the Organization of Petroleum Exporting Countries (OPEC) is not going to go away. What is more, the majority of people believe that another oil embargo, such as that imposed by the Arabs in 1973, is a real possibility.

On the other hand, the public, by large majorities, has continued to support further offshore drilling and the development of more nuclear power facilities. In fact, attitudes in this regard have changed very little over the past year, with people backing the development of not just one but a variety of domestic energy sources.

At the same time, the public has indicated that it is far from ready to support the development of domestic energy sources at the expense of the environment. However, the public also seems to have little doubt that a reasonable balance can be struck by which we can meet our energy needs without seriously endangering the environment.

Considering its views overall, the public seems to to be far ahead of many of its leaders, such as some key members of Congress, in accepting the blunt fact that there simply is no easy way out of the energy dilemma.

Since ORC began measuring attitudes toward the energy situation in depth, we have found that people as a whole blame themselves as much as the Administration or the Congress for failure to take the necessary steps to solve the problem. The public readily admits to its own wastefulness. The public also knows and expects that energy will cost more, whether it is gasoline or electricity. People don't like the idea of higher prices for energy. But they expect the costs to go up. And the majority expect the price of oil and gas to have either a fair amount or great deal of impact on inflation.

Also, the public appears more in a mood than many of its leaders may suspect to accept the deregulation of oil prices if it will encourage U.S. production. For example, 55% of the public have said in the past six months that they favored such a proposition.

The public, however, has indicated that it wants the Administration and Congress to put a lid on any "windfall profits" or special advantages for energy companies that might come about because of deregulation of prices. As we have said before, people also might more readily accept more stringent controls over their own use of energy if they are assured that no one will profit from someone else's sacrifice.

Views on deregulation of prices of natural gas have been much more mixed. In June, only 35% of the public favored the idea, while 46% were opposed. However, growing concern over a natural gas shortage this winter (see page six of this report) could well lead to changes in this attitude.

In sum, people give every indication of coming to the point of being fed up with those they think may be "playing politics" with energy, whether it is in the public or the private sector. From the public standpoint, at least, it would seem that the time for debate is over. The time is for action.

The public seems ready "to bite the bullet." Now it wants those in positions of leadership to do the same when it comes to making the hard, unpleasant choices necessary to meet the nation's energy needs and reduce the country's dependence on foreign oil.

It may be going out on the proverbial limb to say so. But those in corporate circles and in Washington who fear a political backlash as a result of rising fuel prices due to decontrol may be misreading the current state of the public mind.

What may be more politically palatable in the next election year may be those candidates and their supporters who candidly lay the issue on the line, especially in this post-Watergate era of mistrust of political "wheeler dealers" as well as big corporations. As Frank G. Zarb, Federal Energy Administrator, recently wrote in the Wall Street Journal:* "The entire premise of democratic government is that the people can reason their way to the right decisions and make the hard choices that self-government requires. We must tell the public the truth about the energy problem and its solutions and stop making political promises of cheaper energy that cannot be delivered. Let's have a frank discussion of the issues involved in the energy situation, bring all the facts out into the open and let the people decide."

*"The Seven Truths of Energy," The Wall Street Journal, September 10, 1975.

ABOUT THIS STUDY: Results in this report are based upon telephone interviews with a national probability sample of persons age 18 and over. Latest public attitudes shown on pages two through five are drawn from a sample of 1,020 adults interviewed between August 4 and August 29, 1975. Results on page six are based upon 516 interviews conducted between August 4 and August 16, 1975. Data on page seven are drawn from a sample of 1,222 adults interviewed between May 31 and June 22, 1975. Index *Attitude Trend Data* draw on previous samples of the adult general public.

Opinion Research Corporation an Arthur D. Little company
North Harrison Street, Princeton, New Jersey 08540, Telephone: 609/924-5900

THE WHITE HOUSE

WASHINGTON

October 3, 1975

Dear Chairman Staggers:

This is in response to your letter of September 30 regarding the conference on H.R. 7014 and S. 622.

Perhaps a review of my recent discussions with the Bipartisan Leadership would be useful. The joint meeting was first suggested by Representative O'Neill and Senator Moss. I agreed to participate in such a meeting when it was clear that the issues had been identified. Further, it was the consensus of those present, including myself, that such a meeting would be most profitable if it took place after the conferees had had several preliminary meetings to narrow the issues. However, it is important to note that H.R. 7014 and S. 622 lack the provisions necessary to fulfill our energy requirements. Some provisions would actually increase our dependence on foreign oil to the detriment of the American people.

I have directed Frank Zarb to meet with you and the conference leaders to determine when such a meeting could produce the best results.

Sincerely,

Gerald R. Ford

The Honorable Harley O. Staggers
Chairman
Interstate and Foreign Commerce Committee
House of Representatives
Washington, D.C. 20515

bcc: Albert/O'Neill/McFall/Phil Burton/Rhodes/Michel/Anderson
Devine/Clarence Brown/Conable/Schneebeli

THE WHITE HOUSE

WASHINGTON

October 3, 1975

Dear Chairman Jackson:

This is in response to your letter of September 30 regarding the conference on H.R. 7014 and S. 622.

Perhaps a review of my recent discussions with the Bipartisan Leadership would be useful. The joint meeting was first suggested by Representative O'Neill and Senator Moss. I agreed to participate in such a meeting when it was clear that the issues had been identified. Further, it was the consensus of those present, including myself, that such a meeting would be most profitable if it took place after the conferees had had several preliminary meetings to narrow the issues. However, it is important to note that H.R. 7014 and S. 622 lack the provisions necessary to fulfill our energy requirements. Some provisions would actually increase our dependence on foreign oil to the detriment of the American people.

I have directed Frank Zarb to meet with you and the conference leaders to determine when such a meeting could produce the best results.

Sincerely,

Gerald R. Ford

The Honorable Henry M. Jackson
Chairman
Interior and Insular Affairs Committee
United States Senate
Washington, D.C. 20510

bcc: Mansfield/Robert Byrd/Moss/Scott/Griffin/Fannin/Tower

Congress of the United States
House of Representatives
Committee on Interstate and Foreign Commerce
Room 2125, Rayburn House Office Building
Washington, D.C. 20515

September 30, 1975

The President
The White House
Washington, D. C.

My dear Mr. President:

We have been informed by the Congressional leadership that you desire to meet with the House and Senate conferees to discuss energy policy issues which attend consideration of S. 622 and H.R. 7014.

As you know the time-honored constitutional doctrine of separation of powers precludes the conferees from meeting in formal session with the Executive. Nonetheless, to assure that members have the fullest opportunity to consider your views and maintain a constructive dialogue on policy matters of this magnitude, we believe it would be useful and consistent with our legislative responsibilities to meet informally with you prior to convening the conference. Accordingly we stand ready to arrange a meeting for this purpose at your convenience. In this regard, however, we should point out that it is our intention to begin formal sessions of the conference on Tuesday of next week, October 7. Our discussion necessarily must precede that date.

Let us assure you that we will devote our full capacities to the task of concluding the development of a comprehensive, rational national energy program in the context of this upcoming conference. We are, of course, aware that our views of the public interest in the area of energy policy are in several respects sharply divergent. We are hopeful that reconciliation of these strongly held perspectives can and will be achieved. Your commitment to that end, free from rigid and contentious rhetoric, will be most welcome.

Sincerely yours,

HARLEY O. STAGGERS, CHAIRMAN
House Committee on Interstate and Foreign Commerce

HENRY M. JACKSON, CHAIRMAN
Senate Committee on Interior and Insular Affairs

FRANK ZARB ISSUED THE FOLLOWING STATEMENT TODAY:

While the House-Senate Conference Committee on H.R. 7014 apparently has completed work on the final form of the bill many specifics of the agreement have not been reduced to writing. The President cannot make a final decision on whether to sign it until he sees the proposed legislation in its final form and can gauge possible effects of all provisions. He expects to receive a copy of the written version next week, study and review it with FEA Administrator Frank Zarb, and then make a final decision.

In the interim, the President has agreed to sign a 30-day extension of present allocation and price controls which are scheduled to lapse tomorrow.

NOTE: The Senate has passed the 30 day extension. The House is expected to vote on it Monday.

The above should be used in response to questions on the energy bill.

10/23/75 - from Frank Zarb

The President believes that the action of the Senate on natural gas legislation represents a step forward toward helping to alleviate the unemployment and economic hardships that can result from predicted shortages this winter. It also provides the necessary legislation to begin the process of clearing away, to increase gas production over the longer term.

The President is hopeful that the House will act promptly to insure that a comprehensive natural gas bill including both short and long term measures can be placed on his desk for signature in the near future.

FOR IMMEDIATE RELEASE NOVEMBER 17, 1975'

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
HENRY A. KISSINGER
SECRETARY OF STATE
AND
WILLIAM E. SIMON
SECRETARY OF THE TREASURY
ABOARD AIR FORCE ONE

SECRETARY KISSINGER: The overall purpose of the meeting was to bring together the leaders of the industrial democracies at a time when their economies were in various states of recession.

When it was proposed, it was suggested that these leaders ought to meet to give confidence to their peoples and to convey to their peoples the sense that they were in control of their future and were not simply waiting for blind forces to play themselves out.

So we thought it was a matter of great importance, one, because for two years we have been maintaining that the political and economic cohesion of the industrial democracies was central to the structure of the non-Communist world; secondly, because we believed that the interdependence of these economies makes isolated solutions impossible; and, thirdly, because we believed that there were a number of concrete issues on which work had to begin and in which common action was important.

We spent a great amount of effort within our Government to prepare for this meeting and there are always many stories when there are disagreements in the Government, but this has been an unusual occasion, an unusual way in which all the departments working together worked out common positions, common philosophies,and achieved the basic proposals that were put before the other leaders.

When this conference was called, I think it is safe to say that some of our friends wanted to use it as an occasion to blame us or at least to imply that their economic difficulties could be solved primarily by American efforts,and others may have had the idea that especially in the monetary field it could be used to bring about rapid solutions in which the heads of Government overruled the long negotiations that had gone on.

MORE

But as the preparation developed, I think a more sober spirit grew also and one of our themes was that economic recovery was meaningless if it started another spurt of inflation and that what we had to aim for was stable growth.

The second theme we had to get across is that the American economy was doing well and that, therefore, the concerns of other countries that our recovery was too slow for their own was unjustified.

Thirdly, we had a number of areas,specific ideas, on how the interdependence of these countries could be carried out in the field of trade, in the field of economic relations with the Socialist countries, in the field of monetary affairs, in the field of energy and in the field of development.

The discussions took place in a really unusually harmonious spirit. The fears which some of us had that the others would bring pressure on us to accelerate what we think is a well-conceived economic program proved unfounded, and after the President made his extensive intervention of the first day, explaining our economic program, the other countries substantially accepted this and indeed seemed to be appreciative of it.

I think this was a very important event because it meant that they had more confidence that in looking ahead to their own future they could count on steady growth in the United States,and since everybody agreed that a substantial percentage of the recession was psychological, I had the sense that a consensus emerged that this confidence that developed in our ability to handle the economic problems was a very major factor.

In fact, the confidence of the leaders in this process was shown by the fact that they would talk about general principles and then turned over the drafting to either Ministers or experts and that the leaders only spent about an hour on the declaration.

At first we didn't want any declaration because we were afraid that we would spend our whole time drafting it and it didn't turn out that way, and that was important.

In the field of trade, there was an agreement first that the negotiations on the multilateral trade negotiations should be completed next year. Secondly, a commitment by all of the countries there to bring about a substantial reduction of trade barriers, including in the agricultural field, and no attempt to hide behind community mandates or other obstacles.

MORE

There was also an agreement to accelerate or to foster negotiations concerning export credits. Bill will talk about the agreements in the monetary field which put an end to a debate of years about the nature of the floating system and the relation between floating and stability which should end in January in an agreement that should at least put the field of international finance on a more stable basis than it has been in a long time.

In the field of energy, there has been an agreement to cooperate closely or actively on the alternative sources and on conservation, and I believe this will show up in the program of the International Energy Agency which is in the process of being negotiated, and which we hope to conclude by December 15.

In the field of development, we identified the balance of payments deficits of the developing countries or their current account deficits as one of the major problems on which we would work jointly, but we also pointed out that there is a close relationship between that and the action that is taken with respect to oil prices. So we believe that the consuming countries are in an excellent position for the beginning of the talks on international economic cooperation that are beginning in the middle of December. And we agreed to work together in all existing institutions.

To sum up, this unusual meeting of the heads of Government of the countries that between them produce 70 percent of the world trade represented a commitment to the conception that our economic problems were long-term, that there were no quick fixes to them, that they required a steady cooperative effort, that their political relationship affected their economic relationship and that their economic relationship in turn assisted their political cooperation.

And so the free countries vindicated the concept of their interdependence and laid out a program and a method for cooperation which we hope will accelerate the recovery of all of the peoples as well as their cooperation with the less-developed countries for the benefit of everybody.

But I think Bill ought to explain the monetary agreement because that is perhaps the single-most significant thing that happened there.

SECRETARY SIMON: There is no doubt that it was a significant agreement reached between the French and the United States which, I believe and most everyone believes, is going to pave the way for agreement at the Interim Committee on Overall Monetary Reform in January. I think that the agreements that we have reached are a fair and balanced compromise. Neither side won nor neither side lost.

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Each has protected its very critical national interests in a spirit of cooperation. We have sought to bring a convergence of views and this is important. What we are trying to do is build and expand on these areas of convergence, and as we succeed in doing this, the whole world community at large is going to benefit from this.

Now I think that the disparity of views of the past few years between the French and the United States in particular on various amendments to the articles of agreement have obscured the deep mutuality of interest to return to stable economic and financial conditions in the world and more orderly and stable exchange rates and that is very significant because this instability that we have had contributed as well as resulted from tremendous institutional financial strains.

Also, the instability created great problems for many of the countries in the world in taking care of the erratic price movements and setting economic policies and restoring stable growth in their own economies.

Now having said this, because one must look at the fundamental cause of the problem before we can begin to look for any of the solutions,which is important, it has been clear that the French and the United States share some fundamental agreements on the monetary system, there is no doubt about that. We both agree that the diversity of financial arrangements, the floating system, if you will, has served us well under the present circumstances. It is actually necessary to take care of the stresses and the strains that have been brought about by the severe inflation, recession and, of course, the extraordinary oil increase.

So having identified the causes, we then must set about in curing the fundamental problems of this economic instability and, therefore, the Communique, as it said, dealt with two aspects of the monetary issue: one, the operational and, two, the reform of the system.

On the operational side we have reached an understanding that to achieve durable and meaningful stability in the underlying economic and financial conditions, we have to provide for mutually cooperative and conciliatory policies among ourselves, but that national domestic economic policies must indeed be compatible. The world economy has suffered from all of the ills that I have spoken about and the underlying problem remains with the severe inflation and, of course, the recession which was caused by this inflation.

On exchange markets,we are going to deal with erratic movements in exchange rates which, of course, create, again, an instability. Erratic movements can be defined as movements that have no underlying economic reason. Ours is not an attempt to peg any of the currency rates at artificial levels, but there are erratic movements in financial markets on occasion that are not directly attributable to fundamental economic events, and at this point intervention policies will become mutually cooperative and compatible to smooth out these unstable periods.

Q How is that stability going to be brought about? That is,how is this operation going to work?

SECRETARY SIMON: Well, in two ways. One, I think a session that was heavily devoted, as Secretary Kissinger said, to the economic aspects of the world's problems today, the needed policies -- cooperative as well as individual -- that are required for a return to stable economic and financial conditions are at the foundation of the answer to your question.

As far as the consultations and the mechanisms that are going to be established for smoothing out, there is going to be greatly expanded consultative mechanisms throughout the world done on a more orderly basis, on a more daily basis, if you will, by both the central banks, of course, who do this today, as well as the deputies to the Finance Ministers and the Finance Ministers themselves.

There will be more constructive meetings of the Finance Ministers to deal specifically with this issue.

Q Will there be a standing committee of some kind to advise intervention at a given point?

SECRETARY SIMON: No, the make-up of this committee has not been set yet but we have many standing committees. We have the Interim Committee, which is the old group of 20 and the group of 10 which will meet and direct itself right to this issue in December in Paris.

Q The mechanism has not been set up yet, I mean the mechanism has not been designed as to how this consultative process will go forward?

SECRETARY SIMON: The mechanism has been designed in the Memorandum of Understanding that the French and the United States initialed today and that the other Ministers who attended this session and were briefed fully on this are in general agreement, but until we bring all of the interested and affected parties together,we cannot say that this is going to be totally acceptable,although I believe it will be.

SECRETARY KISSINGER: It is safe to say that there will be a much expanded discussion or consultation among the Finance Ministers and their deputies as a result of this.

Q Mr. Secretary, as long as we have still got some video tape left, let me ask you in realistic terms what you think this conference means to the average American. Does it mean more jobs or lower prices, and if so, how?

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SECRETARY KISSINGER: Well, if this conference contributes to an acceleration of economic recovery worldwide, which it is intended to do; if it contributes to a lowering of trade barriers, as it is intended to do; and to greater financial stability, then it will mean more jobs, perhaps lower prices, better control over inflation and a degree of cooperation among the industrialized nations, that will benefit every American.

Q When is this millennium going to come about? How fast will this process take effect?

SECRETARY KISSINGER: We have made clear that it is a long-term process and we are not ever going to be able to say that on the next day a dramatic change occurred, but I think that the hopeful processes that are already going on can be accelerated by the results that occurred here. The major theme of this meeting was that we have got a long-term problem, that we are not trying to make quick fixes but that we can get a stable, steady growth on the long-term basis.

Q This mechanism that you speak of and that you can't tell us about, does it have to do with the Federal Reserve Board and the central banks?

SECRETARY SIMON: Certainly the central banks are the intervention mechanism and will continue to be, yes, but it is also going to involve, as it always has, the Finance Ministers of the various countries, but a formal mechanism of where the deputies will also be used in this formal consultative process and the consultative process is going to be broader than it ever was before, bringing in more nations, more affected, interested nations into the process.

Q Mr. Secretary, early this year the dollar had quite a plunge. Had this system you envisage been in effect then, would the dollar have plunged in relation to other currencies the way it did?

SECRETARY SIMON: Well, our dollar declined, as it often does, in response to several factors: one, an outlook for lower interest rates which is a fundamental factor in a country always, and, of course, the New York City problem and the fears of some potential international problem related to it as well. I would consider factors like this of a temporary nature and not of a fundamental nature.

Q Speaking of New York City, what did you tell the European leaders about President Ford's --

SECRETARY SIMON: I was not asked by any of my counterparts. I asked them questions as to what they thought if indeed they had any reason to believe there would be a problem that I had not thought of before and basically briefed them on the whole situation because I felt that they were interested, which indeed they were, but they didn't cite any significant problem.

MORE

Q Did they seem to be somewhat reassured by the presentation that you and the President made on the problem of New York City?

SECRETARY SIMON: Well, as I spoke to them, they seemed to be reassured that the situation was indeed well in hand at this point.

Q You believe it is well in hand then?

SECRETARY SIMON: Well, I have been away for several days, as you know, so I have to wait and get back. I still have not seen the total agreement and been able to study it. I have been too busy doing what I have been doing.

Q Do you think that the Federal Government is going to have to do anything to guarantee the short-term bond roll-over problem?

SECRETARY SIMON: I don't think that anything that comes under the heading of a bail out as far as the present bondholders are concerned or the note holders is in the cards, no. But then, again, the City-State program that has been put up restructures and restructures all the notes that are held so that would not be required.

You know, you asked Henry a question about the process we went through here at the economic summit and it reminded me of the perhaps overused word these days of interdependence, and it was brought up and very forcefully brought up in this meeting that the world communities indivisible, recognizing that national economic policies are certainly important, yes, but today this inter-relationship in the world communities and in the economic and financial area in particular must be better understood by each of us. Our policies must be mutually supportive where indeed they are compatible and meetings like this bring about better understanding of what our policies are in the United States and indeed what the policies are in the European community and in Japan and these are major, these are significant steps to agreeing about the permanent durable prosperity that we wish to provide for all of our peoples.

MORE

SECRETARY KISSINGER: A good example is that at all of our previous meetings this year with European leaders, as I said earlier, there was an undertone that we were not doing enough. I think that after our presentation on Saturday that topic never emerged again and everyone was more discussing how we could support each other's efforts.

Q What is the compromise since I understand that the central bank has been intervening on the floating dollar? I mean what compromise did we actually make? Is it on the basis of his consultation?

SECRETARY SIMON: Yes, indeed. You know there is a danger and there are those -- of course one never knows how people view agreements but there are those who believe that designed intervention policies mean a zone or a ban or fixed rates of some kind and that is not the case, but it is going to be a formal mechanism that is aimed not at setting any currency at an artificial rate that would contravene the market forces but one that moves in erratic fashion not related to underlying economic activity.

Q Mr. Secretary, Mr. Cormier has asked you before about what would have happened back in the spring of this year when the dollar first declined and then recovered under this new mechanism. Would those swings have been reduced?

SECRETARY SIMON: I think it is difficult at this point for me to recall any way, Paul, all of the conditions that were extant at that time and suggest what would have occured as far as this consultation method because this is not only the United States that is going to be reporting and giving their judgments on the market conditions but all of the countries involved in this process.

Q So this would be a process much like the open market committee of the Federal Reserve when it determines how to intervene in U.S. monetary markets; that is, they take an ad hoc view of the economy and make some judgments in private?

SECRETARY SIMON: No, I would not say there is anything ad hoc about this operation at all. As a matter of fact, it is designed so it will not be ad hoc in nature, that it is going to be daily monitoring of all of these markets with an exchange of information that is going to give the officials in the United States a greater fundamental knowledge about what is going on in all of the currencies of the world.

MORE

Q There will be no automatic criteria for decision?

SECRETARY SIMON: No, absolutely not. That will be done on the judgments of the Finance Ministers and the central bankers, the ultimate judges of this issue,of the fundamental aspects of the issue at that time.

Q Okay. Will they take a vote and the vote will be binding or will each country retain sovereignty?

SECRETARY SIMON: No, no, no. There is no vote or binding in these areas whatsoever. That would really be impossible and indeed unfair and unworkable. This will be done just the way that the central bank and ourselves and the Treasury decide there should be intervention now. We work together and we usually can agree when indeed it is needed.

Q But if the U.S. Government, for example, does not believe it is appropriate to intervene, it believes that fundamental forces are at work and let us say the French Government or some combination of other Governments believes that these are erratic fluctuations, then there is a stand-off and the United States would not intervene?

SECRETARY SIMON: If that occasion arose, you are correct, we would not intervene.

Q What response did you find to your offer -- the U.S. offer -- for other countries to invest in our energy projects, including OPEC?

SECRETARY SIMON: Well, I think it is too early to tell.

Henry.

SECRETARY KISSINGER: Well, I think the other leaders considered that one of the most interesting parts of the President's presentation and they asked a number of questions about how it would work and what we had in mind, and I would say that they all agreed that that was one of the most significant proposals, but it has to be worked out by experts.

Q You met with Mr. Callahan during the sessions and did you discuss the problem of seating at the energy meeting in December?

SECRETARY KISSINGER: I also met with Sauvagnargues. You mean membership or seating?

MORE

Q Membership.

SECRETARY KISSINGER: Only in the most general way. Mr. Callahan explained his point of view to me. As for that matter Sauvagnargues did explain his opposite point of view to me. Our position is that this is primarily a matter between the United Kingdom and the European community in which the United States will not play a principal role.

Q Do you see this causing any problem with the starting of that meeting or do you see a solution?

SECRETARY KISSINGER: A number of compromise solutions have been proposed. I don't want to put any one of them forward. There is going to be a European summit on December 2 and we hope that it will be worked out on that occasion.

Q Has there been any discussion on nuclear non-proliferation of the peaceful plans?

SECRETARY KISSINGER: Not as such, no.

Q Mr. Secretary, on the basis of your Pittsburgh speech and some other indications, I think some of us have the idea that the American delegation went to Rambouillet hoping that out of this would evolve some continuing machinery for consultation and the Communique speaks only of using the existing machinery. Did we abandon some idea here?

SECRETARY KISSINGER: You have the machinery that was set up under the monetary arrangements in which the Finance Ministers will be in almost daily contact and there are many other organizations. There was an agreement that the Governments concerned would work cooperatively on all of these problems and so there was no formal machinery set up except the one that grows out of the monetary group and since the monetary arrangement is exactly the group we envisage to begin with, there wasn't any sense of setting up another one with a different hat.

Q Was there any talk about another meeting of this sort a year from now?

SECRETARY KISSINGER: Yes, there was talk of another meeting and the leaders will stay in touch with each other depending on conditions. If the conditions get critical, they will meet earlier. If conditions take the form that are now predicted, then they will meet some time during the course of the next year -- within a year, roughly.

MORE

Q Could you gentlemen tell us what role Mr. Shultz and Dr. Burns played in the monetary agreement? We were told there were two months of negotiations behind the scenes on this point and they made a promise.

SECRETARY SIMON: Arthur Burns plays a very active role. Arthur attends all of the interim committee meetings with me, the G-10 meetings and the G-5 meetings that we hold so he is obviously actively involved in the mechanism,both in setting our policy back in the United States as well as in negotiations that I conduct. But Arthur is always, as I say, with me as far as --

Q He is?

SECRETARY SIMON: Of course he is. Yes, indeed.

Q What about Shultz?

SECRETARY SIMON: Well, as you remember George Shultz, I took over from George so this is a continuation really of the negotiations that George carried on when he was Secretary of State but other than the preparations of the meeting with the private citizen group that George Shultz worked on, he had no active area of involvement in the negotiations on the monetary --

SECRETARY KISSINGER: But he was never Secretary of State. (Laughter)

SECRETARY SIMON: That is a freudian slip.

Q He had no contacts with his former Finance Minister colleagues who are now heads of state?

SECRETARY SIMON: Sure, George is very close on a personal basis to both Chancellor Schmidt and President d-Estaing and he sees them and talks to them frequently.

Q Did he talk to them as part of this meeting?

SECRETARY SIMON: I doubt --

SECRETARY KISSINGER: I think the correct explanation -- there was a group of private experts connected with their Governments that meet actually less on the monetary question than on the other issues. The reason we did it on that basis was because one didn't want to bring the heads of Government together if there was not some sense that something significant would be achieved. So we designated George Shultz to attend these informal meetings that gave us a sense where the other Governments were going. I repeat, the monetary matters were really negotiated primarily by the Treasury Department and by Ed Yeo, but the other issues were in a preliminary way explored by a group which George Shultz attended in a private capacity but still in close touch with Bill and myself and the President.

MORE

Q But did he meet or talk with Mr. Giscard and --

SECRETARY KISSINGER: The process went like this. The idea of this summit came up first in a vague way at a meeting that I had with Giscard in May. It was then put forward in a more formal way at Helsinki by Giscard to the President. At that point we decided that we would send somebody around, not quite an official, to give us his judgment of whether it would be worthwhile and George Shultz went around to see Giscard, Schmidt, Wilson, and reported to us afterwards that he thought there was a good basis for a summit and only after we had that report did we make the decision to go ahead.

We wanted to avoid a situation in which the summit would deal with only one problem, say, exchange rates, and only a set of demands made on the United States by the others and when George Shultz was reassured by that, then the President decided to go ahead and removed it into formal governmental channels.

THE PRESS: Thank you.

END

Federal Energy News
Federal Energy Administration Washington D.C. 20461

FOR RELEASE AFTER 6:30 A.M., MONDAY, NOV. 24, 1975, FOR MONDAY P.M.'s

STATEMENT BY THE FEDERAL ENERGY ADMINISTRATION
ON THE USE OF CHARTER FLIGHTS

The demands on Administrator Zarb's time this year have been severe, and the extra hours gained through selective use of Air Force support has enabled him to meet critical schedules in the course of the development of a National Energy Policy.

During his tenure as FEA Administrator, Mr. Zarb has regularly averaged at least a 70-hour work week. He has testified on the Hill nearly 50 times and has held approx. 200 individual meetings on energy legislation with Members of Congress.

In carrying out 50 out-of-town speaking engagements (against 464 invitations), accompanied by meetings with state and local government officials and concerned citizen organizations, Mr. Zarb has used a small (8-passenger) twin-engine Air Force plane 9 times and a small (Piper Navajo) chartered aircraft 4 times. These trips were made only when it was necessary and extremely urgent to meet pressing schedules to testify at Congressional Hearings, to continue negotiations with Members of Congress on energy legislation, or to meet with top-level White House officials.

Mr. Zarb last used a Jet Star in early August. The bulk of the flights were in the January-May period when the schedule of Congressional hearings was the heaviest.

# # #

December 8, 1975

Mail Tally on the Congressional Energy Bill - [redacted] from November 1 to the present:

PRO - 64
CON - 7,131
COMMENT - 2

Mail tally on mail received after Mrs. Ford's CBS interview - taken from the time of the interview, (8-10-75) to November 13:

PRO - 10,597
CON - 23,431

Common Situs Picketing: Mail totals more than 350,000 pieces. This is the heaviest outpouring for any issue since Ford became President. Even larger than the Nixon pardon. Almost all of the mail is opposed to the President signing the legilsation.

EMBARGOED FOR RELEASE
UNTIL 12:00 NOON EST

DECEMBER 22, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

ENERGY POLICY AND CONSERVATION ACT (S. 622)

THE PRESIDENT TODAY:

- Signed the Energy Policy and Conservation Act, S. 622, which establishes a modified system of crude oil price controls that would be phased out in 40 months and provides four major elements of the comprehensive energy legislation he requested last January.

- Announced that he was removing, effective today, the $2 per barrel import fee on crude oil that he previously imposed to reduce imports and stimulate action on energy independence legislation.

- Indicated he was urging Congress to move immediately on other pending energy legislation after its current recess.

- Directed the Administrator of FEA to take the necessary steps to remove allocation and price controls (other than those on crude prices) from a major segment of the petroleum industry as soon as possible, in order to return much of the industry to a free market.

BACKGROUND

- In his State of the Union Message last January, the President announced specific goals to achieve energy independence.

- Also in January, the President proposed comprehensive legislation to conserve energy, increase domestic energy production, and provide strategic reserves and standby authorities to cope with any future embargo.

- Beginning in February, the President imposed a fee on imported oil to reduce imports and stimulate Congressional action on national energy policy legislation.

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- During the past year, the President frequently met with Congressional leaders on his proposed energy program. At the request of Congressional Leadership, he delayed implementation of planned import fees and approved temporary extensions in the existing allocation and price control authority in order to give Congress more time to develop acceptable energy legislation.

- In addition to the new legislation, progress toward the President's energy independence goals include:

  - oil imports are about one million barrels per day less than estimated one year ago, due primarily to conservation actions by consumers and industry and better than expected weather conditions.

  - near final action in the Congress on other Administration proposals, including production from Naval Petroleum Reserves, deregulation of new natural gas prices, establishing thermal efficiency standards for new buildings, and weatherization assistance for low-income persons.

PRINCIPAL PROVISIONS OF THE BILL

The principal provisions of the Energy Policy and Conservation Act (S. 622) are:

- Pricing Provisions (amends Emergency Petroleum Allocation Act)

  - Under the existing system of price controls, "old" crude oil is subject to an average limit of $5.25 per barrel, and new oil is uncontrolled.

  - Under the new system, the average price for all domestic crude oil is subject to a composite price limit of $7.66, which can be adjusted upward. Assuming old oil is controlled at $5.25, new oil would be controlled initially at $11.28 per barrel.

  - The $7.66 composite price can be increased monthly at the President's discretion:

    - To adjust for inflation.

    - To provide a production incentive of not more than three percent per year.

    The two adjustments together may not exceed 10% per year.

  - In addition, each 90 days following February 1, 1976, the Administration may take steps to adjust upward the 3% production incentive and the 10% overall adjustment limitation. This is subject to disapproval by either House of Congress within 15 days.

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- To continue any production incentive after February 15, 1977, the Administration must make a recommendation to Congress which is also subject to disapproval by either House within 15 days.

- After April, 1977, Alaskan oil can be excluded from the composite price calculation upon a recommendation from the Administration that is not disapproved by either House within 15 days.

- The mandatory control program converts automatically to a discretionary program at the end of 40 months.

- The President is directed to review the current regulatory system and to dismantle as much of the current program (other than crude oil prices) as possible. This includes the price and allocation controls on wholesalers and retailers, which are the bulk of those currently controlled by FEA. Each such deregulation action is permanent, if not disapproved by either House of Congress within 15 days.

Other Provisions

. The other provisions of S. 622 contain several elements of the President's comprehensive energy program. These include:

- Strategic petroleum reserves similar to the program proposed by the President. This program will establish storage of at least 150 million barrels of petroleum within three years and up to 400 million barrels in seven years. Although not tied directly to production from the Naval Petroleum Reserve (NPR) #1 (Elk Hills, Calif.), it is expected that NPR legislation now before the Congress will make the important connection between revenues from NPR-1 and the strategic petroleum reserves.

- Standby energy emergency authorities that provide most of the standby authorities requested by the President to deal with severe energy emergencies that may arise in the future. The President must develop contingency plans in six months, which will be reviewed by the Congress prior to implementation.

- International energy authorities which are necessary to allow the United States to participate fully in the International Energy Program.

- Coal conversion authorities to permit the conversion of oil and gas fired utility and industrial boilers to coal. An extension of this authority was requested by the President in January.

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- Appliance labelling provisions that will require appliance manufacturers to provide energy efficiency information to consumers on major appliances and set voluntary energy efficiency targets for the industry.

- Automobile efficiency standards for 1980 agreed to on a voluntary basis earlier this year are made mandatory in this bill. In addition, the bill sets mandatory standards for 1985. These standards will have to be evaluated for technological and economic feasibility, and changes will be submitted to the Congress, if appropriate.

The bill contains several other provisions including:

- General Accounting Office audits giving the Comptroller General authority to audit the records of persons and companies who are now required to submit energy data to the Federal government.

- Industrial energy conservation targets are established for the ten leading energy consuming industries and are to be monitored by FEA.

- Coal loan guarantees providing financial assistance to companies opening new coal mines that cannot obtain credit from private markets.

- Conservation grants to the States to assist in the development and implementation of energy conservation programs.

- Export controls and material allocation authorities to enhance the Federal government's ability to respond to energy emergencies.

- Mandatory conservation standards for Federal agencies to further improve the energy practices of the Federal government.

IMPACTS OF THE BILL

. The bill will initially reduce the average price of domestic crude oil by about $1.00 per barrel. This change could reduce retail prices by as much as approximately 1 cent per gallon from today's levels. By way of contrast, immediate decontrol could have raised prices at the retail level by about 5 - 6 cents per gallon.

. Compared to imports projected under the current price control program:

  - imports probably will increase by approximately 150,000 barrels per day by the end of 1976, due to lower initial prices.

  - imports probably will be about 200,000 barrels per day less after three years, due to future price increases allowed by the bill.

. Removal of price controls at the end of 40 months should increase domestic production by more than one million barrels per day by 1985 and reduce imports by about three million barrels per day.

- Other provisions of the bill will further reduce the Nation's dependency on foreign oil. The automobile efficiency standards, appliance labelling provisions, and extension of the coal conversion authorities could reduce imports by almost two million barrels per day by 1985. The strategic petroleum reserve and standby authorities in the bill will enable the Nation to withstand a future embargo of about four million barrels per day.

NEXT STEPS

- Current oil price controls will remain in effect until FEA promulgates a rule to implement the new composite price control system. The new rule must be effective no later than February 1, 1976.

- FEA contemplates continuation of a basic two-tier pricing system for domestic oil with new oil prices high enough to insure adequate incentive for exploration and development of new fields. The final structure of domestic prices will be determined through a rule-making procedure to allow all interested parties an opportunity to express their views on the best pricing program.

- The price program that FEA envisions for the entire 40 month program, including the monthly application of the price escalators allowed in the bill and the distribution of these escalators among various categories of oil, must be in place by March 1, 1976.

- FEA will take steps to remove price and allocation controls on those parts of the petroleum industry that are downstream from the refinery, primarily product wholesalers and retailers. The objective of this effort will be to once again allow the marketplace to operate so that consumers are not penalized by an unnecessary regulatory program.

# # # #

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

FACT SHEET

INTERNATIONAL ECONOMIC REPORT OF THE PRESIDENT

The fourth International Economic Report of the President, together with the Annual Report of the Council on International Economic Policy, was signed by the President and submitted to the Congress today. The Report describes the Administration's international economic policies, reviews the international economic events of 1975, and studies the major international economic issues to which the Administration's policy responds.

The commencement of economic recovery in 1975 from the most severe post-war recession was the single achievement of the Administration's economic policies, overshadowing even the major related economic issues of high energy costs and international monetary reform. The United States was the bellweather nation in the gradual world economic recovery and used its leadership position to work for new trade agreements, new food, energy and commodity relationships, and the reform of international lending and credit institutions.

Highlights of the progress achieved by the United States in its international economic position in 1975 are listed below.

PROGRESS IN 1975

--The U.S. economic recovery began in the second quarter with real GNP rising at a 3.3 percent rate, following a first quarter decline at a 9.2 percent annual rate. In the third quarter the rapidly recovering economy expanded at a 12 percent rate. This rate slowed in the fourth quarter to 5.4 percent.

--Inflationary price increases, still high by historical standards, moderated from the 1972-74 rates. Consumer prices in the United States rose 9.1 percent and wholesale prices rose 9.2 percent. Higher prices for energy and energy related materials contributed significantly to these price rises.

--The trade balance, in deficit by $2.3 billion in 1974, reversed dramatically in 1975 to produce a record $11.1 billion surplus. This #13.4 billion swing was the largest in our history. Exports of manufactured goods gre at a 11.7 percent annual rate. Agricultural products continued their important contribution to U.S. exports with total foreign sales in 1975 at a record $22 billion level.

--During the course of the year the dollar appreciated in terms of nearly all major foreign currencies. On a trade weighted basis, the value of the dollar at the end of 1975 was 5 percent above the close of 1974, and also about 5 percent above its level at the beginning of generalized floating in March 1973.

--Responding to the economic demands and needs of the less developed countries, the United States set forth some 40 specific initiatives at the UN Seventh Special Session in September 1975. The IMF partially responded later in the year through a major liberalization of its Compensatory Finance Facility. Other U.S. proposals remain under discussion.

--The passage of the Energy Policy and Conservation Act represented the first important step toward implementation of the comprehensive national energy policy called for by the President in January 1975. Internationally the Administration pursued its energy policies in a number of forums, with particular focus on the International Energy Agency's implementation of its International Energy Program. It also submitted to Congress the agreement reached with all other OECD members for a financial Support Fund designed to encourage cooperation in energy and economic policy.

--The United States negotiated a long-term grain sales agreement with the Soviet Union in order to regularize that country's previous unpredictable and massive interventions in the U.S. grain market.

--The President met with the heads of the governments of France, Federal Republic of Germany, Italy, Japan and the United Kingdom at Rambouillet, France, where agreement was reached on new co-operative efforts in the areas of world trade, monetary matters, and raw materials, including energy.

--Work toward major reforms in the international monetary system went forward throughout the year. Early in 1976 the IMF's Interim Committee reached agreement on amendments to the IMF Articles of Agreement with respect to quotas, exchange rates, and the role of gold. These negotiations produced the first major revision of the international monetary system since the Bretton Woods Conference.

--The United States continued to provide strong leadership at the Multilateral Trade Negotiations in Geneva, with the Discussions gaining momentum throughout the year. The goal is to reach by 1977 a successful conclusion to these negotiations to reduce trade barriers and improve the world trading system.

--While establishing methods to monitor the flow of foreign investments into the United States, the U.S. policy on international investment remains fixed in the belief that a free market system without artificial barriers or incentives leads to the most efficient allocation of capital in the world economy.

CHALLENGES TO PROGRESS: NEW AND OLD

1. Agriculture Trade and Food Reserves

--The long-term international food policy objectives call for freer trade, increased production of agricultural products, and a reduction in the rate of population growth as the best means of dealing with the world's food problems. In response to more immediate short-run problems, the United States has pledged $200 million to the International Fund for Agricultural Development, provided that donations by other countries raise the total to at least $1 billion. Domestically, the Administration is pursuing a policy of full agricultural production.

The United States proposed to the International Wheat Council the establishment of an international grain reserve system consisting of 30 million tons of food grains.

2. Raw Materials Supplies

--The falloff in demand for industrial raw materials in 1975 shifted world concern away from the shortages problems of 1973 and early 1974. This rapid shift in focus highlights the cyclical nature of raw material markets and prices and the consequent impact upon developing countries dependent upon certain commodity exports for foreign exchange earnings. Though the United States is a resource-rich nation and also has established a viable materials recycling industry, it remains dependent on imports for its supply of a number of essential industrial commodities. This has led to an interest in commodity agreements for both price stabilization and supply access. Through 1975 the Administration studied commodity agreements generally and for six selected nonfuel minerals. It concluded that the United States' free market policy did not preclude the maintaining of its position of willingness to consider participation in commodity agreements on a case-by case basis.

3. Energy Supplies

--The interdependence of the world's economies is nowhere more evident than in the supply and price of energy supplies, particularly oil. Awareness that energy issues fully engage the economic and political interests of both consuming and producing nations grew throughout the year. The consuming nations have begun the process of forging a cooperative energy program through the International Energy Agency, while consuming and producing nations from both the developed and developing world have commenced a dialogue in the Conference for International Economic Cooperation. Though international concern is now focused on petroleum, it is obvious that the development of alternative, non-fossil, energy resources and technology will become increasingly important to all nations.

4. Sound Economic Growth

--Though concern continues about the problems of inflation and unemployment, the underlying fact is that the U.S. economy is steadily growing healthier. Domestic and international economic policies are intended to keep the country on an upward path. Another measure of the underlying strength of the economy are the large number of potentially serious economic problems that did <u>not</u> materialize in 1975: there was no financial crisis, the recession did not snowball into cumulative depression, the price of bread and gasoline did not rise to a dollar as direly predicted, and the economic difficulties did not produce corrosive social unrest. The essential Administration policies to achieve sustained economic progress call for strengthening the private sector through Federal budgetary restraint and the refunding of budget savings to taxpayers by means of tax cuts. Further, it views programs to cushion unemployment as only temporary remedies as it seeks to restore the vitality of priate industry where five out of six American workers are employed today in good, productive jobs. Finally, it seeks to promote healthy economic growth and a vigorous private economy by eliminating those government policies and instittutions that raise prices or interfere with competition.

These policies focus primarily on the economy of the United States, but the Administration clearly recognized that the country's range of economic interests do not stop at its shores. It is providing leadership to the other major economies of the world in their recovery from recession and in their priority efforts to achieve sustainable, non-inflationary growth.

<u>OTHER ISSUES</u>

--Other sections of the Report examine East-West trade, international investment patterns, labor comparisons, the multinational corporation, export promotion and controls, air transport and ocean shipping, the impact of technology transfer, international environmental problems, and the developments in 1975 of a Law of the Sea.

TALKING POINTS FOR FRANK ZARB
FOR MEETING WITH THE PRESIDENT
JANUARY 23, 1976

Of the 13 Titles of the Energy Independence Act

- Four have been enacted as part of EPCA:

  -- Title II - Strategic Reserves

  -- Title IV - ESECA Extension

  -- Title XII - Energy Labeling

  -- Title XIII - Standby Authorities

- One is in conference:

  -- Title I - Naval Petroleum Reserves. A compromise developed by FEA, Senator Cannon and Congressman Melcher on the jurisdictional issue has been tentatively approved by the Committee. The compromise would retain DOD jurisdiction of NPR's 1, 2, and 3 with full production, but transfer NPR-4 to Interior. NPR-4 production would not be authorized pending completion of a study and submittal of proposed legislation. Proceeds would be used for NPR production and related facilities, Alaskan production and the Strategic Reserve System. Conference report is expected by end of January.

- Two have passed the House:

  -- Title XI - Winterization Assistance

  -- Title X - Building Conservation Standards. Senate Banking (Chairman Proxmire and Senator Tower) expected to approve its version of H.R. 8650 containing both Titles within days. Administration supports House version which channels weatherization funds through FEA; Senate version channels funds through CSA.

- One has passed the Senate:

  -- Title III - Natural Gas Deregulation. House Commerce approved Dingell's short-term emergency bill, which does not include deregulation. Rules Committee will allow a deregulation floor amendment.

House Commerce (Staggers, Dingell, Moss, Krueger, Broyhill, Brown) is holding hearings on deregulation through January. FEA testified today in support of Krueger's bill and an improved version of Pearson-Benson. Bud Brown has a backup bill which is greatly inferior to Krueger's.

Floor action probable in early February.

- Two are still in Committee:

  -- Titles V and VI - Clean Air Act Amendments. Both House and Senate started markup on these bills late last session. Senate Public Works (Randolph, Muskie, Baker) has continued during past week. Chairman Randolph indicates Committee will either finish full markup by February 6 or may separate mobile/stationary issues and report out automobile standards first.

  House Commerce (Rogers, Carter) has not renewed markup yet this session. Chairman Rogers has indicated target of mid-February for Committee Report, but this now seems doubtful.

  Neither House nor Senate bills are consistent with Administration proposals. FEA maintaining Administration position and is negotiating with Committees.

- Three have received no action:

  -- Title VII - Utilities Act. No action expected in Senate, Commerce and Government Operations Committees, before March at earliest.

  No action by House Commerce before resolution of natural gas issue.

  -- Title VIII - Energy Facilities Planning and Development Act. No prospects for action in near future.

  -- Title IX - Energy Development Security. Anticipated international agreements may make legislation regarding a minimum safeguard price (MSP) unnecessary at this time. Future legislation may be required if standby authorities are activated.

  -- FEA sees little possibility of passage in present form of above three Titles.

- Other Administration initiatives

  -- FEA Extension. Senate Government Operations (Percy, Ribicoff) and House Commerce (Dingell) not expected to consider prior to March. Senator Percy is revising original Administration proposal in light of EPCA. FEA working with Percy and responding to Dingell request for five-year projection of cost, personnel, etc.

  -- Energy Independence Authority. No action expected in near future. Referred to Senate and House Banking Committees.

    House - Chairman Reuss, Rep. Johnson (Pa.).
    Senate - Chairman Proxmire, Senator Tower.

    FEA is canvassing Congress to encourage support and early action.

  -- Synthetic Fuels Loan Guarantees. No immediate Senate action scheduled. House eliminated provision from ERDA authorization bill in December. House Science and Technology (Teague, Mosher) plan to act on legislation by March.

  -- Outer Continental Shelf/Coastal Zone Management. Senate passed both bills in July. House ad hoc OCS Committee expected to seek an extension to finish OCS bill by April. No action on coastal zones before then. FEA supporting Interior Department in work with ad-hoc committee. Changes in OCS law may be unacceptable.

    Administration Impact Assistance amendments should be delivered to Congress next week. Loans and guarantees ($1 billion, until 1990) would be available for all types of Federal energy resource development.

- Congressional initiatives

-- Energy Conservation and Conversion/Energy Taxes. House passed H.R. 6860 in June. Senate Finance (Long, Curtis) to take up bill soon, to report own version later in the year. FEA opposes House bill, but will try to separate desirable elements, such as insulation tax credits.

-- Federal Coal Leasing/Surface Mining. Senate passed in July a bill containing provisions similar to vetoed H.R. 25, but they would only apply to Federal lands. House passed Coal Leasing bill January 21, 1976. Surface mining will be prime issue of conference.

FEA worked with Interior Department during floor consideration and will continue during conference to oppose Surface Mining provision of Senate bill and other problems raised by Interior Department.

-- Energy Data. Senate initiative. Interior Committee (Jackson) may begin hearings in February. The Committee clearly intends to separate data collection agency from FEA. FEA working with Interior Committee staff to provide information on FEA's current data collection capabilities.

-- Divestiture. Senate Antitrust currently holding minority hearings (Hruska) on Bayh's S. 2387 vertical divestiture and Abourozk's S. 489 horizontal divestiture. Subcommittee likely to report within next two months. Full committee action much less certain. Additional floor amendment efforts likely in Senate.

House action expected in Small Business Committee (Dingell).

FEA and other departments actively opposing.

-- National Energy Mobilization Board. Senate initiative (Jackson0. Interior hearings likely, perhaps starting in February. FEA opposes concept.

-- Coal Conversion. Senate Public Works (Randolph) and Senate Interior (Jackson) likely to begin markup in February if Clean Air completed. FEA working with Senate Public Works Committee on draft legislation prior to markup. Chances are good for legislation that would improve FEA's current coal conversion authority.

The Presidency and Energy Goals

Of the numerous uncertainties facing the oil community these days (financing, inflation, technology, to name a few) perhaps the matter of greatest concern to all revolves around governmental oil policies. No major exploration area of the world has been left untouched by government intervention, so future progress in the oil industry must first be met on the political front.

As the United States enters its third century, oil policy (or lack of it) is a major issue—one that the American people should consider carefully when they elect their President this coming November. With the nation's standing as a leader in the industry, any direction taken by the next president will undoubtedly have repercussions on energy matters worldwide.

Offshore has therefore felt a responsibility to report on the energy stand of each of the leading presidential candidates. In all likelihood, one of these people will be, or remain, President of the United States in less than a year. His opinions regarding energy in general and the offshore in particular will greatly affect the conditions under which offshore operators and service companies will have to act for at least the next four years.

In order to get an accurate picture of the candidates and their views, each presidential hopeful was sent a list of questions, covering five topics, on matters of concern to the offshore oil industry. These topics included U.S. energy independence, offshore leasing, oil and gas pricing, oil company divestiture and import controls.

The questionnaires were sent to 15 people: two Republican candidates, 10 Democratic candidates, and three others who look to be in the running—Hubert Humphrey, John Connally and Frank Church. Of the latter three, the one who seemed least likely to respond was the only one to answer. So Frank Church's reply has been included.

The way in which the candidates responded is rather enlightening. It should be noted that the poll was sent out just as campaigning in the New Hampshire primary was hitting its stride; the CIA investigation in the Senate was at its peak and President Ford and his staff were preparing for his annual State of the Union address to Congress. These preoccupations naturally make any response to **Offshore's** questionnaire difficult at best.

Four of the recipients (Ford, Church, Jackson and Wallace) still managed to respond directly to each of the questions submitted, and in spite of tight schedules kept the magazine informed as to the status of the replies. Every effort was made to give complete information, although Henry Jackson was unable to provide answers to two of the topics in time to meet magazine deadlines.

Two responses, from Bentsen and Carter, were given under the topic headings noted on the questionnaire, with no direct response to the given questions. (Bentsen, however, addressed himself to only three of the five topics.) And finally, five of the candidates (Reagan, Bayh, Shapp, Shriver and Udall) disregarded the questions and topics altogether and submitted a statement on policy, sometimes omitting areas touched upon.

Terry Sanford withdrew from the race before submitting his response, and Fred Harris alone of all the announced candidates declined to answer (see box, **No Comment**).

Since Ronald Reagan is one of only two Republican candidates running for President it was disappointing to find that his reply was one of the most difficult to obtain.

A spokesman at Reagan's campaign headquarters, both friendly and sympathetic, reported that the office was undermanned and the issue staff could not respond to all the questionnaires being received. But as to the Governor's position, he said, "Believe me, with a little bit of research you would find offshore exploration was a very controversial issue in California and it wasn't easy to take the position that he did—but he is for exploration. He's a long-standing supporter of offshore exploration."

Under the circumstances, "a little bit of research" seemed to be in order. Upon talking with an official of the Western Oil and Gas Association (WOGA) in California who worked with the former governor in trying to reopen the state's offshore after the Union Oil blowout in 1969, it appeared that Reagan was indeed in favor of offshore development. "However," according to the WOGA official, "he never at any time threw the weight of his office behind that development." A three man commission was named to control the California offshore and although one of its members was the Reagan-appointed lieutenant governor, the o f f s h o r e was kept essentially shut down.

"There were never any efforts, overt or covert," said the WOGA source, "to cause the lieutenant governor to reconsider his position."

Later, a chain of calls to Reagan's former and present lieutenants, initiated by the official from WOGA, netted a response—two days later the magazine was supplied with a statement.

Upon overall examination of the responses gathered, one or two interesting trends show up. Campaign strategy now emerging from various campus (Bayh, Shapp and Shriver in particular) place an emphasis on conservation, while some stress the importance of seeking alternate sources of energy. Ford wants to use either coal or nuclear power, Reagan favors nuclear energy, Bayh and Shriver see coal as the most important alternative energy source. Carter is looking to both coal and solar energy.

Over all, President Ford and Governor Wallace seem to express views most nearly coinciding with those of the petroleum industry.

Here, then, are the energy views of the potential candidates. **Offshore** wishes to extend its thanks to each of the presidential hopefuls and their staffs for the time and effort they took in making the following material available to the magazine and its readers. □

	To increase domestic production of oil and gas	Leasing in frontier areas	Sharing federal royalties with coastal states	Immediate or gradual deregulation	Formation of a national oil company	Divestiture of oil companies
FORD	Deregulate prices, protect environment	Maximum leasing but protect environment	No. Front end impact assistance to states with proven need	Favors immediate deregulation, approves compromise of gradual deregulation	No. Opposes increasing bureaucracy	No, but favors government monitoring companies' actions
REAGAN	Begin pumping every bbl of oil we can	No answer	No answer	No answer	No answer	No answer
BAYH	Maximum production of oil, gas and coal	No answer	No answer	Maintain prices on old, place controls on new	No answer	Authored legislation to break up companies
BENTSEN	Accelerate drilling of OCS	Supports leasing with environmental safeguards	No answer	Favors price deregulation	Strongly opposes	Voted against divestiture
CHURCH	R&D of secondary and tertiary recovery	Not opposed	No	Against immediate deregulation, favors gradual deregulation of "new" gas	No	Yes
CARTER	Set long-range policies to stabilize climate	Insure strict controls	Income should be shared in some form	Limit deregulation of natural gas—should not exceed five years	Would consider only after reform and reorganization of federal executive branch	Does not support complete verticle divestiture
JACKSON	Revise OCS Lands Act of 1953	Provisions of OCS Management Act S-521 appropriate for development	No outright revenue sharing, federal assistance for adverse impact	Opposed to immediate or gradual deregulation	No answer	No answer
SHAPP	Start program of intensive exploration	Require exploration under strict governmental supervision	Yes	No answer	No, but competition and public confidence must be restored	No answer
SHRIVER	Increase production without price rises	Government regulation with strict liability for developers	No answer	Continued control	For yardstick public energy corporation	No answer
UDALL	Fundamental issues must be addressed first	Develop OCS reserves under new law	OCS revenues should be made available for local costs	No answer	Favors federal entity for greater management authority	Separate development from exploration
WALLACE	Free enterprise must be allowed to operate	Supports leasing where there is no ecological hazard	Create a fund to reimburse for damages	Treat the cause, not the symptom	No. This is the first step to nationalism	We must produce answers, not add to the problems

President of the United States

Gerald Ford

U.S. ENERGY INDEPENDENCE

Do you think oil and gas will be an important energy source for the United States for the next 15 years or so?

The President believes oil and gas must continue to supply a considerable share of our energy needs for many years. But the American People must realize that we do not have unlimited reserves. We will have to make greater use of our abundant energy sources such as coal and nuclear energy and ultimately solar power. The only alternative is to dramatically increase our economic dependency on foreign oil and gas suppliers which is clearly unacceptable.

What do you think should be done to increase domestic production of oil and natural gas?

Both natural gas and oil production are declining at an alarming rate. Removal of price controls from domestic crude oil as provided for in the Energy Policy and Conservation Act should provide incentives to increase oil production by about 4 million bbls per day by 1985. Deregulation of new natural gas prices should provide incentives to increase production by about 4.5 trillion cu ft by 1985. Other actions which the President advocates to increase domestic oil and gas production include:

- Development of the naval petroleum reserves
- Increased leasing and prompt development of the outer continental shelf
- Prompt selection of the route and necessary construction to bring natural gas from Northern Alaska to the lower 48 states

Do you think a significant amount of future oil and gas production has to come from the federal OCS?

There are large potential reserves of oil and gas in OCS areas off Alaska and the Pacific, Gulf and Atlantic coasts. These resources can provide a large share of our new domestic oil and gas production. Oil and gas production from OCS areas could reach the equivalent of 3 million bbls of oil per day by 1985.

OFFSHORE LEASING

Do you oppose offshore oil and gas leasing?

On the contrary, President Ford supports the maximum level of offshore leasing which is consistent with a fair return to the government for the energy resources leased and with necessary protection of marine and coastal environments.

Do you oppose offshore leasing in frontier areas?

The President does not believe that any frontier area with potential for oil and gas resources should be arbitrarily eliminated from consideration for leasing. On the other hand, he feels that tracts should not be leased without thorough consideration of environmental and other impacts' potential development.

Do you favor sharing federal royalty income with coastal states?

President Ford favors a program of impact assistance to provide front-end financing in all states which can demonstrate a proven need from the development of federally-owned energy resources. Rather than sharing federal royalty income with coastal states, he would prefer an assistance program which would provide planning grounds, loans and loan guarantees to all states affected by federal energy resources development to help provide new public facilities necessary for increased populations.

Do you think the Department of Interior now regulates offshore operations adequately to protect the environment? If not, what regulations should be added?

The Department of the Interior has extensive regulations for offshore operations to protect the environment. These regulations are under continuous review and revisions are made when experience and new technology indicate changes are desirable. Interior is developing new operating orders which include higher safety standards appropriate to frontier OCS area conditions. Only a negligible volume of oil is

spilled into the world's oceans from offshore production operations. Experience has shown that these operations involve less risk of spills than importing oil by tanker. The major pollution of the world's oceans is from industrial and transportation activities and not from OCS production operations.

Do you favor forced unitization in developing large offshore structures?

President Ford would favor unitization to the extent it would bring extended development of our OCS oil and gas reserves without eliminating the healthy competition between firms which have always existed in the industry. Unitization may be desirable for at least some future offshore activity and where we feel this is the case we have full authority under the law to require it.

Do you think offshore oil and gas operations will harm the environment if present federal and state environmental regulations are obeyed?

No activity can take place in formerly undisturbed offshore areas without some impact on the environment in those areas. However, the President believes that domestic oil and gas production can be accomplished with adequate protection for the environment. Present regulations and new ones being worked out for the future will keep this impact within acceptable limits. The important point to remember is that offshore oil and gas replace imported fuels. Experience with offshore oil has demonstrated that it involves less risk of environmental damage than imports by tankers. Also, offshore oil is less costly in dollar terms and avoids the outflow of dollars in jobs that result from oil imports.

OIL AND GAS PRICING

Do you consider the present pricing system for "new" and "old" oil adequate?

In the President's opinion, in a competitive industry any price established by government control is inadequate. A year ago he proposed a bill to decontrol the price of crude oil. In December, nearly a year after his proposal, he signed a bill that will over time remove these controls. The President was not entirely satisfied with the pricing conditions of this legislation but he is very hopeful that, over time, it will permit price increases that provide the incentive necessary to increase domestic oil production.

Would you support a bill to immediately deregulate interstate natural gas prices? Would you support such a bill if it provided for gradual deregulation?

In January last year, the President proposed in the Energy Independence Act that the price of new natural gas be deregulated. This is vital to stimulate exploration and development of our natural gas resources to avoid shortages. The Senate recently passed legislation which would immediately deregulate the price of all onshore production of natural gas and offshore production over a five-year period. This approach appears to be a reasonable compromise which would result in increased gas production over the long term.

OIL COMPANY DIVESTITURE

Do you favor nationalization of the oil industry? Do you favor formation of a national oil company?

President Ford favors neither nationalization of the oil industry nor formation of a national oil company at this time. He does not believe that either approach would be as flexible or efficient as private enterprise in supplying energy at the lowest economic price. Moreover, the President is on the record as opposing further increases in an already high federal bureaucracy.

Do you favor splitting up the major oil companies — i.e., enforced divestiture of refining, transportation and marketing of petroleum and petroleum products?

The federal government cannot do a more effective job in developing our domestic oil resources and providing the consumer with refined petroleum products at a lesser cost. However, the government can carefully monitor the actions of the oil industry and there are laws on the books that now permit the government to pursue this task. The potential magnitude and the threat of disruptions caused by divestiture may be analyzed very carefully before any serious consideration is given to divestiture legislation. The bills that have been proposed to impose either vertical or horizontal divestiture need very close scrutiny because they appear to be inflexible, overly broad and probably will not accomplish the objectives their sponsors intend. The consequences of a poorly conceived solution are so great, both here and abroad, that it would be premature to proceed without carefully considering the effect on the nation's national energy goals and other national objectives.

IMPORT CONTROLS

Should the federal government undertake to impose restrictions on imports of oil or natural gas? If so, what sort of policy would you advocate?

No. There is no need for arbitrary quotas on the amount of oil and gas imports allowed in this country. Quotas tend to lead to shortages and create artificial pressure that the free market system can handle better. □

Former governor of Calif., Rep.

Ronald Reagan

Statement on energy policy

"If we are ever to come even close to independence from foreign oil and if we are to assure ourselves of abundant, low-cost energy in the future, we must begin at once to develop the sources at hand.

"The energy bill just passed and signed in Washington doesn't solve the problem—it makes it worse. It might as well have been called The Increased Dependence on Arab Oil Bill. It removes recent incentive for domestic exploration and development of oil. At the same time it encourages increased consumpton. Though it may reduce gas pump prices about 2¢ per gallon until after the election, the politicians hope you'll forget, when prices shoot up again in 1977, that they were responsible. What they will also be responsible for is a greater dependence on imported oil than ever before.

"It is time we stopped letting them treat our energy needs as a political football. We must cut through bureaucratic red tape and the obstacles thrown up by some who call themselves environmentalists but who, in reality, want us to feel guilty for being a prosperous nation. Instead, we need to begin pumping every barrel of domestic oil we can get our hands on, begin using our vast coal reserves with both intelligence and innovation, and begin shifting our sights to the one sure source that will carry us through the next several decades: nuclear energy. It can be produced economically and safely despite highly emotional argument to the contrary.

"We should continue research into other energy resources and develop them to the fullest extent practical. It is unlikely, however, that in the next few years any combination of solar energy, geothermal energy, winds, tides or fly wheels will provide practical substitutes for oil, coal and nuclear energy, no matter how much money we spend on them. The sooner we cut through the politically inspired restrictions on our own resources, the sooner we shall be free of the costly resources of others." □

Senator from Indiana, Dem.

Birch Bayh

Statement on national energy policy

"This nation must have an energy policy which is firmly based upon a much more realistic assessment of the present situation than the Ford Administration has presented.

"In the area of energy prices there is a need to recognize that decontrol and deregulation of oil and gas is not only unwise, but actually impossible as long as the OPEC cartel maintains its solidarity and as long as the fundamentally noncompetitive domestic oil industry is permitted to conduct business as usual. There is not—nor would decontrol and deregulation create—a free market in oil and gas.

"In the case of energy self-sufficiency, there is a need to recognize that we have devoted far too little attention and too few resources to closing the supply/demand imbalance by working to reduce demand. Specifically, we must move more forcefully to end wasteful consumption patterns—and not just try, as the Administration has done, to fill the gap between supply and demand with new supplies.

"Or, in the case of the ready willingness of some to respond to the energy problem by instantaneously doing away with years of progress in protecting the environment, there is a need to recognize that a healthy environment is no less important a national objective than adequate energy production.

"With these and other essential underlying principles intact, it is possible to formulate a national energy policy that reconciles in a constructive fashion the competing interests between the energy problem and the economy, and the energy problem and the environment.

PRICING POLICY

"Oil and gas prices should be kept under strict Federal controls. This is necessary because our experience with uncontrolled oil and deregulated gas demonstrates that uncontrolled energy prices rise automatically to the equivalent of the OPEC oil price. This is not a free market price; it is the administered price of the most effective international cartel in history. Moreover, the grave economic consequences of higher energy prices are intolerable. Not only would soaring energy prices fuel inflation directly through consumer and industrial use of refined petroleum products and natural gas, but also through a myriad of indirect consequences.

"High energy prices are also recessionary. Because the demand for energy is relatively inelastic, higher energy prices rob consumers of real purchasing power and depress the entire economy. There is no justification for permitting such a huge income transfer from American consumers and industry to the multinational companies. Moreover, the price mechanism is the most regressive and inequitable way to allocate limited energy resources.

"Accordingly, I support legislation to reimpose and to maintain price controls on "old" oil and to place price controls on "new" oil so that it does not sell at the administered OPEC price. In addition, while I am prepared to support a limited increase in the price of natural gas shipped in interstate commerce, such action must be accompanied by the establishment of parity between the intrastate and interstate markets to ensure that consuming states do not bear the brunt of natural gas policy. There is no justification for deregulation of natural gas prices under present circumstances.

ANTI-TRUST

"As a member of the Senate Anti-Trust and Monopoly Subcommittee, I have authored legislation, which is being cosponsored by several of my colleagues on the subcommittee, to break up the vertical integration of the major oil companies. I have held hearings on this legislation and will hold additional hearings this fall with the goal of reporting a bill this session.

"The domestic oil industry is essentially non-competitive because of a unique combination of vertical integration (with major companies controlling the oil supply from the time it comes out of the ground until it is consumed) and heavy concentration (a small number of companies dominate the industry). After careful study I am convinced that nothing short of breaking up the major, vertically integrated companies will provide this vital industry with the competition that is now lacking.

ENERGY CONSERVATION

"Much more must be done to end energy waste. Having authored a Senate amendment in 1973 to mandate a minimum 50% improvement in automobile efficiency, I remain committed to achieving this goal by 1980 and to do even better after that. This is a necessary step, and it can be realized without sacrificing auto pollution standards.

"As important as it is to reduce the use of oil in private autos, it is equally important to provide the kind of efficient inter-city rail service and intra-city mass transit which will convince Americans to leave their cars at home. We should also seek economic incentives for more efficient use of automobiles, such as reduced toll and parking charges for cars carrying several passengers.

"Industrial energy use is another area where substantial energy savings can be achieved. There is ample evidence that energy per unit of production can be reduced by an average of 25%. Part of this goal can be achieved through variable pricing policies which reverse the traditional practice of lower rates for large energy users. If the pricing mechanism is to be used effectively to curb consumption, it must be used here—where it can work—and not applied to necessities such as home heating oil. In addition, we can mandate more efficient

energy practices by industry, and provide tax incentives for the capital expenditures associated with achieving this goal.

"We must also deal with the problem of heat waste, a costly and unnecessary expenditure of energy. For existing homes, a simple tax incentive for improved insulation will help. Beyond that, there is every reason to mandate tough insulation requirements for all new buildings: home, commercial and industrial. Also, the significant heat waste associated with industry and with the generation of electricity can be curbed if we commit the resources necessary to capture and to reuse that heat.

ENERGY SUPPLIES

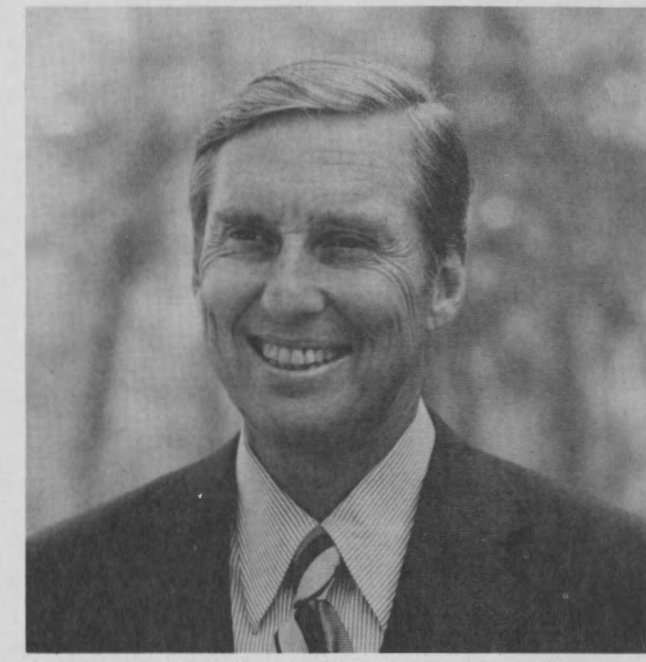
"Obviously we need to seek maximum production of coal, oil and gas, consistent with economic and environmental considerations. It is equally obvious that we must step up research on new energy sources, especially solar, geothermal and fusion energy. The heavy R&D bias toward conventional nuclear power has not paid adequate dividends thus far.

"The area in which we have been most lacking in foresight is in our attitude toward coal. For the long-term, coal gasification and liquefaction deserve greater emphasis. Even more importantly, since we can make clean and efficient use of coal right now through existing technology, we need to do much more to implement application of advanced technologies for burning goal as coal. There are several techniques for burning coal efficiently and cleanly, and we must insist on their adoption rather than falling prey to those who would use the energy crisis as an excuse to abandon our commitment to a clean environment.

ENVIRONMENT

"The notion that our energy needs can be met only by undoing a decade's progress in restoring and protecting our environment is a myth. In every area—fom auto efficiency, to the use of coal, to offshore drilling—technology exists to achieve energy objectives without significant environmental tradeoffs. It is important to bear in mind that those who seek to use the energy crisis as a lever to retreat on the environment are the same people that resisted the landmark environmental legislation of the past decade.

"To pretend that our energy problem can be solved easily is foolish. But to argue that it can only be solved with great economic or environmental costs is wrong. What is required is a willingness to identify the real nature of the problem, and to insist on the necessary solutions without holding the hands of special interests." □



Senator from Tex., Dem.

Lloyd Bentsen

Questionnaire answers broken down into categories

U.S. ENERGY INDEPENDENCE, OIL AND GAS PRICING

"We should be making every effort to formulate a national energy program with both short and long-term solutions. Until we can develop the technology to utilize alternate energy on a commercial scale, we must make efficient use of available sources, especially oil and gas.

"I favor an acceleration of drilling activity on the outer continental shelf which I believe to be an essential component in our efforts to achieve energy self-sufficiency. In addition, if we are to increase domestic production of oil and natural gas, it is imperative that we move toward price deregulation. The Senate has taken a step in the right direction by passing the Pearson-Bentsen proposal providing for the immediate decontrol of the wellhead price of new onshore natural gas and the five-year phased decontrol of new offshore gas. I favor an oil pricing policy that will phase out controls over a period of months and return us to market pricing. Energy producers must have more certainty if they are to make huge capital outlays necessary to extract the remaining domestic oil.

OFFSHORE LEASING

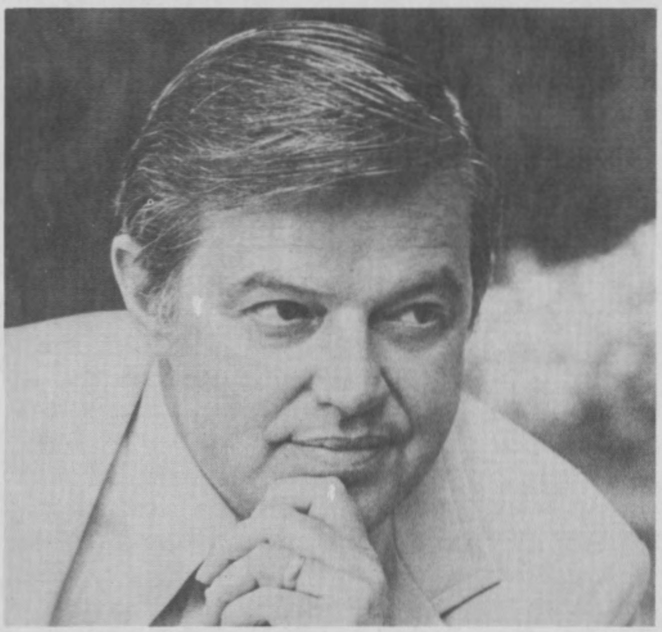
"I support offshore leasing in frontier areas with adequate environmental safeguards. Our

← Circle 530 on reply card

experience in Texas has been that current regulations have allowed production while maintaining a good record in the area of environmental protection. However, more important than any federal or state regulation is the self-regulation exercised by the oil and gas industry. The industry on the whole, has a very good record in this regard, and has been able to maintain public support for offshore development. If the industry continues to evidence this regard for environmental safeguards it is possible to drill and refine offshore with little environmental disruption.

OIL COMPANY DIVESTITURE

"I voted against three pieces of legislation dealing with divestiture of the oil industry. In my view, the Department of Justice is the proper place for handling matters of over-concentration. As Floor manager of the Deepwater Ports Act of 1974, I successfully resisted efforts to prohibit oil company ownership of the facilities. During consideration of the Outer Continental Shelf Act, I actively opposed a Jackson amendment to the bill authorizing Federal exploratory drilling. This would have been the first step toward the creation of a Federal Oil and Gas Corporation, which I strongly oppose. The development of our offshore lands should be carried out by private industry, and I will support efforts aimed at increasing the utilization of the expertise of private industry in these areas." □



Senator from Idaho, Dem.

Frank Church

U.S. ENERGY INDEPENDENCE

Do you think oil and gas will be an important energy source for the United States for the next 15 years or so?

Yes.

What do you think should be done to increase domestic production of oil and natural gas?

Undertake, in cooperation with industry, an aggressive research and development program in secondary and tertiary recovery of oil and natural gas stimulation.

Do you think a significant amount of future oil and gas production will have to come from the federal outer continental shelf areas?

Yes.

OFFSHORE LEASING

Do you oppose offshore oil and gas leasing?

No.

Do you oppose offshore leasing in frontier areas such as the Gulf of Alaska, The U.S. East Coast, the Bearing Sea or the Beaufort Sea?

No.

Do you favor sharing federal royalty income with coastal states?

No.

Do you think the Department of Interior now regulates offshore operations adequately to protect the environment? If not, what regulations would you add?

No. At a minimum, development of the OCS requires adherence to those provisions of the Outer Continental Shelf Management Act of 1975 which I supported. Included among those provisions which would provide protection for the environment are: development of an OCS leasing program that adequately considers impact to the environment; promulgation of safety and environmental standards for equipment used in OCS exploration, development and production; promulgation of equipment and performance standards for oil spill cleanup plans; and, leases conditioned upon compliance with standards which will protect the environment as well as strict liability for oil spill damages.

Do you favor forced unitization in developing large offshore structures?

No.

Do you think offshore oil and gas operations will harm the environment if present federal and state environmental regulations are obeyed?

It seems to me that the problem is not so much one of adequate laws and regulations as it is one much help as possible in controlling the onshore impact of offshore drilling.

OFFSHORE LEASING

"As stated previously, there is no contradiction between adequate energy development and strict environmental standards. We can have offshore drilling if we respect certain standards and policies. There are obviously some places where drilling must not take place. Where it does, we must ensure that strict controls are enforced. Federal officials should accept the states' recommendations regarding lease sales and development plans, unless the officials believe that those recommendations seriously conflict with national security. The states should also be given as much help as possible in controlling the onshore impact of offshore drilling.

"It is also important that the federal interest in offshore drilling not be used as an excuse to restrict the states' authority to deal with such matters.

"Leasing in frontier areas depends entirely on the individual case. We must make sure that all evaluations and data are presented fairly in each case and that strict environmental standards are followed in cases where drilling does take place. Federal royalty income should be shared with the coastal states in some form.

"Again, we must ensure that all research is adequately pursued from within the Department of Interior and that in all cases, we have complete information. We need a strengthening of our commitment to preserve the environment and with a president who has such a commitment, we can have adequate production and strict, fair controls.

OIL COMPANY DIVESTITURE

"I support restrictions on the right of a single company to own all phases of production and distribution of oil. However, I do not support complete vertical divestiture by the oil companies. For example, I would not make it illegal for the same company to explore for oil and then extract that oil from the ground once discovered. This would clearly result in tremendous price increases to the consumer.

"I support legal prohibitions against ownership of competing types of energy, oil and coal for example. However, I cannot promise to oppose any joint responsibility for any phase of production of competing energy sources. Fuel oil and some propane, for example, are produced from crude oil. Their production clearly cannot be separated until after extraction and refining take place. It may not be beneficial to the consumer to separate control of these two competing energy sources until even further down the distribution line.

"I oppose the creation of a new federal oil and gas corporation. The federal government is currently unable to handle competently and equitably the responsibilities it already has in this area. Agencies designed to regulate and control special interests have almost invariably become the tool of those very interests. The Federal Energy Office is the best, most recent example. It is impossible to tell where the major oil companies stop and the Federal Energy Office starts.

"I would consider such a proposal only after a thorough reform and reorganization of the Federal Executive Branch, particularly the so-called Regulatory Agencies.

OIL AND GAS PRICING

"I support legal restrictions to allow a 'reasonable profit' on oil and natural gas, rather than allowing prices to be set without restriction. I oppose deregulation of old oil. Price for domestic oil should be kept below OPEC price levels. I support the overwhelming position of the National Governor's Conference to limit deregulation of natural gas to that small portion (less than 5%) of production not under existing contracts. This deregulation should not exceed five years.

IMPORT CONTROLS

"Imports of oil from foreign countries should be kept at manageable levels. Increasing amounts of oil from remaining domestic and foreign sources should then be channeled into permanent storage facilities until we have accumulated at lease an additional 30-day reserve supply.

"It is certainly not possible or necessary for us to be energy independent by 1985, but we should be free from possible blackmail or economic disaster which might be caused by another boycott. Our reserves should be developed, imports set at manageable levels, standby rationing procedures evolved and authorized, and aggressive economic reprisals should await any boycotting oil supplier." □

Presidential Candidates continued on page 61

Senator from Wash., Dem.

Henry Jackson

U.S. ENERGY INDEPENDENCE

Do you think oil and gas will be an important energy source for the United States for the next 15 years or so?

Yes. During this period conventional oil and gas will be a critical element of our supply.

What do you think should be done to increase domestic production of oil and natural gas?

One of the most needed actions is the revision of the Outer Continental Shelf Lands Act of 1953. It will provide adequate authority and guidelines for the subsequent increase in development which should take place during the next decade.

Do you think a significant amount of future oil and gas production will have to come from the federal outer continental shelf areas?

Yes. In fact, it appears to me that the outer continental shelf and Alaska will be the major sources of new oil and gas production.

OFFSHORE LEASING

Do you oppose offshore oil and gas leasing in federal waters?

No, but I believe that the Outer Continental Shelf Lands Act must be revised and updated. The provisions of the OCS Management Act S-521, in my opinion, are appropriate for outer continental shelf development.

Do you oppose offshore leasing in frontier areas?

No. See my answer to the previous question.

Do you favor sharing federal royalty income with coastal states?

I favor federal assistance to state and local governments adversely impacted by outer continental shelf oil and gas development. Aid should be related to impact. I do not favor outright revenue sharing based on arbitrary percentage of revenues.

Do you think the Department of Interior now regulates offshore operations adequately to protect the environment? If not, what regulations would you add?

No. The provisions of S-521 spell out the changes I think are necessary.

Do you favor forced unitization in developing large offshore structures?

If unitization will lead to more rapid or efficient production for a structure it should be required. This is a judgment that should be made on a case-by-case basis.

Do you think offshore oil and gas operations will harm the environment if present federal and state environmental regulations are obeyed?

I believe everyone admits that there will inevitably be some environmental harm from offshore oil and gas operations. The critical question is, are government and industry willing to do everything possible to prevent and minimize such damage? As I indicated in my answer concerning Department of Interior regulations, I believe present state and federal regulations need to be improved and even more importantly, stringently enforced.

OIL AND GAS PRICING

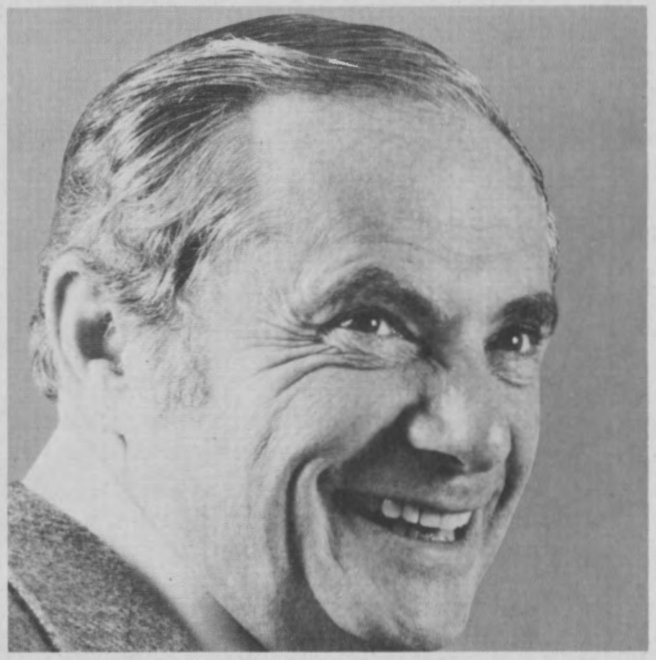
Do you consider the present pricing system for "new" and "old" oil adequate?

I believe the pricing system set forth in the Energy Policy and Conservation Act is appropriate for the next 40 months. The act provides a system for possible changes in price levels.

Would you support a bill to immediately deregulate interstate natural gas prices? Would you support such a bill if it provided for gradual deregulation?

No. I do not support immediate or gradual deregulation of interstate natural gas. I do believe that natural gas has been underpriced in the past and that some price increase is justified. However, I believe that the price should continue to be regulated to protect consumers.

Comments on oil company divestiture and import controls were not submitted. □



Governor from Pa., Dem.

Milton Shapp

Governor Milton J. Shapp's response to questionnaire

"The United States has no national energy policy for the evaluation of existing natural resources or for intelligent development of new resources. We must formulate a comprehensive policy in order to determine the best course to follow for use of oil, gas, coal and all other energy supplies.

"Congress, by its inaction, has granted the Ford Administration free license to form a piecemeal policy for limited ends. The President has responded with measures so weak that they are grounds for revoking that license.

"The time is clearly long past when we should have started a program for intensive exploration of new sources of oil and gas and also for a major research program to find new ways to use existing supplies and to develop solar, wind, fusion and fission sources. We must commit the nation's top scientists, engineers and technicians to energy conservation and development programs and be prepared to invest the large amounts of money needed to get the job done. It is a project equally demanding, equally important, and equally deserving of a national commitment as the Apollo project, and the benefits would be enormous.

"The component aspects of a national energy policy are readily definable. First, we must determine the size of our resource reserves for each type of energy. From this, we can project short and long-range demands and our ability to meet them. For example, we must act now to relieve current and future shortages of natural gas. Fortunately, we have abundant coal reserves and the technology for coal gasification. If we commit sufficient funds to the construction of needed facilities, gasification plants could begin to provide a supplemental energy source to natural gas within two or three years.

"In addition, we know there are many trillions of cubic feet of methane trapped in the coal seams of Appalachia. We need a crash research program to determine if there is a feasible low cost way to tap this gas without digging the coal.

"We should also have a crash program to develop economical ways to convert trash and garbage into fuel. This will serve the dual purpose of helping improve the environment and developing a new large source of fuel.

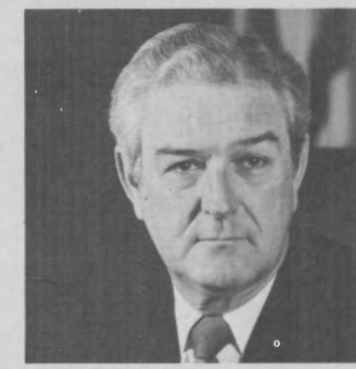
"Then, to meet the need for energy as our finite resources diminish, we must plan for the development of our infinite resources—the sun, wind, tides and heat of the earth. Unless we begin to develop these energy sources today, we will not have them when they are needed in the future.

"Third, we must determine the investments required to develop new technologies and build energy production facilities. The investments in research and development will require billions of dollars over the coming decades. The bulk of research funds will come first from the federal government which will coordinate energy development with national needs. These public funds will in turn stimulate investment by the private sector to meet our national needs in a manner consistent with the national energy policy.

"Fourth, we must establish a national End Use Strategy for each energy source as its potential is determined. Not only will this enable us to make wise and efficient use of our energy resources, but it will provide us with more accurate growth and demand projections. Oil is a particularly strong example of the need for an End Use Strategy. While the demand for increased oil production, both foreign and domestic, will continue during the coming decades, the development of new energy sources will allow us to limit the use of oil to motor and air transportation, a use for which we are not likely to find an efficient substitute for oil. The main lines of our railroads should be electrified for greater efficiency and to conserve fuel.

"Fifth, we must develop a National Energy Warehouse (NEW) program to insure that no section of our country is without the energy it needs for its people and its industries. Through the NEW program, every state and region of

HARRIS



CONNALLY

HUMPHREY

No comment

HARRIS

Of all the announced candidates, Fred Harris alone declined response to **Offshore's** questionnaire. Some research, however, produced the following quote from the Summer, 1975 edition of the Harris Herald, a newspaper written for Harris supporters:

" 'In Colorado, as elsewhere, people are sick and tired of the giant oil companies making huge profits and paying hardly any taxes, while everyone else has a hard time paying their bills,' Fred Harris told cheering supporters in Denver on July 12.

" 'Recent increases in the price of gasoline show again how important it is to the average family that our government begin to stand up to the giant oil companies,' Fred told the group.

"He pointed out that President Ford's increase in the excise tax on foreign crude oil and his recommended lifting of controls on the price of domestic crude oil would cost average Americans an additional $36.4 billion a year for everything they buy, according to the Library of Congress, which amounts to $900 more a year for the average family, according to Ralph Nader.

"Fred also advocated the establishment of a public energy corporation to develop oil and gas and other energy reserves on public land. He said that the public energy corporation, like TVA and Bonneville, would serve as a competitive yardstick and should go into the international market to offer the OPEC countries some selling outlet other than the cartel of multinational oil company giants.

"Fred called for continued controls on the price of domestic crude oil, vigorous enforcement of the anti-trust laws, a requirement that new automobiles get at least 25 miles to the gallon, and a prohibition against "promotional" or decreasing electricity rates for heavier commercial and industrial electricity users.

"The public energy corporation should also begin a NASA-like drive to develop alternative power sources, he stated, and he pointed out that, unlike the private oil companies, the public enterprise could seriously take into account environmental questions."

CONNALLY

John Connally, former governor of Texas and U.S. Secretary of the Treasury, now private citizen, also declined to comment on his energy views. A representative from his office in Houston said, "He does not consider himself a presidential hopeful."

HUMPHREY

An aide in Hubert Humphrey's office in Washington said the Senator will not answer any questions as a presidential hopeful. "He is not an announced candidate," she said, "and now plans to run again as senator from Minnesota."

the United States would be guaranteed an adequate energy supply at a cost consistent with the costs in states with abundant energy supplies. No state should be required to bear the brunt of high energy prices or shortages solely because it is not a major energy producer itself. Nor is it equitable to force poor people to bear the burden of shortages simply because they cannot afford high-priced energy. My proposal for a Fuel Stamp program (I was the first to make such a specific proposal, back in 1974) would insure that no American is denied essential amounts of energy solely because of price. I oppose indiscriminate price increases, whether as a means of forcing conservation or as a result of an artificial shortage. The NEW program would insure that prices are based strictly on cost plus reasonable profit.

"Sixth, our national energy policy must present to the public and to industry a much stronger case for energy conservation. Among the conservation measures which require immediate attention are efficiency requirements for motor vehicles; weatherization of buildings; vigorous enforcement of the 55 mile per hour speed limit; modernization of our railroads and use of mass transit; utility rate restructuring and materials recycling.

"Seventh, our national energy policy must reestablish strong competition in all phases of the energy industry. Our economic system has become the best in the world because of competition, and has recently become depressed and inefficient because of abuses created by a true lack of competition in key industries.

"I oppose nationalization of the energy industry, but it is obvious that unless competition and public confidence is restored, nationalization is inevitable.

"It is important to note that even if the national energy policy I have proposed were adopted immediately, petroleum would continue to be a growing and dominant source of energy in the United States for at least the next quarter century, requiring continued domestic and foreign production and exploration of offshore resources. However, I believe there are prerequisite economic and environment balances that must be achieved immediately as part of a sound national policy.

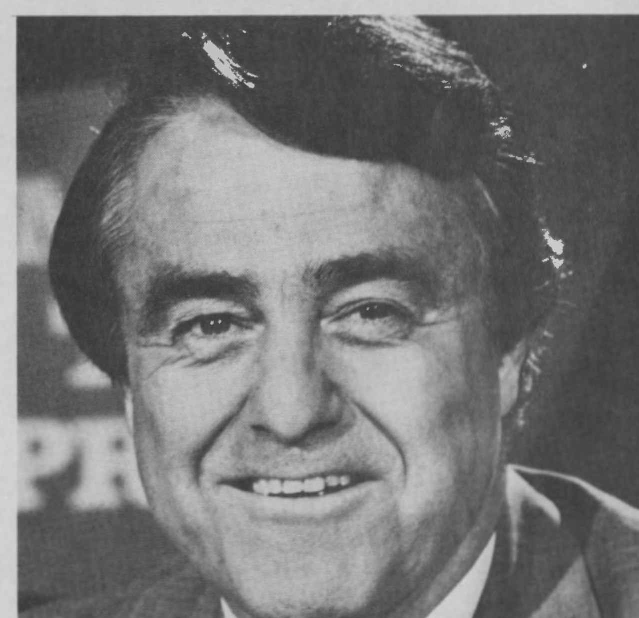
"To create a rational balance between domestic and foreign oil production, I believe we must change government incentives for foreign production. There are already sufficient incentives for American oil companies to research, explore and produce domestically, but there are too many benefits extended to oil companies to conduct these activities abroad. Too often, foreign operations work to our national disadvantage.

"To create a rational policy of offshore drilling, we must reevaluate the balance between economical exploration and environmental protection. I have ascribed to the resolution of last year's Mid-Atlantic States Governors Conference which recommends sharing federal royalty income with coastal states and setting procedures for offshore drilling under federal leases.

"In each case of offshore drilling, we need to ask whether drilling and recovery are economically and environmentally feasible. If so, we should first require exploration under strict governmental supervision prior to the decision to lease. If not, we should delay recovery until our technology makes recovery feasible without environmental damage.

"Second, the full environmental and economic impacts of each drilling program must be assessed before production begins. Third, states and communities should be reimbursed by the oil companies for any adverse economic and environmental impacts stemming from a drilling operation. Fourth, there should be safeguards that independent oil producers have an equal choice to bid for leases. And fifth, there should be a requirement for prompt recovery of all finds.

"The total amount of oil that will be needed between now and the turn of the century will depend entirely upon the commitment we make to the development of alternative sources of energy. In the continuing absence of a national energy policy, it appears that we will need every drop of oil in the world and beyond. Consequently, we must adopt a national policy for achieving an intelligent balance of energy resources and prepare to plan the use of oil no matter whether it is to be found under miles of land, water or ice." □



Former vice-presidential candidate, Dem.

Sargent Shriver

Energy statement from Sargent Shriver

"We must begin a tough program of conservation, a program that: provides investment incentives for energy-efficient homes and industrial improvements; develops national energy conservation guidelines for buildings and industrial processes; mandates automobile mileage standards at a saving of 1 million bbl of oil per day at 27.5 miles per gallon by 1985 as required by the new Energy Policy and Conservation Act; commits our government to expand its rail and mass transit programs; encourages recovery of energy and raw materials from municipal, agricultural and industrial wastes and requires disclosure of the real energy cause—consumer goods. The United States ranks lowest among Western industrialized countries in energy conservation. We can afford that unenviable distinction no longer. And in many cases we can better afford to conserve our limited resources than to pay the high cost of developing marginal new oil production.

"Creation of at least a 90-day U.S. stockpile of petroleum, and top-priority pressure on other countries through the international energy agencies to do the same, is essential to eliminate vulnerability to cartel actions. There would then be less need for rationing and no conceivable rationale for such inflationary/recessionary devises as tariffs on imported oil or floor prices for all energy sources. But we would be in a position to negotiate long-term supply agreements so that we would not again be faced with massive and unexpected price increases and embargos. This policy would enable us to conserve rather than deplete limited domestic supplies.

"Increased domestic production of oil and gas without inflationary price rises should be sought, not by instant decontrol which would allow OPEC to set the price we pay for domestic oil, but by establishing a ceiling price, indexed to the cost of production, and moving towards that ceiling gradually so as not to set back economic recovery. Natural gas prices should continue to be controlled at prices that will provide equity for the consumer and incentive for production.

"Legislation is needed to require the energy companies to disclose to the public, honestly and in detail, the extent of our proven reserves of oil and gas.

"Although estimates vary, our oil and gas reserves are clearly limited but our coal reserves, most of which belong to the public, could last us for several hundred years. America holds 40% of the world's coal supply. We have enough low-sulfur coal to last us a hundred years and we have the technology for coal gasification and for cleaning high sulfur coal. A national program for clean coal could result in greatly increased production which will be required to make the necessary conversion before oil and gas run out. But energy policy has floundered and failed to fashion this crucial transition program for our energy future. The federal government must make the commitment now: to a program of conservation of utilities and industrial boilers for coal in compliance with clean air standards; to research and development assistance for industry to commercialize the gasification processes and to land reclamation techniques that will make coal an environmentally sound and economically feasible energy alternative.

"Alternative sources of energy including solar power, geothermal and other essentially renewable resources must be developed by a sustained, massive commitment by this nation. Indeed, the ultimate economic future of the world requires replacement of fossil fuels with new energy sources. This job cannot be left to monopolistic private industry. NASA, an agency of proven confidence and expertise, should be directed to develop solar and other technologies to the point of economic feasibility.

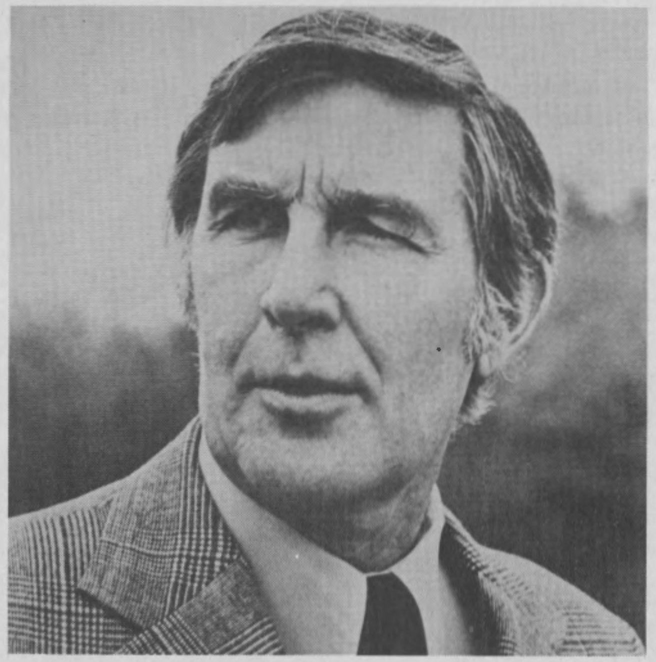
"We should halt this administration's persistant push toward an unbalanced energy program, driving us toward heavy dependence on a plutonium-based option for our future economy. Before wedding our energy future to nuclear power, we must first resolve the hazards of plutonium reactor safety and nuclear sabotage, theft or terrorism in the proliferation of nuclear materials. We are on the brink of making decisions in our energy policies that may irreversibly affect the lives of our children and could even threaten the survival of our civilization without any adequate exploration of alternatives.

"A federal purchasing agency should be created for imported oil to bring down its price by weakening the alliance between OPEC and the multinational companies.

"A yardstick public energy corporation should be considered to explore offshore and public land resources and, where necessary, compete with the energy giants.

"A new leasing policy is needed so that the public participates in profits from the private development of coal, oil and gas resources located on public lands or the outer continental shelf. We should use net profit leases under which the government retains a share of the profits of energy resources found. By eliminating this present system of heavy, front-end bonuses, this approach would encourage competition since smaller companies, which do not have access to the major capital markets, could bid for leases against the energy giants.

"Public resources leasing policy must not sacrifice the environment to our energy needs. Before opening up additional public lands for leasing, we should enact strong strip mining legislation such as the bill vetoed by President Ford, coupled with strict liability for the developers must accompany private development of offshore oil reserves. □



Congressman from Ariz., Dem.

Morris Udall

Morris Udall's statement on the outer continental shelf

"Oil and gas reserves locked in the seabeds of the outer continental shelf (OCS) off the coast of the United States present a promising— but as yet unproven—potential for helping to meet the nation's future energy needs. The environmental, economic and social costs of OCS development, however, can be severe and these fundamental issues must be addressed before the government embarks on a program to encourage development.

"A primary hurdle to the fashioning of a rational OCS policy is that the nation has made no real commitment to an energy conservation program—although a tough energy conservation policy would severely limit the need for drilling in the "frontier" areas such as the Gulf of Alaska or off the Atlantic coast. Instead of charging forth with new schemes for drilling and pumping off our shores, we should first move to cut the rate of energy growth as a matter of national policy.

"Of course, even with the implementation of an energy conservation policy, the nation will need to develop its OCS reserves and to do that we will need a new law. The current statute—written over twenty years ago—mandates no protection of the environment, no protection of the people of the coastal areas nor does it respect the legitimate interests of the affected state governments. As a member of the newly created House Select Committee on the Outer Continental Shelf—a panel charged with the responsibility to write a new law—I support legislation that will insure that development of OCS resources will proceed under the following principles:

- Exploration and development of petroleum resources must be conducted in a manner that fully protects the marine environment. As necessary as the OCS fuel reserves may be to meeting our energy needs, their importance pales in comparison to the value of the marine ecosystem that will be disturbed by production activities. Development should only proceed under a program that requires thorough environmental planning and stringent regulation to protect the marine environment.
- The environmental, social and economic consequences of onshore development must be predicted and controlled and negative effects must be minimized. Not only is the shoreside environment threatened by the possibility of oil spills, blowout or other accidents, but the construction of complex onshore systems—including pipelines, refineries, petrochemical plants, etc.—will have a significant and direct effect on the economy, environment and way of life of coastal communities. It is essential that all such construction and development in critical coastal areas be carefully planned in advance.
- The process of exploration should be separated from actual development of the reserves. In order to allow proper assessment of the environmental, social and economic impact of development and to insure appropriate public revenues, leasing procedures should separate development from exploration. Thus a plan for development can be knowledgeably evaluated and adjusted if necessary. Moreover, I favor the establishment of a Federal entity to assure greater management authority over our public resources and I believe that this body should carry out the initial exploratory drilling in frontier areas. This would assure environmental protection and complete governmental awareness of the extent of the reserves in order to plan properly for their development.
- An adequate program to mitigate the local financial burden attendant to OCS development should be implemented. OCS oil and gas reserves are a national resource which should be developed to meet national needs. The nation has a responsibility, however, to assume its fair share of the local costs and OCS revenue should be available to the states for planning and construction of needed facilities in areas impacted by offshore drilling and production.

"These principles must be incorporated in a new statutory framework that respects the role of states in decisions regarding OCS oil and gas development of their shores. The economic, social and environmental impacts to the affected coastal states are simply too significant to allow the continuation of a leasing program that virtually ignores their interests. The states should be in on the decision on when and where to lease, and on the planning of coastal facilities and the states should share in the revenues produced by successful drilling." □

Governor from Ala., Dem.

George Wallace

U.S. ENERGY INDEPENDENCE

Do you think oil and gas will be an important energy source for the United States for the next 15 years or so?

I believe a majority of the energy problem is built around the supply of oil and gas. The energy crisis will be a major consideration in the entire last quarter of this century.

What do you think should be done to increase domestic production of oil and natural gas?

Our free enterprise system must be encouraged to increase our production of oil and natural gas. The petroleum business was developed by free enterprise. Free enterprise pioneered the efficiency of oil fields, and the uses and development of oil products. In our battle for energy we must not be led down paths that could be the first steps toward nationalization of the petroleum industry. This would be a dangerous threat to all of our freedoms. I'm convinced that the energy crisis will be met by free enterprise rather than governmental action. This has been true in all our crises. It must have the cooperation of government and the direction of government but the free enterprise system must be allowed to operate.

Do you think a significant amount of future oil and gas will have to come from the OCS?

No doubt the outer continental shelf areas contain large amounts of oil and gas. The problem is getting to it in time to meet energy crisis needs. We must use common sense. It will take much time to resolve this legislative problem and then wells themselves must be drilled. With both the USSR and the People's Republic of China centers of self-sufficiency in petroleum, we must explore every possibility that would make us self-sufficient while taking important safeguards of environmental quality.

OFFSHORE LEASING

Do you oppose offshore oil and gas leasing in federal waters?

I believe this matter has to be faced with common sense. We need oil and gas. We must protect the environment. Within the bonds of ecological control, I support oil and gas leasing in federal waters.

Do you oppose offshore leasing in frontier areas?

Again, we are dealing with important factors of ecological control. I support oil and gas offshore leasing where it does not present an ecological hazard. I believe that this can be accomplished.

Do you favor sharing federal royalty income with coastal states?

I have mixed reactions. The waters around these United States belong to all of us. I do believe a fund should be created from these royalties for environmental programs and for reimbursement for damages so that it will reduce fears and concerns of our fishermen and conservationists in the coastal states.

Do you think the Department of Interior now regulates offshore operations adequately to protect the environment? If not, what regulations would you add?

I feel the Department of Interior has done its best under difficult circumstances. It is most difficult to please all parties in ecological and petroleum matters.

Do you favor forced unitization in developing large offshore structures?

No.

Do you think offshore oil and gas operations will harm the environment if present federal and state environmental regulations are obeyed?

I believe if present laws were observed the environment would be protected as well as you can protect it and still carry on operations.

OIL AND GAS PRICING

Do you consider the present pricing system for "new" and "old" oil adequate?

I believe the pricing of "new" and "old" should be given close study to come up with what is fair to all. This is not an evasion of the question. There are too many factors involved in this matter as to what really constitutes "old" and "new" oil to be able to say that you favor one type or another type of pricing. The whole matter of prices and controls must be studied in a battle plan for energy to come up with answers to causes of the energy crisis.

Would you support a bill to immediately deregulate interstate natural gas prices?

We should treat the cause—not the symptom.

OIL COMPANY DIVESTITURE

Do you favor nationalization of the oil industry?

I totally oppose nationalization of the oil industry as unconstitutional and un-American.

Do you favor splitting up the major oil companies—

I believe formation of a national oil company is a step to nationalization.

Do you favor splitting up the major oil compaies—i.e., enforced divestitute of refining, transportation and marketing of petroleum and petroleum products?

This must be studied carefully in the light of our energy crisis. We must do only what would produce answers and nothing that would add to the problems. A breakup of free enterprise companies at this time would appear to interrupt the task of making the U.S. energy self-sufficient, and that is our number one priority. There must not be one cent of profiteering or one iota of abuse of the public by any corporation, petroleum or otherwise.

IMPORT CONTROLS

Should the federal government undertake to impose restrictions on imports of oil or natural gas?

I think we need to concentrate on an energy battle plan rather than restrictions. The problem is self-sufficiency for the U.S. because both the USSR and the People's Republic of China have self-sufficiency. We should be extremely careful in taking action so that we leave no stone unturned that we are doing the right thing for the long haul. □

First drill after sale

Shell Oil Co. spent the most money and, fittingly, made the first move to drill the federal Outer Continental Shelf off Southern California.

Exxon Co., USA, also is seeking necessary permits to drill acreage acquired at the December, 1975, OCS sale in Los Angeles. Exxon acquired more acreage at the sale than any other company.

Both Shell and Exxon applied to the Army Corps of Engineers for permits to conduct exploratory drilling on tracts acquired at the sale.

Shell singly or in association with others was successful bidder on nine tracts. Four of the tracts are in San Pedro Bay, lying at the near point three miles offshore from Huntington Beach. Shell and partners spent $91,845,000 for Tracts 247, 256, 261 and 262. Occidenatl Petroleum Corp. and American Independent share interest with Shell in all four tracts; Hamilton Brothers own interest in three; Chanslor-Western Oil & Development Co. in two.

Four additional tracts for which Shell is seeking a drilling permit are in the Santa Rosa-Cortez South area some 85 miles offshore from Long Beach. Shell and partners spent $30,638,000 for Tracts 79, 114, 115 and 128.

In the Santa Rosa Island area about 50 miles offshore from Santa Barbara, Shell asked for a permit to drill on Tract 51, for which Shell and partners paid $151,000.

At the December sale in Los Angeles, Shell's interest in successful bids was $63,002,198.49, making the company the biggest spender of the sale. Other big spenders were Texaco Inc., $62,388,480; and Standard Oil Co. of California, $34,353,583.20.

Exxon is seeking permits to drill nine tracts comprising a total of 51,840 acres. The tracts include Tracts 85, 86, 94, 95, 96, 102, 103, 105 and 111 for which Exxon paid bonuses totaling $27,342,100. The company owns full interest in the parcels, which are in the Santa Rosa - Cortez South area lying approximately 85 miles offshore. Some of the acreage is in water depths of as much as 2,400 ft.

The area of interest lies about 20

EMBARGOED FOR RELEASE
UNTIL 2:15, E.S.T.

APRIL 5, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

In my first State of the Union Message more than a year ago, I set forth goals for regaining energy independence for the United States. I also outlined a comprehensive and ambitious national program needed to achieve our energy goals. The first goal is to reduce our growing reliance on imported oil.

We have launched energy programs that are possible within existing authorities and I have asked the Congress for the additional legislative authority that we must have. My proposed Energy Independence Act of 1975 contained thirteen specific programs to encourage energy conservation and increase domestic energy production. More recently, I sent to the Congress proposals dealing with nuclear energy, investment in energy facilities, and other measures needed to achieve our goals.

One of the original thirteen proposals was especially important because it permitted immediate action to produce more oil here in the United States. There are only a very few steps like this that are possible. Generally, it takes three years or more to bring new oil production on line.

Actions to increase domestic oil productions are critical because oil imports have grown to the point where they now account for almost 40% of the petroleum we are using. We are even more dependent now than we were a little over two years ago when we experienced the disruption of an oil embargo.

I am, therefore, pleased to sign into law today the Naval Petroleum Reserves Production Act of 1976 which puts in place one more element of our program to reduce dependence on foreign oil.

The Naval Petroleum Reserves had special importance when they were established over 50 years ago to guarantee an adequate supply of oil for the U.S. Navy. Today, the Reserves have even greater importance to the whole Nation because they can help reduce our dependence on imported oil and help stem the outflow of American dollars and jobs.

This new Act directs the Secretary of the Navy to commence a vigorous production program from the three Naval Petroleum Reserves located in California and Wyoming. The Act also redesignates the fourth Naval Petroleum Reserve in Alaska as a National Petroleum Reserve and transfers the jurisdiction to the Department of the Interior in June 1977. Production from the Alaskan Reserve is not authorized at this time, but the Act specifically calls upon the President to submit a development plan and appropriate legislation to the Congress. Work has already begun on those measures.

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The new Act also makes it possible for production from the Naval Reserves to contribute directly to the creation of the Strategic Petroleum Reserve authorized in the Energy Policy and Conservation Act which I signed on December 22, 1975. Once established, the Strategic Reserve will provide both a deterrent to future embargoes and a significant means to offset the effects of any future supply interruption.

The Strategic Reserve will permit us to have needed petroleum much more readily available in the case of an emergency for our Armed Services and other critical national needs.

When in full production, the three Naval Petroleum Reserves in California and Wyoming will provide more than 300,000 barrels of oil per day. The development and production of Naval Petroleum Reserve Number One in Elk Hills, California, will make the biggest contribution.

The U.S. share of this production, about 80 percent, may be sold at auction and up to 25 percent of that amount could be set aside for sale to small refiners. At the President's discretion, all or part of the U.S. share may be used to build up the Strategic Petroleum Reserves. The Act authorizes use of revenues from the sale of petroleum for work on the Naval Petroleum Reserves, for the National Reserve in Alaska, and for the Strategic Petroleum Reserve.

This Act is an important step toward reversing our declining domestic oil production and it is another sign that we are making progress. Four of my original 13 proposals were included in the Energy Policy and Conservation Act which I signed into law on December 22, 1975.

The Congress still has before it 18 major energy proposals, including those remaining from the original 13 I submitted in January 1975 and others I have submitted since then. We need those measures to conserve energy and to increase domestic production. Congress must act on those measures so that we can achieve our national goals for energy independence.

# # # # #

EMBARGOED FOR RELEASE
UNTIL 2:15 P.M., EST.

APRIL 5, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

SIGNING OF THE NAVAL PETROLEUM RESERVES
PRODUCTION ACT OF 1976 (H.R. 49)

The President today signed the Naval Petroleum Reserves Production Act of 1976 which:

- Authorizes production of petroleum from Reserves 1, 2 and 3, located in Elk Hills, California; Buena Vista, California; and Teapot Dome, Wyoming.
- Transfers jurisdiction of Reserve Number 4 in Alaska from the Secretary of the Navy to the Secretary of the Interior effective June 1, 1977 and redesignates it as a National Petroleum Reserve.
- Calls upon the President to submit to Congress a proposed development plan and appropriate legislation to authorize development and production from the Alaskan Reserve.

The President also urged the Congress to pass the 18 major energy proposals which are still awaiting action.

BACKGROUND

- Legislation authorizing production from the Naval Petroleum Reserves was one of thirteen proposals submitted to the Congress by the President in January 1975 as a part of his Energy Independence Act.
- During the past year, the President has proposed additional energy legislation, including bills concerned with uranium enrichment, financing energy facilities, energy resource development impact assistance and Alaskan natural gas. (Eighteen proposals awaiting action were identified in the President's February 26, 1976, Energy Message.)
- Four of the original thirteen proposals were included in the Energy Policy and Conservation Act which the President signed on December 22, 1975. The Naval Petroleum Reserve legislation is the fifth proposal now in law.

PRINCIPAL PROVISIONS OF THE NEW ACT

The principal provisions of the Naval Petroleum Reserves Production Act are outlined below. Under the previous law, all of the NPR's were under the jurisdiction of the Secretary of the Navy and were held in reserve for use only in times of national emergency.

- National Petroleum Reserve in Alaska
  - NPR-4 is redesignated as a "national" petroleum reserve and is transferred effective June 1, 1977, to the Secretary of the Interior who shall assume all administrative responsibilities formerly held by the Secretary of the Navy.

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- Interior shall continue Navy's exploration activities and report annually to the Congress on further exploration plans.

- The President is called upon to submit to the Congress no later than January 1, 1980, a plan for the development of the Alaskan Reserve, appropriate legislation, and economic and environmental impact assessments. Development plans are to be prepared in consultation with the State of Alaska and appropriate Federal agencies.

. <u>Naval Petroleum Reserves 1, 2 and 3</u>.

  - The Secretary of the Navy is directed to begin producing within 90 days NPR's 1, 2 and 3 at their maximum efficient rate consistent with sound engineering practices for a period of 6 years.

  - Production can be continued for additional increments of 3 years if the President certifies that such production is in the national interest and neither House of Congress disapproves the action within 90 days.

  - The Secretary of the Navy is directed to provide storage and transportation facilities for NPR-1, within three years of enactment, to accommodate production of not less than 350,000 barrels of oil per day.

  - Sales of the U.S. share of oil (about 80%) shall be made at public auction to the highest bidder for periods not to exceed one year. Up to 25% is set aside for sale to small refiners at prevailing market prices.

  - The Secretary of the Navy must consult with the Attorney General on matters which may affect competition and may not sign a contract inconsistent with anti-trust laws.

  - The President may direct all or part of the U.S. share to be placed in the Strategic Petroleum Reserve directly or through exchange agreements. The Strategic Reserve was authorized by the Energy Policy and Conservation Act (December 22, 1975).

  - Proceeds from the sale of NPR production shall be credited to a Naval Petroleum Reserve Special Account which, subject to the appropriations process, shall be made available for:

    . Exploration, development and production of NPR's 1, 2 and 3, and for exploration and study in regard to the National Petroleum Reserve in Alaska.

    . Facilities incident to production and delivery of petroleum.

    . Petroleum and facilities for the Stragetic Petroleum Reserve.

<u>IMPACT OF THE BILL</u>

. NPR-1 at Elk Hills has proven resources of approximately 1.25 billion barrels of oil -- one of the largest petroleum fields in the U.S. Fully developed, it could produce oil at the rate of 200,000 to 300,000 barrels per day. Current

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production is about 2,000 to 3,000 barrels a day, principally from production to offset private production in adjoining fields and for testing and maintenance purposes.

. NPR-2 at Buena Vista is currently in full production, allowing a U.S. share of about 600 barrels per day.

. NPR-3 at Teapot Dome has reserves of 42.5 million barrels and could produce at the rate of 21,000 barrels per day.

. NPR-4 in Alaska has only 100 million barrels of proven reserves, but estimates of potential reserves run as high as 30 billion barrels.

# # #

Date: 7/21/76

From the desk of The Administrator

To: Ron Nessen

The attached gives you some idea of the positions taken by the Administration and some of the Congress regarding divestiture.

Frank

Attachments

RN 7/22/76

Federal Energy Administration

Room 3400 Ext. 6081

Break Up Big Oil? A Yes and No

By Frank G. Zarb

Breaking up the big oil companies is worth supporting *only if* the new organizational structure would help the nation and the American consumer.

Reorganization would be acceptable *only if* it would improve our ability to insulate the American economy from the effects of an actual or threatened oil embargo, diminish the control of the Organization of Petroleum Exporting Countries over the world price of oil; and result in more abundant and secure oil supplies at lower prices for the American consumer. These should be the criteria for any evaluation of divestiture or reorganization proposals.

However, there is strong reason to believe that the bill now before the Senate actually would undermine efforts to produce more domestic oil, strengthen OPEC's power to determine oil prices and increase consumer costs. The legislation proposes a radical departure from the government's traditional antitrust function and seems to ignore the question of its impact on our need for energy self-sufficiency.

On June 15, the Senate Judiciary Committee approved a divestiture bill, thus setting the stage for a legislative battle which could determine the form of government-business relations for years to come.

The bill would essentially prohibit a large oil company from engaging domestically in any two of the following major industry functions: production, pipeline transportation, or refining-marketing. This could result in less abundant, less secure and more costly supplies of petroleum for American consumers.

Those who equate integrated oil company operations with anticompetitive behavior have made the false assumption that independent refiners and marketers do not have sufficient access to crude oil and finished products, such as gasoline, since the major integrated companies, through ownership of their own crude oil production and the pipeline transportation system, can exclude the independents, thereby limiting their ability to compete.

In actual practice, there is every indication that the major oil companies themselves do not have anything approaching iron-clad control over crude supplies. For example, the 18 major oil firms that would be affected by the pending legislation produce only 60 per cent of the crude oil necessary to run their refineries, the remainder being imported or purchased in the domestic market. Of the 18, only one is totally self-sufficient in domestic crude oil.

The facts also suggest that the independent marketers have a high degree of access to refined products. In 1975, for instance, almost 18 per cent of refiner gasoline production was bought by "unbranded," independent marketers. When you include the "branded independents"—privately owned enterprises that happen to trade under major company brands—domestic refiners in that same year sold more than 80 per cent of their volume of gasoline and more than half their volume of distillates (diesel fuel, No. 2 heating oil, etc.) to independent marketers.

Frank G. Zarb is administrator of the Federal Energy Administration and executive director of the Energy Resources Council. He formerly lived in Lloyd Harbor.

Nor does the purported control of the majors over large volumes of crude supplies seem to have impeded the entry and expansion of independent refiners in the market. Between 1951 and 1975, eight companies began refining operations and a total of 22 independent refiners increased their individual refining capacities to more than 50,000 barrels a day. They built or acquired the new capacity to refine almost 3 million barrels a day over the same period, and as of Jan. 1, 1975, they accounted for 20 per cent of all the crude oil refining capacity in the United States.

In fact, as The Washington Post pointed out in a recent editorial opposing the Senate divestiture bill, ". . . since World War II a number of new independent refineries have been successfully established. One of them . . . has grown fast enough to now be on the list of companies that would be broken up by this bill."

Another area in integrated oil company operations where anticompetitive behavior could occur is in the pipeline transportation system, which is heavily dominated by the major oil companies largely because of the substantial amounts of capital needed to build and maintain it. However, the system is closely regulated by the Interstate Commerce Commission, which prohibits rate discrimination and requires that the system be operated as a common carrier serving all shippers.

The domestic oil industry as it is currently organized is clearly capable of meeting the extremely high capital and technical demands of increased exploration, development and production, given certain governmental actions to establish a stable, predictable climate favorable to those activities. The process of divestiture, on the other hand, would force the oil industry into a period of instability and uncertainty.

This period of flux could involve a decade or more of litigation to adjudicate the numerous conflicting claims of all those with a direct interest in the outcome of divestiture. During this period capital spending by the affected companies would be sharply reduced, and industry management efforts would be diverted from the development of environmentally sound energy supplies to the administrative problems associated with divestiture. The net result of both would be to reduce domestic energy supplies and increase dependence of imported oil.

It is simply naive to expect any corporation to restructure itself radically without experiencing a period of decreasing productive activity. In addition, companies affected by divestiture would have reduced incentives and capabilities to make large capital investments while they are faced with such uncertainty. In short, expecting the U.S. oil industry and the financial community to cooperate productively and efficiently and make an uninterrupted contribution to national energy goals during a prolonged process of divestiture is not realistic.

The process of divestiture might result in an industry in which capital could be raised only at comparatively higher interest rates, leading to increased operating costs, and, ultimately, to higher consumer prices—precisely the opposite of the effect sought by the proponents of divestiture.

And should the proponents of divestiture then seek to restrain the resulting higher prices through controls, the ability of the fragmented domestic oil industry to engage in greater productivity would be further curtailed, leading to even greater vulnerability to interruptions of supply and increases in the price of imported oil.

Apart from the effects of divestiture on the production of domestic oil, an equally important consideration is its impact on the relationship of the United States to OPEC. There is no evidence that nonintegrated U.S. oil companies could bargain with the cartel more effectively than larger, vertically integrated firms to assure more secure supplies at lower prices.

The assertion that the companies are the willing instrument of the cartel in setting and maintaining prices will not bear scrutiny. The price of oil is a function of supply and demand. If the cartel can control production so that available oil supplies will support the price they decree, they effectively control the market. And with the continuing nationalization of oil company assets overseas, it is the cartel and its member countries that are now in a position to decide the volume of oil that will be produced, not the companies.

It has also been said that when decreased cartel production is necessary to support increased prices, the companies act as a mechanism through which proportional shares of the reduced production are allocated to the member states of OPEC. But the fact remains that this pro-rationing of decreased production is simply not essential.

One member of the cartel, Saudi Arabia, has such a large production capacity and such a relatively small need for oil revenues that it can absorb the entire production decrease necessary to support any given price. As long as the Saudis are willing to support the stability of the cartel by shutting in their production—a decision over which the companies have no control—OPEC will continue to dominate the supply, and, therefore, the price of oil.

If we are to produce more energy at reasonable prices, we must complete the implementation of a five-point national energy program:

1. Decrease the growth rate of U.S. energy consumption from an historic 3.6 per cent to something less than 2.8 per cent;

2. Increase domestic oil production from the current 8 million barrels per day to 12 million barrels per day, and increase domestic natural gas production from 20 trillion cubic feet per year to 23 trillion cubic feet per year;

3. Increase domestic coal production from the present annual rate of 603 million tons to one billion tons;

4. Increase electricity generated by nuclear power from today's level of 9 per cent to 26 per cent; and

5. Complete a national oil stockpile program giving this nation sufficient protection against the threat of future embargoes.

The implementation of these five points, or equally effective substitutes, will require deliberate and painful policy-making on a number of complex issues. There is no easy way out, but one thing is clear: We have the natural, financial and technological resources to get the job done.

As popular as the notion may seem, the divestiture legislation presently being considered simply does not help to provide or conserve more energy. Indeed, the debate only diverts attention from the tough energy decisions that this nation must face. □

By Philip A. Hart

It happened in mid-sentence during a Senate antitrust and monopoly subcommittee hearing a couple of years ago:I went blank and couldn't think of a single example of a competitive industry. Stumped, I turned to the staff. No suggestions. I tossed the question to the audience—about 150 persons who work in industry or follow antitrust matters closely, or both. Silence.

That memory comes back now because it seems to typify a problem of those who favor divestiture for the oil industry. We argue that this will bring consumers the benefits of competition. We get back blank looks.

People are hard put to imagine what a competitive oil industry would look or act like. They are especially hard put to imagine how competition would affect consumers.

Frankly, I should have realized long ago that murmuring "competition" doesn't automatically bring blissful visions to consumers' minds. They don't often get a chance to see it practiced—even in this land supposedly dedicated to the free enterprise system.

Every one of our basic industries—such as steel, autos, copper, computers, communications—are dominated by a handful of companies that are able to control their market instead of being controlled by it. In a country of more than 300,000 manufacturing concerns, 200 control more than two thirds of total manufacturing assets.

The oil industry also suffers from a lack of competition. It is not defined as easily as some other industries in terms of concentration of ownership figures. But the bottom line is that there is no free market in crude oil or refined products.

The top oil firms own more than 79 per cent of crude reserves directly. When indirect control is added —in the operation of joint producing leases and such—the figure hits 90 per cent. The industry spokesmen tell us there are 10,000 producers. So the other 9,980 must control 10 per cent of the reserves.

Consider these other barometers of concentration in the industry. In 1972, the top eight refiners had 56 per cent of production. The top 20 had 84 per cent. Crude oil is generally sold to the pipeline on which it travels, and in 1973, 92 per cent of crude oil shipments were carried in the majors' lines (the top 18 companies in volume of crude production, refining and marketing are included among the "majors"). The same year the majors' pipelines carried 76 per cent of the refined oil products in the country. And in 1974, the top refiners held 80 per cent of the domestic market. That type of control by a group of companies that meet each other daily as partners in production, transportation and/or marketing thoroughly dilutes free markets in this industry and makes nonintegrated companies less than free-wheeling competitors. The loser, ultimately, is the consumer.

During the debate on the wisdom of divestiture for this industry, we are often asked: How much money will the consumer save? Frankly, I haven't the faintest idea. Nor, I am sure, does anyone short of God. We do know that if you take an industry that is not competitive and make it competitive, there is a downward pressure on prices.

At the moment this industry is dominated by an international cartel that may or may not hold together after divestiture. If it holds, the OPEC countries have announced they intend to continue to raise crude prices. But that will not be as easy after divestiture.

Then the companies buying the oil will not have an incentive to just pay the asking price. They will be the largest refiners in the world, the ones buying 95 per cent of the OPEC crude, and they will be getting their profits solely from refining and marketing. In other words, they will be tough negotiators and price-shoppers.

Today the major integrated oil companies have no incentive to bargain for lower prices. They have a stake in price increases. That's because their own reserves increase in value each time the world price is hiked. The magnitude of that incentive is impressive. For example, a $1 increase for a barrel of crude means the value of the reserves that Exxon, Atlantic-Richfield and Sohio/BP hold just in Prudhoe Bay, Alaska, increases by $10 billion.

That's the kind of condition in which sweetheart contracts flourish. OPEC scratches the oil companies' back, and vice versa. On the other hand, we do know that with the 5 per cent of the OPEC production now being purchased by nonintegrated refiners there has been some eroding of the cartel price.

So there is every reason to believe that competition over the years would keep prices from rising as fast and as high as they would without competition. For consumers, the stake is considerable. Every time gasoline goes up one cent a

Sen. Philip A. Hart (D-Mich.) is retiring at the end of this year after three terms in the U.S. Senate. He is chairman of the Senate subcommittee on antitrust and monopoly.

gallon, consumers spend $1 billion more each year to buy it.

But saving money is not the only benefit competition promises consumers. The almost universal trait of monopolists is their comfort. They don't have to hustle—and they usually don't. Therefore inefficiencies creep in; technological advances are slow to be made or implemented. In general, there are signs of stagnation in the industry. As Business Week magazine reported last month."Compared with their sales volume, big oil companies have never spent heavily on research and development—at least the engineering kind. Ford Motor Company's budget alone exceeds the $715 million that oil companies, with combined sales of $175 billion, reported."

On the average, the oil industry last year spent less than one half of one per cent of sales dollars on research and development.

One company, Phillips Petroleum Company, broke down its research and development expenditures like this: More than 50 per cent went to research on chemicals, including fibers and plastic. Fifteen to 25 per cent went to finding improved techniques to discover and evaluate oil and mineral deposits.

Evidence of the inefficiency of the majors shows up at the service station: The nonintegrated independents traditionally undersell the majors by three to five cents a gallon. Robert Yancey, president of Ashland Oil, a large independent refiner, told the subcommittee he could "spot the majors a dollar a barrel and still beat them at the pump."

Clearly, the only noticeable competition in the industry comes from the independents. The independents, not the majors, came up with new marketing techniques, such as unmanned "gas-and-go" stations. Innovations like this and lower prices helped them capture about 25 per cent of the market. That took a bit of hustling.

Incidentally, after the subcommittee members thought about the competition question a bit, we did come up with a very good example of a competitive industry—the hand-held calculator industry. As you may recall, about five years ago when they first began appearing, you had to pay $300 to $500 for a model that today sells for less than $100. And you can now buy simple models for less than $10. What made the difference? Competition. That's what brought improvements in technology, lower prices and a good deal of other benefits for consumers.

Wouldn't it be nice to see a little of that in the oil industry? □

FOR IMMEDIATE RELEASE July 30, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

FEDERAL ENERGY OFFICE
EXECUTIVE ORDER

The President today signed an Executive Order establishing the Federal Energy Office in the Executive Office of the President and transferring to the FEO functions and resources of the Federal Energy Administration which expires on July 30, 1976.

BACKGROUND

- The Federal Energy Administration was established by P.L. 93-275 of May 7, 1974.

- The FEA was assigned additional responsibilities by the Energy Supply and Environmental Coordination Act (ESECA) of 1974 and the Energy Policy and Conservation Act of December 1975. Since May 1974, additional responsibilities have been delegated to FEA pursuant to the Emergency Petroleum Allocation Act of 1973, the Defense Production Act of 1950, the Energy Reorganization Act of 1974, and the Trade Expansion Act of 1962.

- In February 1976, the President asked the Congress to extend the FEA for 39 months beyond its June 30, 1976 expiration date.

- On June 1, 1976, the House passed a bill extending the FEA for 18 months (H.R. 12169) and on June 16, 1976, the Senate passed a bill (S. 2872) extending the FEA for 15 months. Both bills include provisions unrelated to the extension.

- On June 30, the President signed a bill extending the FEA expiration date from June 30 to July 30, 1976.

- House and Senate Conferees have worked on a compromise bill but final action cannot be completed on legislation before the July 30, 1976, expiration date of FEA.

EXECUTIVE ORDER

The principal purpose of the Executive Order is to maintain organizational continuity and stability so that essential FEA programs could be carried out. The principal provisions of the Executive Order are those which:

- Establish the FEA in the Executive Office of the President effective July 31, 1976.

- Transfer to the FEO Administrator the functions, resources, and personnel previously assigned to FEA.

- Delegate to the FEO Administrator certain authorities previously delegated to or vested in the FEA under the Acts listed above.

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FOR IMMEDIATE RELEASE JULY 30, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

EXECUTIVE ORDER

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PERFORMANCE BY THE FEDERAL ENERGY OFFICE OF ENERGY FUNCTIONS OF THE FEDERAL ENERGY ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, including the Energy Policy and Conservation Act (89 Stat. 871, 42 U.S.C. 6201 et seq.), the Emergency Petroleum Allocation Act of 1973, as amended (15 U.S.C. 751 et seq.), the Energy Supply and Environmental Coordination Act of 1974 (88 Stat. 246, 15 U.S.C. 791 et seq.), the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061 et seq.), the Energy Reorganization Act of 1974 (88 Stat. 1233, 42 U.S.C. 5801 et seq.), Section 202 of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 581c), Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862), Section 301 of Title 5 of the United States Code, and Section 3301 of Title 5 of the United States Code, and consistent with the provisions of 5 CFR 351.301, and as President of the United States of America, it is hereby ordered as follows:

Section 1. There is hereby established in the Executive Office of the President a Federal Energy Office, which shall be under the immediate supervision and direction of an Administrator of the Federal Energy Office, hereinafter referred to as the Administrator, who shall be appointed by the President. The Administrator shall be compensated at the rate now or hereafter prescribed by law for level II of the Executive Schedule.

Sec. 2. Within the framework of the Energy Resources Council, the Administrator shall advise the President with respect to the establishment and integration of domestic and foreign policies relating to the production, conservation, use, control, distribution, and allocation of energy and with respect to all other energy matters, and shall perform such other functions as may be delegated to him pursuant to law.

Sec. 3. There shall be in the Federal Energy Office the following officers each of whom shall be appointed by the President and each of whom shall receive compensation at the rate now or hereafter prescribed by law for that level of the Executive Schedule indicated: Two deputy administrators (level III); six assistant administrators (level IV); a general counsel (level IV); and a director of intergovernmental, regional and special relations (level V).

Sec. 4. The Administrator is hereby designated, pursuant to section 14 of the Energy Supply and Environmental Coordination Act of 1974, as the Federal Energy Administrator for purposes of the Energy Supply and Environmental Coordination Act of 1974, and section 119 of the Clean Air Act, as amended (42 U.S.C. 1857).

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Sec. 5. The Federal Energy Office established by this order is designated the agency to carry out all functions vested in the Administrator of the Federal Energy Administration under the Energy Policy and Conservation Act.

Sec. 6. There is hereby delegated to the Administrator all the authority that was delegated to the Administrator of the Federal Energy Administration pursuant to Executive Order No. 11790 of June 25, 1974 and Executive Order No. 11912 of April 13, 1976.

Sec. 7. The Administrator is designated a member of the Energy Resources Council established by the Energy Reorganization Act of 1974 and Executive Order No. 11814 of October 11, 1974, as amended, and shall perform the functions assigned by the President and by the Chairman of the Council, who is the Secretary of Commerce, to the Administrator of the Federal Energy Administration.

Sec. 8. The Administrator shall exercise the functions of the Administrator of the Federal Energy Administration under Proclamation No. 3279, as amended.

Sec. 9. (a) All orders, rules, regulations, rulings, interpretations, or other directives issued or pending, all rule making, judicial or administrative proceedings commenced or pending, all voluntary agreements, plans of action, and all other actions commenced or taken by, under the authority of or ratified by the Administrator of the Federal Energy Administration prior to the effective date of this order that would be valid under the authority delegated or transferred by this order, are hereby continued, confirmed, ratified and made effective under this order and shall remain in full force and effect, unless or until altered, amended, or revoked by the Administrator or by such competent authority as he may specify.

(b) All personnel, property, records, contracts, obligations, cooperative agreements, rights, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available, in connection with functions of the Administrator of the Federal Energy Administration are hereby transferred to the Federal Energy Office.

(c) The Administrator is authorized to exercise the authority of the President under the Defense Production Act of 1950, as amended, to establish not more than eight positions and to appoint individuals to such positions compensated at the rate now or hereafter prescribed by law for level V of the Executive Schedule.

(d) All individuals who, immediately prior to the effective date of this order, are serving in or have been nominated to positions under the Federal Energy Administration Act of 1974, which correspond to the positions established in the Federal Energy Office by sections 1 and 3 of this order are, on the effective date of this order, appointed to the positions established in the Federal Energy Office by sections 1 and 3 of this order.

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(e) All individuals appointed to and serving in positions in grades GS-16, 17 and 18 pursuant to the Federal Energy Administration Act of 1974, which appointments have been approved as to classification and qualifications by the Civil Service Commission, shall be continued in such grade unless any such position is determined by the Civil Service Commission to involve responsibilities substantially less than those responsibilities involved when originally established pursuant to the Federal Energy Administration Act of 1974. Continuation in such grades shall also be subject to allotment by the Civil Service Commission of available positions in grades GS-16, 17 and 18. The Civil Service Commission shall discharge its responsibilities with respect to the allotment of positions in grades GS-16, 17 and 18 by providing, consistent with law, the efficiency of the Civil Service, and the provisions of this order, for the allotment of sufficient positions in grades GS-16, 17 and 18 to carry out the first sentence of this subsection (e) and to provide for such additional positions as the Administrator and the Civil Service Commission deem necessary.

(f) Nothing in the order shall affect rights to reemployment under the provisions of section 5(a)(1)(B) of the Emergency Petroleum Allocation Act of 1973, as amended, or section 212(g) of the Economic Stabilization Act of 1970, as amended. Any employee transferred pursuant to subsection (b) of this section having a right to reemployment under the provisions of section 28 of the Federal Energy Administration Act of 1974 shall retain that right during the period of his employment with the Federal Energy Office established by this order. Any employee of the Federal government appointed, without a break in service of one or more work days, to any position in the Federal Energy Office established by this order shall have the rights of reemployment provided by subpart B of Part 352 of title 5 of the Code of Federal Regulations.

Sec. 10. The Administrator shall, before promulgating proposed rules, regulations, or policies affecting the quality of the environment, provide a period of not less than five working days from receipt of notice of the proposed action during which the Administrator of the Environmental Protection Agency may provide written comments concerning the impact of such rules, regulations, or policies on the quality of the environment. Such comments shall be published along with public notice of the proposed action. The review required by this section may be waived for a period of 14 days if there is an emergency situation which, in the judgment of the Administrator, requires immediate action.

Sec. 11. The Administrator of General Services shall provide, on a reimbursable basis, such administrative support as may be needed by the Federal Energy Office. All departments and agencies of the Executive branch shall, to the extent permitted by law, provide assistance and information to the Administrator of the Federal Energy Office.

Sec. 12. This order shall become effective on July 31, 1976.

GERALD R. FORD

THE WHITE HOUSE,
July 30, 1976.

# # # # #

U.S. DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20230

October 13, 1976

TO: Ron Nessen

The attached was sent today to 331 newspapers and journals.

Elliot L. Richardson

Attachment

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

Dear Editor:

I am very much concerned by the thrust of Jack Kilpatrick's mid-September column on "energy policy." I agree that for many the energy problem no longer conveys a "sense of urgency." The gas lines are gone; the fear of heating-oil shortages is no longer with us; even the increasing shortages of natural gas seem no longer to concern most people.

At the same time, it is not fair to say that no one is taking action. The Administration has a comprehensive energy policy and has proposed a set of programs to implement that policy. President Ford's February 1976 energy statement, the National Energy Outlook which backed it up, and persistent efforts by the Administration throughout the year to achieve a realization of the need for those policies and programs are all a matter of record. The Administration's energy program contained 13 major legislative proposals; 28 Congressional committees and 79 subcommittees held hearings on it; and Administration officials testified on it 470 times.

The problem is that, in an election year, we have not been able to stir the public and the Congress to sufficient action. It has grown fashionable to encourage the public to assume that, with love, a smile, and the easy rhetoric of intervention and reform, hard problems will somehow resolve themselves. This is the stuff that dreams are made of. It is not the basis for reasonable, real world problem solving. It does not honestly represent, for all its nostalgic appeal, the spirit of courageous, often painful, enterprise through which American independence has been gained and expanded.

Solutions to our energy problems are not born from dreams. They require honest, practical and inventive realism and specific policy and programmatic initiatives. The President's 1976 energy policy was carefully wrought on the basis of such realism.

For example, the President's program would encourage greater use of coal, our most abundant energy source, through conversion of our utilities to coal and through assistance to resolve the barriers to private sector investment in synthetic fuels. The President's program also provides for deregulation of oil and gas to encourage greater investment in domestic production. Further, we must achieve a greater degree of energy conservation. Part of the President's conservation program has been enacted, but not all of it.

Nevertheless, I share Mr. Kilpatrick's concern. If no action had been taken this year, oil imports in 1985 would have amounted to nearly 12 million barrels/day; with the actions taken, such imports will still be approximately 7 million barrels/day; if the balance of the President's program is enacted, however, we can reduce the latter figure by nearly half.

We must somehow do a better job of bringing home to the American people the urgency of our energy problems. The Congress must be urged to act on the remainder of the Administration's comprehensive program. And, we must not allow politics-as-usual to keep us from steady pursuit of what is--and must be perceived to be--a major national interest.

Elliot L. Richardson

Federal Energy News
Federal Energy Administration
Washington D.C. 20461

FOR IMMEDIATE RELEASE NOVEMBER 11, 1976

FEA CONSIDERS FOREIGN CRUDE OIL REPORTING REQUIREMENTS

The Federal Energy Administration today asked for public comment on a proposal to expand reporting requirements on international arrangements between U.S. oil companies and oil-producing governments and their state-run companies.

FEA Administrator Frank G. Zarb said, "Although foreign crude oil supply arrangements have traditionally been handled by the private commercial sector, these arrangements may affect U.S. energy objectives and interests including supply security and price of imported oil."

The increased control over international oil production and pricing on the part of OPEC governments in the early 1970's, and the oil embargo and subsequent petroleum price increases by the OPEC cartel, have generated increased public concern about the impact on U.S. national energy interests of foreign oil supply agreements.

To assess the relationship between private commercial and U.S. national energy interests, the FEA is considering proposing revised reporting requirements for foreign oil supply arrangements. This information would be in addition to the detailed cost and price data which FEA now collects.

-more-

The proposed collection of such information could help the U.S. Government assess the current and future international oil market; could provide better information for government decisions concerning that market; and could permit the government to foresee cumulative effects of individual decisions.

Reporting requirements would probably be limited to arrangements covering large quantities of crude oil or new developments of particular importance. Reporting could extend to legislation or declarations by oil producing countries which directly affect or establish the terms and conditions for producing and exporting their crude oil.

The following factors could be used as standards for reporting:

- Producing country involved.
- Volume of oil covered by the arrangement.
- Length of contract period, timing, and nature of options to reopen agreements.
- Prices and any discounts.
- Types of services rendered and renumeration.
- Volumetric restrictions on output, if any.
- New types of arrangements.

FEA's authority for imposing additional reporting requirements on U.S. oil companies is contained in Section 13 of the Federal Energy Administration Act of 1974.

Written comments will be accepted until December 6. Comments should be addressed to Executive Communications, Room 3309, Federal Energy Administration, Box JL, the Federal Building, Washington, D.C. 20461, and should carry on the outside of the envelope and on the documents submitted the designation "Reporting Requirements: Foreign Oil Supply Arrangements." Fifteen copies should be submitted.

-FEA-

Media Inquiry: 566-9833
Press Room: 566-7758

Contact: Donald Creed

CBS NEWS
2020 M Street, N. W.
Washington, D. C. 20036

FACE THE NATION

as broadcast over the

CBS Television Network

and the

CBS Radio Network

Sunday, November 14, 1976 -- 11:30 AM - 12:00 Noon, EST

Origination: Washington, D. C.

GUEST: FRANK G. ZARB
Administrator,
Federal Energy Administration

REPORTERS:

George Herman, CBS News

Richard T. Cooper, Los Angeles Times

Melson Benton, CBS News

HERMAN: Mr. Zarb, the leaders of the oil producing and exporting countries will meet in Qatar next month to make up their mind what to do about the oil freeze, which is--oil price freeze--which has now lasted well over a year. If you had to guess--if you were a betting man--what would you guess would be the oil price increase that they would decide on?

MR. ZARB: If I were a smart betting man, I wouldn't bet. The individual members of OPEC haven't yet determined what positions they're going to take, and haven't instructed their oil ministers. I think speculation with respect to an increase in this country at this point is counter-productive.

HERMAN: Do you think there's any chance that there will be no price increase?

MR. ZARB: It seems to me that if reason prevails, and good judgment prevails, and those responsible members of OPEC are able to prevail within that forum, that there is a good chance that there will not be an oil increase. One cannot be defended, based upon any reasonable standard in international commerce, including the so-called increased inflation question.

ANNOUNCER: From CBS News, Washington, a spontaneous and unrehearsed news interview on FACE THE NATION, with Frank G. Zarb, Administrator of the Federal Energy Administration. Mr. Zarb will be questioned by CBS News Correspondent Nelson Benton; by Richard T. Cooper, Reporter for The Los Angeles Times; and by CBS News Correspondent George Herman.

HERMAN: Mr. Zarb, it seems to me that was rather an odd doctrine for a Republican to be espousing, namely that when a supply--an item like oil is in short supply and great demand, that there is no excuse for raising the prices. I thought the theory was, prices went where the markets dictated under the laws of supply and demand.

MR. ZARB: Well, I think you've learned that quite well, and I certainly subscribe to it. However, when producers get together in a happy little fraternity they call a cartel, and they command all the supply, thereby having no competition on that side of the formula, you no longer have a free market; and my point was that in international trade, there are certain characteristics of responsibleness that should prevail, and we've seen some members of OPEC demonstrate that responsible character, and others that have not. The entire world and the state of its economy is at stake with respect to these decisions, and they shouldn't be taken so lightly.

COOPER: Mr. Zarb, you talked about what would happen if reason prevailed and what the cartel should do. Is there, in fact, anything that this President or the next President, or any President for the next half a dozen years or so, can actually do to prevent cartels from raising their prices if they want to? Is there anything but jawboning?

MR. ZARB: There are some things, Mr. Cooper, that--that we shouldn't give up on. The first is indicating that we don't intend to continue to be victims of such a cartel. That means producing more American energy for the American people, and using less of it, or conserving it, thereby reducing their power over our marketplace. The other point that probably should be made quite clear is that in the overall conduct of international relations over a period of many, many years, decisions such as this are quite important, and they should not be ignored when individual countries take positions which may not be in the best interest of the industrialized world economy or indeed our own economy.

BENTON: Mr. Zarb, what part, if any, have President-elect Carter's people played in coordinating with you efforts to inhibit a price increase by OPEC?

MR. ZARB: Nelson, to the best of my knowledge, none at all. Of course--

BENTON: Any reason for that?

MR. ZARB: --they do not now have a reason or a responsibility to become directly involved, nor do they have, really, the capability. I haven't seen any evidence of that. If there's been an influence from that direction, or any overtures toward OPEC, I certainly haven't seen it.

HERMAN: Mr. Zarb, reviewing in my mind your answers so far on the question of an OPEC oil price increase, I have sort of the impression that you're leaving us with the feeling that there is not going to be any--you say there shouldn't be any, and you've sort of left me with the impression that you think there isn't going to be any. Am I right about that, or do you expect there will be some?

MR. ZARB: Well, I just don't know, and I think that the so-called experts that keep predicting a ten, fifteen or twenty-five per cent increase and try to measure its impact on the United States and the industrialized world, are to some extent providing a self-fulfilling prophecy. They certainly don't know what they're talking about, because the individual oil ministers haven't been directed to take a specific position; so they can't know what OPEC is going to decide, or what kind of dialogue is going to take place within the OPEC forum.

And believe me, that dialogue is not solely a political discussion. It's an economic discussion; there are wheels within wheels within that system, and we shouldn't take for granted that we're going to have to accept a sizeable increase. I don't know, and I'm not saying that we're not going to have one; I am saying we don't need to have one, and they're certainly not entitled to one.

BENTON: Mr. Zarb, it's generally accepted that Saudi Arabia is at least, as far as we are concerned, the dove among the OPEC nations. What intelligence do you get from Saudi Arabia as to what it will do to try to inhibit an increase? Are they going to stand pat?

MR. ZARB: Well, you use the word dove; I prefer to use the word responsible. They have always measured the impact of world price increases in terms of the world economy, both with respect to the U.S. and other industrialized nations, and certainly the lesser developed nations. They have been responsible members of the world community in making those measurements and taking positions in that regard. Now they recognized that when oil moved from three dollars a barrel to what is now close to twelve dollars a barrel, in a three-year period, you leave the world economy still reeling. And it seems to me that given that kind of background, and their historical position, that they will probably continue to try and persuade their colleagues in OPEC to be moderate on these kinds of decisions at this particular moment.

COOPER: Mr. Zarb, each time the cartel has approached one of these decision points, there has been the kind of verbal and diplomatic counter-thrust from the United States, and to a lesser extent other producing countries. Sometimes it's had some effect; sometimes not very much; but the general thrust of the prices has been steadily upward and virtually every analyst, at least that I know about, feels that that's going to continue, including analysts at FEA. Doesn't this really confuse the public, for the government to constantly be saying there's no reason for the prices to go up, we're not sure they won't, maybe they won't go up--isn't part of the problem in energy that the public doesn't perceive the crisis and the government doesn't step up and say we're for the moment helpless, it's a desperate situation, and we must do something about it; you know, aren't you contributing to your own problem by downplaying the danger of these price increases?

MR. ZARB: Well, I guess what you define as downplaying is simply telling it like it is to the American people. We do have a desperate crisis. When you move oil prices from three dollars to twelve dollars a barrel, and demonstrate that a small group of countries have a stranglehold on a vast amount of our energy supplies, we have a desperate crisis, and I think the government for the last two years has been debating this issue, and been talking about how serious it is and what needs to be done to cure it.

On the other hand, it seems to me that it makes little sense to stand by and not tell the American people that these countries, who have command over the world supply of oil, have no rational reason to increase prices to the American people, and that there are members within that community who will continue to hold out for no increase. That happened last May, and I would expect that that that could again be the condition in December. And I think that's the way it should be told to the American people. Now that should not in any way dissipate the concern level for solving our own energy problem. We import far too much oil; it's much too expensive, and we need to produce more

American energy for the American people, at American prices, with American workers. That plan shouldn't be sidetracked at all, but that doesn't mean that we should surrender to every OPEC country that says we ought to pay 25 per cent more for their oil.

HERMAN: How can you make a really good, persuasive argument to an OPEC country that they shouldn't keep increasing the price of oil, when despite the entire series of increases that you've quoted, our purchases from them have steadily increased, and are still increasing?

MR. ZARB: The--I think that's an important part of the question--what are we going to do to insure that our purchases ultimately decline? Keep in mind that it took ten years, throughout the sixties, for us to become addicted to Mid-East oil. We sold out our own technology; we sold out our own coal production, our own oil and gas production, even our nuclear capacity in terms of refining the back end of the cycle, or taking care of the residual wastes from nuclear power plants was neglected. We did very little with respect to conservation; as a matter of fact, we produced an automobile that looked more like a chromium-plated gunboat in the sixties. So we took ten years to sell out our own interests because we had oil coming from the Mid-East at super-cheap prices. Now it's going to take a long time to turn that around, and I don't expect to see that turnaround to occur for the next two or three years. But if we got started now and continued some of the work that was started in the last two years, I think we'd demonstrate that by 1985 this nation is not only going to be embargo-proofed, but it's going to have a great deal more control over the prices we pay for energy in total.

BENTON: Mr. Zarb, one more question on the OPEC--the possibility of an OPEC rise itself. What part, if any, have the major U.S. oil companies, who actually help produce that oil in many of the OPEC countries--what part have they played in trying to get them to hold the line?

MR. ZARB: The multi-nationals?

BENTON: Yes.

MR. ZARB: Yes, well, I would expect that right up through 1973, a great deal. We had fairly cheap gasoline prices--

BENTON: We're only talking about this raise that may be in prospect.

MR. ZARB: At this point, their capability to influence that decision has reduced itself to just about zero, one way or the other. So I don't think that they have the leverage to make the difference with respect to that decision at this point in time. It becomes more a consideration of the United States government, the industrialized world governments, the lesser developed governments and the producing governments to focus on what a price increase would do to the world as a whole. And that's a mighty important question.

COOPER: Let's go back to the chromium-plated gunboat for a minute. You've talked in speeches and things around the country with great satisfaction about the progress that Detroit has made in improving the efficiency of its cars. The sales figures seem to indicate that maybe people are beginning to go back to the bigger cars. If you adjust for inflation, gasoline costs the same or less today than it did in the 1950's, when we began our trip on the chromium-plated gunboats. As long as that's true, what rational reason is there to expect people to flock to smaller cars? Doesn't the government need to do something to--maybe to change that basic relationship?

MR. ZARB: Well, I--of course it does, and over the last two years, some things have been done. As a matter of fact, half of the legislation which has been proposed in the total energy sector has been passed, so the government seems to be coming to grips with this issue. Both the Congress and the executive, in the last year particularly, closed the gap on many of their differences. But one thing I think, Dick, you ought to keep in mind, is that pre-1973 gasoline did not raise itself in price consistent with inflation. It didn't--it did not rise with inflation factors. It will from now on, at least; and that's pretty clear. Detroit has seen that, and has made a judgment that it needs to improve the efficiency of their equipment. So it improved -- the 1977 new-car fleet as a whole is 34 per cent more efficient than the 1974 new-car fleet. That means that it gets 34 per cent more miles per gallon. And by 1980, that will be 50 per cent, based upon the plans that have already been made in Detroit.

So I think as a whole, the American automobile fleet has improved and will continue to improve materially, because the judgment has been made that long-term prices of gasoline will at least increase at the rate of inflation.

(MORE)

BENTON: Mr. Zarb, your predecessor fell from grace because of his espousal of a gasoline tax designed to cause conservation. Is it time, perhaps, to consider that kind of approach to conservation again?

MR. ZARB: I would say, Nelson, that in the next session of Congress there will be a new visit to the entire question of taxes and prices of energy across the board. I would expect the gasoline tax will be one of the issues raised, but more importantly, an across the board excise tax in energy consumption will be explored very carefully. And as I said earlier, the last two years of debate has been very constructive. It's almost as though it had a life of its own, and had to occur, for everyone to look at the issues and to advance their own theories, for better or for worse, and now the nation seems to be ready to take the steps necessary to get the job done, and one of those questions surely will be the price that we pay for energy long term, and to the extent that taxes can play a role in reducing wasteful consumption. The natural gas issue is probably going to be one of the first that the new Congress will face.

HERMAN: Well, let's talk about natural gas in a minute, but first, what would such an excise tax on energy do to the cost of living? Are we talking about a one per cent increase, or half a percentage point increase in the cost of living from such taxation?

MR. ZARB: Well, my judgment is that anything done in this area will be done over a phased period, and that decisions made with respect to conservation will be made based upon what people think are going to happen--is going to happen two or three years ahead, so that it's hard to measure in terms of cost of living over any given period of time. Any tax measure will be phased in over a three or four-year period, but that in itself would give the consumer the basis upon which to make a judgment. They buy a bigger car or a smaller car knowing that during a lifetime of that particular car, that the gasoline prices will increase at a given rate. The same applies to appliances, major appliances -- we are now going to label the major appliances so that homeowners can make a judgment as to which is more energy-efficient than the other.

HERMAN: Now, extend it to natural gas.

MR. ZARB: Natural gas, at the moment, as you know, is a controlled product, and historically in this country, its price has been suppressed below its real value when it moves across state lines. That's induced wasteful consumption. Using natural gas to generate electricity is about the worst form of wasting energy that I've seen anywhere. It's a clean, valuable fuel and shouldn't be used in that area. The Congress came within seven votes of deregulating natural gas in the last session. President-elect Carter has said that he would support a deregulation of new natural gas to both induce recovery and to give some moderation to use. I would expect that in the next session of Congress we're going to see such a bill and see it pass and signed by the President.

HERMAN: How long does that take to have any impact on availability of natural gas? Are we talking about three years, four years in the future?

MR. ZARB: On the margin, some of it will happen immediately, because it will allow some gas which is now committed to markets within states that produce gas to move across state lines at more reasonable prices. Now, within a period of five to six years, it could have an even more meaningful effect on total supplies of gas. That's pretty important, particularly in parts of the country where the use of coal is going to be a little less easy, because of very confining evironmental factors -- Southern California, for example.

COOPER: Do you expect this administration to make any effort on deregulating natural gas between the time Congress comes back at the beginning of January and the inauguration at the end, or are you going to wait?

MR. ZARB: Our position is quite clear in the bill that we have sponsored, and it has been supported by a good many of the consuming state governors, and will still be before the Congress. It may have to be resubmitted, but I think we're so close on that particular issue that we don't need to have a new initiative.

COOPER: What about on gasoline? There are still controls on gasoline which the administration could remove subject to a veto by Congress. There's been some talk that that might be tried in that brief period before the inauguration. Are you going to do that?

MR. ZARB: Well, that's a possibility. We are going to be having public hearings on the question between now and the end of the year. The numbers -- the economic numbers will be made public, and we'll take comment, and if it appears that by removing controls at the gasoline level we can put some competition back into the system and actually help the consumer, and if it appears that the Congress is going to be receptive to such a measure before January 20, then it's possible that that measure will go before them. We'll just have to wait and see, and make a judgment on that question toward the end of December.

BENTON: Mr. Zarb, let me get back to natural gas for a minute. Last year, your agency forecast rather substantial shortages of natural gas for last winter. This year, you have forecast even less natural gas, but it"s couched in, perhaps, less scary terms. You say there seem to be enough alternate fuels available for industry. How serious is the situation going to be this winter, number one, and number two, were you embarrassed by your forecast not quite coming off last winter?

MR. ZARB: Well, let me take number two first. The projections we made last winter were based upon an assumption of severity of the winter, or cold termperatures. Now, we had an abnormally warm winter, and of course, that made a substantial difference, and no, I wasn't embarrassed, I still think it's most appropriate to lay out the worst possible condition, and if we get by without those problems, then that's fine. Now, this winter we're going to have less gas available than we had last winter. We're going to have less natural gas available than there is a demand for natural gas. If we have a normal winter, as weathermen structure normality in that area, and if we continue to see a conversion take place as we have, where industry moves away from natural gas to unfortunately, oil, which is mostly foreign oil, and very expensive, we can get by this winter without serious disruptions. If we have a very cold winter, then we're going to have some parts of this country that are going to have disruptions. Now, it won't affect the homeowners, probably, but it will affect some industries, where possibly, some spot layoffs could occur. There's no way to avoid that particular problem at this moment in time. That's why it's so important that that be one sector that the Congress look at pretty quickly next session.

HERMAN: You'll have to excuse my ignorance on one point. I seem to recall that your agency expires, I believe, next year.

MR. ZARB: Correct.

HERMAN: Right? And the Congress asked, or directed, the administration to present a plan for some new agency. Has that been done, that's what I don't -- or is that still in the works?

MR. ZARB: Well, the due date is December 31 for such recommendations.

HERMAN: Is it a cliff hanger right down to the last minute?

MR. ZARB: No, no. Our agency expires a year from this December 31, and we must have something to them by this December 31.

HERMAN: Right.

MR. ZARB: Now, since I've been in office, which is almost two years, the agency or its substantive legislation has expired, or been about to expire, five times, and renewed, in one form or another, in the eleventh hour. It makes for interesting public policy-making. In this case, however, we're going to have a year to lay out before the Congress, our best judgments of organization. I expect the new administration will have its own views and thoughts on that question, and I would propose to help them all I can with my views on what kind of organizational changes should take place.

HERMAN: Have you had any contact with any agents or representatives of the new administration?

MR. ZARB: Only to the extent that we would have more contacts beginning next week and that these contacts would become more formal so that we could get on with the job of a cooperative and smooth transition, which is priority number one.

BENTON: What sort of sense does a proposal to lump such agencies as yours, the Energy Research and Development Administration, the

Federal Power Commission, other energy agencies, into one great big agency? What sort of sense does that make as proposed, apparently proposed by President-elect Carter?

MR. ZARB: Well, of course, it's been a subject that's been discussed for some years now, and there have been various proposals, both by the administration and members of Congress, that resulted in this report that's due December 31. On balance, the combination makes some sense. It avoids some duplication, it puts under one leadership responsibility, and would give the President the ability to fix responsibility in that paticular area. I had always hoped that we would, as a nation, first come into agreement as to what our objectives were in the next ten years. The President has always said that he believed an embargo-proofed economy was our objective -- and how we're going to get from here to there, then determine what the right government role is in that particular sector, and then establish a government organization to fulfill its given mission. It's not going to work that way, apparently. We're going to have to work these out in parallel, and I would expect some combination would make some sense.

COOPER: When you refer to being embargo-proof, you're talking about something that, even optimistically, you think is nearly ten years away. At that point, we'll still be maybe 30 per cent or more dependent on the cartel for imported oil, we'll still have a rather small amount of leverage on prices. In view of that, do you think we've really done enough, or do we need an effort that's greater in magnitude? I know a lot of beginnings have been made, but are they enough?

MR. ZARB: They are if we finish the beginnings, Dick. There are five things this nation can do in the next ten years, and only five. Reduce our consumption rate from three and a half per cent a year to two and a half per cent a year -- rate of growth -- double our coal production, increase our oil and gas production, increase our nuclear capacity from nine per cent of electricity to 26 per cent of electricity, and complete the stockpile system that we've begun this year. Those are the five tools available to this nation over the next five years. If we do them, and do them all well, we're going to be embargo-proof by 1985. That means that we'll still be importing some, but we'll have sufficient in storage to protect us against an abrupt embargo. Those are the only five, and we ought to be aware that they're all going to be tough to complete, and complete well, but if we do we're going to be successful.

HERMAN: Is this the year -- earlier in the program, you said if we get started now -- is this the year when we have to commit some of these things to more stringent action?

MR. ZARB: This is the year that we have to move forward the work that was begun in the last two years. The foundation has been set, the debate's been completed, the alternatives have been examined, we're now down to the five that need to be accomplished, and have some beginnings in legislation in all five categories. This is the year to finish the job.

HERMAN: Thank you very much, Mr. Zarb, for being our guest on Face The Nation.

ANNOUNCER: Today on FACE THE NATION, Frank G. Zarb, Administrator of the Federal Energy Administration, was interviewed by CBS News Correspondent Nelson Benton, by Richard T. Cooper, Reporter for The Los Angeles Times, and by CBS News Correspondent George Herman. Next week, Hamilton Jordan, President-elect Carter's Campaign Director, will FACE THE NATION.