

FOR IMMEDIATE RELEASE

January 7, 1977

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

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

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

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

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

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

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

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

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

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

### FUNDAMENTAL ISSUES AND CHOICES

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

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

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

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

#### Our Energy Problem

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

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

Our domestic production of oil and natural gas peaked in the early 1970's and has been declining steadily as cheap, easily developed reserves have dwindled. In the early 1930's, oil and natural gas from Alaska and the Outer Continental Shelf -- our last frontiers -- will help offset the decline

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

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

### The Costs of Dependence

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

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

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

### Realistic Energy Goals

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

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

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

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

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

### AVOIDING ILLUSIONS

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

#### Contribution of Advanced Technologies

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

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

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

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

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

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

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

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

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

#### Energy Conservation in Lieu of Production

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

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

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

#### Abandoning Coal Energy or Nuclear Fission

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

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

### Divestiture

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

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

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

### DANGERS OF EXPANDING THE FEDERAL ROLE IN ENERGY

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

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

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

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

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

#### Government Controls or Marketplace Decisions

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

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

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

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

#### Mandatory Conservation Measures

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

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### Resource Exploration and Energy Production

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

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

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

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

### Energy Research, Development and Demonstration

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

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

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

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

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

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

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

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

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

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

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

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

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## ACHIEVING BALANCE AMONG CONFLICTING OBJECTIVES

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

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

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

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

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

### Environment vs. Energy

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

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

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

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

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

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

#### Limiting Growth

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

#### Eliminating Risk

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

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

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

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

#### THE NEED FOR SUBSTANTIVE LEGISLATION AFFECTING ENERGY

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

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

#### Highest Priority

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

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

#### Other Important Proposals

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

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-- Natural Gas

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

-- Oil

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

-- Coal

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

-- Nuclear Energy

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

-- Building Energy Facilities

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

-- Energy Conservation

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

1978 BUDGET REQUESTS

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

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

I urge the Congress to approve these funding requests.

REORGANIZATION OF FEDERAL ENERGY ACTIVITIES

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

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

TIME TO ACT

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

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

GERALD R. FORD

THE WHITE HOUSE,

January 7, 1977.

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