

Energy, 1973

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Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

At home and abroad, America is in a time of transition. Old problems are yielding to new initiatives, but in their place new problems are arising which once again challenge our ingenuity and require vigorous action. Nowhere is this more clearly true than in the field of energy.

As America has become more prosperous and more heavily industrialized, our demands for energy have soared. Today, with 6 percent of the world's population, we consume almost a third of all the energy used in the world. Our energy demands have grown so rapidly that they now outstrip our available supplies, and at our present rate of growth, our energy needs a dozen years from now will be nearly double what they were in 1970.

In the years immediately ahead, we must face up to the possibility of occasional energy shortages and some increase in energy prices.

Clearly, we are facing a vitally important energy challenge. If present trends continue unchecked, we could face a genuine energy crisis. But that crisis can and should be averted, for we have the capacity and the resources to meet our energy needs if only we take the proper steps -- and take them now.

More than half the world's total reserves of coal are located within the United States. This resource alone would be enough to provide for our energy needs for well over a century. We have potential resources of billions of barrels of recoverable oil, similar quantities of shale oil and more than 2,000 trillion cubic feet of natural gas. Properly managed, and with more attention on the part of consumers to the conservation of energy, these supplies can last for as long as our economy depends on conventional fuels.

In addition to natural fuels, we can draw upon hydroelectric plants and increasing numbers of nuclear powered facilities. Moreover, long before our present energy sources are exhausted, America's vast capabilities in research and development can provide us with new, clean and virtually unlimited sources of power.

Thus we should not be misled into pessimistic predictions of an energy disaster. But neither should we be lulled into a false sense of security. We must examine our circumstances realistically, carefully weigh the alternatives -- and then move forward decisively.

WEIGHING THE ALTERNATIVES

Over 90 percent of the energy we consume today in the United States comes from three sources: natural gas, coal and petroleum. Each source presents us with a different set of problems.

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Natural gas is our cleanest fuel and is most preferred in order to protect our environment, but ill-considered regulations of natural gas prices by the Federal Government have produced a serious and increasing scarcity of this fuel.

We have vast quantities of coal, but the extraction and use of coal have presented such persistent environmental problems that, today, less than 20 percent of our energy needs are met by coal and the health of the entire coal industry is seriously threatened.

Our third conventional resource is oil, but domestic production of available oil is no longer able to keep pace with demands.

In determining how we should expand and develop these resources, along with others such as nuclear power, we must take into account not only our economic goals, but also our environmental goals and our national security goals. Each of these areas is profoundly affected by our decisions concerning energy.

If we are to maintain the vigor of our economy, the health of our environment, and the security of our energy resources, it is essential that we strike the right balance among these priorities.

The choices are difficult, but we cannot refuse to act because of this. We cannot stand still simply because it is difficult to go forward. That is the one choice Americans must never make.

The energy challenge is one of the great opportunities of our time. We have already begun to meet that challenge, and realize its opportunities.

NATIONAL ENERGY POLICY

In 1971, I sent to the Congress the first message on energy policies ever submitted by an American President. In that message I proposed a number of specific steps to meet our projected needs by increasing our supply of clean energy in America.

Those steps included expanded research and development to obtain more clean energy, increased availability of energy resources located on Federal lands, increased efforts in the development of nuclear power, and a new Federal organization to plan and manage our energy programs.

In the twenty-two months since I submitted that message, America's energy research and development efforts have been expanded by 50 percent.

In order to increase domestic production of conventional fuels, sales of oil and gas leases on the Outer Continental Shelf have been increased. Federal and State standards to protect the marine environment in which these leases are protected are being tightened. We have developed a more rigorous surveillance capability and an improved ability to prevent and clean up oil spills.

We are planning to proceed with the development of oil shale and geothermal energy sources on Federal lands, so long as an evaluation now underway shows that our environment can be adequately protected.

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We have also taken new steps to expand our uranium enrichment capacity for the production of fuels for nuclear power plants, to standardize nuclear power plant designs, and to ensure the continuation of an already enviable safety record.

We have issued new standards and guidelines, and have taken other actions to increase and encourage better conservation of energy.

In short, we have made a strong beginning in our effort to ensure that America will always have the power needed to fuel its prosperity. But what we have accomplished is only a beginning.

Now we must build on our increased knowledge, and on the accomplishments of the past twenty-two months, to develop a more comprehensive, integrated national energy policy. To carry out this policy we must:

- increase domestic production of all forms of energy;
- act to conserve energy more effectively;
- strive to meet our energy needs at the lowest cost consistent with the protection of both our national security and our natural environment;
- reduce excessive regulatory and administrative impediments which have delayed or prevented construction of energy-producing facilities;
- act in concert with other nations to conduct research in the energy field and to find ways to prevent serious shortages; and
- apply our vast scientific and technological capacities -- both public and private -- so we can utilize our current energy resources more wisely and develop new sources and new forms of energy.

The actions I am announcing today and the proposals I am submitting to the Congress are designed to achieve these objectives. They reflect the fact that we are in a period of transition, in which we must work to avoid or at least minimize short-term supply shortages, while we act to expand and develop our domestic supplies in order to meet long-term energy needs.

We should not suppose this transition period will be easy. The task ahead will require the concerted and cooperative efforts of consumers, industry, and government.

DEVELOPING OUR DOMESTIC ENERGY RESOURCES

The effort to increase domestic energy production in a manner consistent with our economic, environmental and security interests should focus on the following areas:

Natural Gas

Natural gas is America's premium fuel. It is clean-burning and thus has the least detrimental effect on our environment.

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Since 1966, our consumption of natural gas has increased by over one-third, so that today natural gas comprises 32 percent of the total energy we consume from all sources. During this same period, our proven and available reserves of natural gas have decreased by a fifth. Unless we act responsibly, we will soon encounter increasing shortages of this vital fuel.

Yet the problem of shortages results less from inadequate resources than from ill-conceived regulation. Natural gas is the fuel most heavily regulated by the Federal Government -- through the Federal Power Commission. Not only are the operations of interstate natural gas pipelines regulated, as was originally and properly intended by the Congress, but the price of the natural gas supplied to these pipelines by thousands of independent producers has also been regulated.

For more than a decade the prices of natural gas supplied to pipelines under this extended regulation have been kept artificially low. As a result, demand has been artificially stimulated, but the exploration and development required to provide new supplies to satisfy this increasing demand have been allowed to wither. This form of government regulation has contributed heavily to the shortages we have experienced, and to the greater scarcity we now anticipate.

As a result of its low regulated price, more than 50 percent of our natural gas is consumed by industrial users and utilities, many of which might otherwise be using coal or oil. While homeowners are being forced to turn away from natural gas and toward more expensive fuels, unnecessarily large quantities of natural gas are being used by industry.

Furthermore, because prices within producing States are often higher than the interstate prices established by the Federal Power Commission, most newly discovered and newly produced natural gas does not enter interstate pipelines. Potential consumers in non-producing States thus suffer the worst shortages. While the Federal Power Commission has tried to alleviate these problems, the regulatory framework and attendant judicial constraints inhibit the ability of the Commission to respond adequately.

It is clear that the price paid to producers for natural gas in interstate trade must increase if there is to be the needed incentive for increasing supply and reducing inefficient usage. Some have suggested additional regulation to provide new incentives, but we have already seen the pitfalls in this approach. We must regulate less, not more. At the same time, we cannot remove all natural gas regulations without greatly inflating the price of gas currently in production and generating windfall profits.

To resolve this issue, I am proposing that gas from new wells, gas newly-dedicated to interstate markets, and the continuing production of natural gas from expired contracts should no longer be subject to price regulation at the wellhead. Enactment of this legislation should stimulate new exploration and development. At the same time, because increased prices on new unregulated gas would be averaged in with the prices for gas that is still regulated, the consumer should be protected against precipitous cost increases.

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To add further consumer protection against unjustified price increases, I propose that the Secretary of the Interior be given authority to impose a ceiling on the price of new natural gas when circumstances warrant. Before exercising this power, the Secretary would consider the cost of alternative domestic fuels, taking into account the superiority of natural gas from an environmental standpoint. He would also consider the importance of encouraging production and more efficient use of natural gas.

Outer Continental Shelf

Approximately half of the oil and gas resources in this country are located on public lands, primarily on the Outer Continental Shelf (OCS). The speed at which we can increase our domestic energy production will depend in large measure on how rapidly these resources can be developed.

Since 1954, the Department of the Interior has leased to private developers almost 8 million acres on the Outer Continental Shelf. But this is only a small percentage of these potentially productive areas. At a time when we are being forced to obtain almost 30 percent of our oil from foreign sources, this level of development is not adequate.

I am therefore directing the Secretary of the Interior to take steps which would triple the annual acreage leased on the Outer Continental Shelf by 1979, beginning with expanded sales in 1974 in the Gulf of Mexico and including areas beyond 200 meters in depth under conditions consistent with my oceans policy statement of May, 1970. By 1985, this accelerated leasing rate could increase annual energy production by an estimated 1.5 billion barrels of oil (approximately 16 percent of our projected oil requirements in that year), and 5 trillion cubic feet of natural gas (approximately 20 percent of expected demand for natural gas that year).

In the past, a central concern in bringing these particular resources into production has been the threat of environmental damage. Today, new techniques, new regulations and standards, and new surveillance capabilities enable us to reduce and control environmental dangers substantially. We should now take advantage of this progress. The resources under the Shelf, and on all our public lands, belong to all Americans, and the critical needs of all Americans for new energy supplies require that we develop them.

If at any time it is determined that exploration and development of a specific shelf area can only proceed with inadequate protection of the environment, we will not commence or continue operations. This policy was reflected in the suspension of 35 leases in the Santa Barbara Channel in 1971. We are continuing the Santa Barbara suspensions, and I again request that the Congress pass legislation that would provide for appropriate settlement for those who are forced to relinquish their leases in the area.

At the same time, I am directing the Secretary of the Interior to proceed with leasing the Outer Continental Shelf beyond the Channel Islands of California if the reviews now underway show that the environmental risks are acceptable.

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I am also asking the Chairman of the Council on Environmental Quality to work with the Environmental Protection Agency, in consultation with the National Academy of Sciences and appropriate Federal agencies, to study the environmental impact of oil and gas production on the Atlantic Outer Continental Shelf and in the Gulf of Alaska. No drilling will be undertaken in these areas until its environmental impact is determined. Governors, legislators and citizens of these areas will be consulted in this process.

Finally, I am asking the Secretary of the Interior to develop a long-term leasing program for all energy resources on public lands, based on a thorough analysis of the Nation's energy, environmental, and economic objectives.

Alaskan Pipeline

Another important source of domestic oil exists on the North Slope of Alaska. Although private industry stands ready to develop these reserves and the Federal Government has spent large sums on environmental analyses, this project is still being delayed. This delay is not related to any adverse judicial findings concerning environmental impact, but rather to an outmoded legal restriction regarding the width of the right of way for the proposed pipeline.

At a time when we are importing growing quantities of oil at great detriment to our balance of payments, and at a time when we are also experiencing significant oil shortages, we clearly need the two million barrels a day which the North Slope could provide -- a supply equal to fully one-third of our present import levels.

In recent weeks I have proposed legislation to the Congress which would remove the present restriction on the pipeline. I appeal to the Congress to act swiftly on this matter so that we can begin construction of the pipeline with all possible speed.

I oppose any further delay in order to restudy the advisability of building the pipeline through Canada. Our interest in rapidly increasing our supply of oil is best served by an Alaskan pipeline. It could be completed much more quickly than a Canadian pipeline; its entire capacity would be used to carry domestically owned oil to American markets where it is needed; and construction of an Alaskan pipeline would create a significant number of American jobs both in Alaska and in the maritime industry.

Shale Oil

Recoverable deposits of shale oil in the continental United States are estimated at some 600 billion barrels, 80 billion of which are considered easily accessible.

At the time of my Energy Message of 1971, I requested the Secretary of the Interior to develop an oil shale leasing program on a pilot basis and to provide me with a thorough evaluation of the environmental impact of such a program. The Secretary has prepared this pilot project and expects to have a final environmental impact statement soon. If the environmental risks are acceptable, we will proceed with the program.

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To date there has been no commercial production of shale oil in the United States. Our pilot program will provide us with valuable experience in using various operational techniques and acting under various environmental conditions. Under the proposed program, the costs both of development and environmental protection would be borne by the private lessee.

Geothermal Leases

At the time of my earlier Energy Message, I also directed the Department of the Interior to prepare a leasing program for the development of geothermal energy on Federal lands. The regulations and final environmental analysis for such a program should be completed by late spring of this year.

If the analysis indicates that we can proceed in an environmentally acceptable manner, I expect leasing of geothermal fields on Federal lands to begin soon thereafter.

The use of geothermal energy could be of significant importance to many of our western areas, and by supplying a part of the western energy demand, could release other energy resources that would otherwise have to be used. Today, for instance, power from the Geysers geothermal field in California furnishes about one-third of the electric power of the city of San Francisco.

New technologies in locating and producing geothermal energy are now under development. During the coming fiscal year, the National Science Foundation and the Geological Survey will intensify their research and development efforts in this field.

Coal

Coal is our most abundant and least costly domestic source of energy. Nevertheless, at a time when energy shortages loom on the horizon, coal provides less than 20 percent of our energy demands, and there is serious danger that its use will be reduced even further. If this reduction occurs, we would have to increase our oil imports rapidly, with all the trade and security problems this would entail.

Production of coal has been limited not only by competition from natural gas -- a competition which has been artificially induced by Federal price regulation -- but also by emerging environmental concerns and mine health and safety requirements. In order to meet environmental standards, utilities have shifted to natural gas and imported low-sulphur fuel oil. The problem is compounded by the fact that some low-sulphur coal resources are not being developed because of uncertainty about Federal and State mining regulations.

I urge that highest national priority be given to expanded development and utilization of our coal resources. Present and potential users who are able to choose among energy sources should consider the national interest as they make their choice. Each decision against coal increases petroleum or gas consumption, compromising our national self-sufficiency and raising the cost of meeting our energy needs.

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In my State of the Union Message on Natural Resources and the Environment earlier this year, I called for strong legislation to protect the environment from abuse caused by mining. I now repeat that call. Until the coal industry knows the mining rules under which it will have to operate, our vast reserves of low-sulphur coal will not be developed as rapidly as they should be and the under-utilization of such coal will persist.

The Clean Air Act of 1970, as amended, requires that primary air quality standards -- those related to health -- must be met by 1975, while more stringent secondary standards -- those related to the "general welfare" -- must be met within a reasonable period. The States are moving very effectively to meet primary standards established by the Clean Air Act, and I am encouraged by their efforts.

At the same time, our concern for the "general welfare" or national interest should take into account considerations of national security and economic prosperity, as well as our environment.

If we insisted upon meeting both primary and secondary clean air standards by 1975, we could prevent the use of up to 155 million tons of coal per year. This would force an increase in demand for oil of 1.6 million barrels per day. This oil would have to be imported, with an adverse effect on our balance of payments of some \$1.5 billion or more a year. Such a development would also threaten the loss of an estimated 26,000 coal mining jobs.

If, on the other hand, we carry out the provisions of the Clean Air Act in a judicious manner, carefully meeting the primary, health-related standards, but not moving in a precipitous way toward meeting the secondary standards, then we should be able to use virtually all of that coal which would otherwise go unused.

The Environmental Protection Agency has indicated that the reasonable time allowed by the Clean Air Act for meeting secondary standards could extend beyond 1975. Last year, the Administrator of the Environmental Protection Agency sent to all State governors a letter explaining that during the current period of shortages in low-sulphur fuel, the States should not require the burning of such fuels except where necessary to meet the primary standards for the protection of health. This action by the States should permit the desirable substitution of coal for low-sulphur fuel in many instances. I strongly support this policy.

Many State regulatory commissions permit their State utilities to pass on increased fuel costs to the consumer in the form of higher rates, but there are sometimes lags in allowing the costs of environmental control equipment to be passed on in a similar way. Such lags discourage the use of environmental control technology and encourage the use of low-sulphur fuels, most of which are imported.

To increase the incentive for using new environmental technology, I urge all State utility commissions to ensure that utilities receive a rapid and fair return on pollution control equipment, including stack gas cleaning devices and coal gasification processes.

As an additional measure to increase the production and use of coal, I am directing that a new reporting system on national coal production be instituted within the Department of the Interior, and I am asking the Federal Power Commission for regular reports on the use of coal by utilities.

I am also stepping up our spending for research and development in coal, with special emphasis on technology for sulphur removal and the development of low-cost, clean-burning forms of coal.

Nuclear Energy

Although our greatest dependence for energy until now has been on fossil fuels such as coal and oil, we must not and we need not continue this heavy reliance in the future. The major alternative to fossil fuel energy for the remainder of this century is nuclear energy.

Our well-established nuclear technology already represents an indispensable source of energy for meeting present needs. At present there are 30 nuclear power plants in operation in the United States; of the new electrical generator capacity contracted for during 1972, 70 percent will be nuclear powered. By 1980, the amount of electricity generated by nuclear reactors will be equivalent to 1.25 billion barrels of oil, or 8 trillion cubic feet of gas. It is estimated that nuclear power will provide more than one-quarter of this country's electrical production by 1985, and over half by the year 2000.

Most nuclear power plants now in operation utilize light water reactors. In the near future, some will use high temperature gas-cooled reactors. These techniques will be supplemented during the next decade by the fast breeder reactor, which will bring about a 30-fold increase in the efficiency with which we utilize our domestic uranium resources. At present, development of the liquid metal fast breeder reactor is our highest priority target for nuclear research and development.

Nuclear power generation has an extraordinary safety record. There has never been a nuclear-related fatality in our civilian atomic energy program. We intend to maintain that record by increasing research and development in reactor safety.

The process of determining the safety and environmental acceptability of nuclear power plants is more vigorous and more open to public participation than for any comparable industrial enterprise. Every effort must be made by the Government and industry to protect public health and safety and to provide satisfactory answers to those with honest concerns about this source of power.

At the same time, we must seek to avoid unreasonable delays in developing nuclear power. They serve only to impose unnecessary costs and aggravate our energy shortages. It is discouraging to know that nuclear facilities capable of generating 27,000 megawatts of electric power which were expected to be operational by 1972 were not completed. To replace that generating capacity we would have to use the equivalent of one-third of the natural gas the country used for generating electricity in 1972. This situation must not continue.

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In my first Energy Special Message in 1971, I proposed that utilities prepare and publish long-range plans for the siting of nuclear power plants and transmission lines. This legislation would provide a Federal-State framework for licensing individual plants on the basis of a full and balanced consideration of both environmental and energy needs. The Congress has not acted on that proposal. I am resubmitting that legislation this year with a number of new provisions to simplify licensing, including one to require that the Government act on all completed license applications within 18 months after they are received.

I would also emphasize that the private sector's role in future nuclear development must continue to grow. The Atomic Energy Commission is presently taking steps to provide greater amounts of enriched uranium fuel for the Nation's nuclear power plants. However, this expansion will not fully meet our needs in the 1980's; the Government now looks to private industry to provide the additional capacity that will be required.

Our nuclear technology is a national asset of inestimable value. It is essential that we press forward with its development.

The increasing occurrence of unnecessary delays in the development of energy facilities must be ended if we are to meet our energy needs. To be sure, reasonable safeguards must be vigorously maintained for protection of the public and of our environment. Full public participation and questioning must also be allowed as we decide where new energy facilities are to be built. We need to streamline our governmental procedures for licensing and inspections, reduce-overlapping jurisdictions and eliminate confusion generated by the government.

To achieve these ends I am taking several steps. During the coming year we will examine various possibilities to assure that all public and private interests are impartially and expeditiously weighed in all government proceedings for permits, licensing and inspections.

I am again proposing siting legislation to the Congress for electric facilities and for the first time, for deepwater ports. All of my new siting legislation includes provision for simplified licensing at both Federal and State levels. It is vital that the Congress take prompt and favorable action on these proposals.

Encouraging Domestic Exploration

Our tax system now provides needed incentives for mineral exploration in the form of percentage depletion allowances and deductions for certain drilling expenses. These provisions do not, however, distinguish between exploration for new reserves and development of existing reserves.

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In order to encourage increased exploration, I ask the Congress to extend the investment credit provisions of our present tax law so that a credit will be provided for all exploratory drilling for new oil and gas fields. Under this proposal, a somewhat higher credit would apply for successful exploratory wells than for unsuccessful ones, in order to put an additional premium on results.

The investment credit has proven itself a powerful stimulus to industrial activity. I expect it to be equally effective in the search for new reserves.

IMPORTING TO MEET OUR ENERGY NEEDS

Oil Imports

In order to avert a short-term fuel shortage and to keep fuel costs as low as possible, it will be necessary for us to increase fuel imports. At the same time, in order to reduce our long-term reliance on imports, we must encourage the exploration and development of our domestic oil and the construction of refineries to process it.

The present quota system for oil imports -- the Mandatory Oil Import Program -- was established at a time when we could produce more oil at home than we were using. By imposing quantitative restrictions on imports, the quota system restricted imports of foreign oil. It also encouraged the development of our domestic petroleum industry in the interest of national security.

Today, however, we are not producing as much oil as we are using, and we must import ever larger amounts to meet our needs.

As a result, the current Mandatory Oil Import Program is of virtually no benefit any longer. Instead, it has the very real potential of aggravating our supply problems, and it denies us the flexibility we need to deal quickly and efficiently with our import requirements. General dissatisfaction with the program and the apparent need for change has led to uncertainty. Under these conditions, there can be little long-range investment planning for new drilling and refinery construction.

Effective today, I am removing by proclamation all existing tariffs on imported crude oil and products. Holders of import licenses will be able to import petroleum duty free. This action will help hold down the cost of energy to the American consumer.

Effective today, I am also suspending direct control over the quantity of crude oil and refined products which can be imported. In place of these controls, I am substituting a license-fee quota system.

Under the new system, present holders of import licenses may import petroleum exempt from fees up to the level of their 1973 quota allocations. For imports in excess of the 1973 level, a fee must be paid by the importer.

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This system should achieve several objectives.

First, it should help to meet our immediate energy needs by encouraging importation of foreign oil at the lowest cost to consumers, while also providing incentives for exploration and development of our domestic resources to meet our long-term needs. There will be little paid in fees this year, although all exemptions from fees will be phased out over several years. By gradually increasing fees over the next two and one-half years to a maximum level of one-half cent per gallon for crude oil and one and one-half cents per gallon for all refined products, we should continue to meet our energy needs while encouraging industry to increase its domestic production.

Second, this system should encourage refinery construction in the United States, because the fees are higher for refined products than for crude oil. As an added incentive, crude oil in amounts up to three-fourths of new refining capacity may be imported without being subject to any fees. This special allowance will be available to an oil company during the first five years after it builds or expands its refining capacity.

Third, this system should provide the flexibility we must have to meet short and long-term needs efficiently. We will review the fee level periodically to ensure that we are imposing the lowest fees consistent with our intention to increase domestic production while keeping costs to the consumer at the lowest possible level. We will also make full use of the Oil Import Appeals Board to ensure that the needs of all elements of the petroleum industry are met, particularly those of independent operators who help to maintain market competition.

Fourth, the new system should contribute to our national security. Increased domestic production will leave us less dependent on foreign supplies. At the same time, we will adjust the fees in a manner designed to encourage, to the extent possible, the security of our foreign supplies. Finally, I am directing the Oil Policy Committee to examine incentives aimed at increasing our domestic storage capacity or shut-in production. In this way we will provide buffer stocks to insulate ourselves against a temporary loss of foreign supplies.

Deepwater Ports

It is clear that in the foreseeable future, we will have to import oil in large quantities. We should do this as cheaply as we can with minimal damage to the environment. Unfortunately, our present capabilities are inadequate for these purposes.

The answer to this problem lies in deepwater ports which can accommodate those larger ships, providing important economic advantages while reducing the risks of collision and grounding. Recent studies by the Council on Environmental Quality demonstrate that we can expect considerably less pollution if we use fewer but larger tankers and deepwater facilities, as opposed to the many small tankers and conventional facilities which we would otherwise need.

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If we do not enlarge our deepwater port capacity, it is clear that both American and foreign companies will expand oil transshipment terminals in the Bahamas and the Canadian Maritime Provinces. From these terminals, oil will be brought to our conventional ports by growing numbers of small and medium size transshipment vessels, thereby increasing the risks of pollution from shipping operations and accidents. At the same time, the United States will lose the jobs and capital that those foreign facilities provide.

Given these considerations, I believe we must move forward with an ambitious program to create new deepwater ports for receiving petroleum imports.

The development of ports has usually been a responsibility of State and local governments and the private sector. However, States cannot issue licenses beyond the three-mile limit. I am therefore proposing legislation to permit the Department of the Interior to issue such licenses. Licensing would be contingent upon full and proper evaluation of environmental impact, and would provide for strict navigation and safety, as well as proper land use requirements. The proposed legislation specifically provides for Federal cooperation with State and local authorities.

CONSERVING ENERGY

The abundance of America's natural resources has been one of our greatest advantages in the past. But if this abundance encourages us to take our resources for granted, then it may well be a detriment to our future.

Common sense clearly dictates that as we expand the types and sources of energy available to us for the future, we must direct equal attention to conserving the energy available to us today, and we must explore means to limit future growth in energy demand.

We as a nation must develop a national energy conservation ethic. Industry can help by designing products which conserve energy and by using energy more efficiently. All workers and consumers can help by continually saving energy in their day-to-day activities: by turning out lights, tuning up automobiles, reducing the use of air conditioning and heating, and purchasing products which use energy efficiently.

Government at all levels also has an important role to play, both by conserving energy directly, and by providing leadership in energy conservation efforts.

I am directing today that an Office of Energy Conservation be established in the Department of the Interior to coordinate the energy conservation programs which are presently scattered throughout the Federal establishment. This office will conduct research and work with consumer and environmental groups in their efforts to educate consumers on ways to get the greatest return on their energy dollar.

To provide consumers with further information, I am directing the Department of Commerce, working with the Council on Environmental Quality and the Environmental Protection Agency, to develop a voluntary system of energy efficiency labels for major home appliances. These labels should provide data on energy use as well as a rating com-

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paring the product's efficiency to other similar products. In addition, the Environmental Protection Agency will soon release the results of its tests of fuel efficiency in automobiles.

There are other ways, too, in which government can exercise leadership in this field. I urge again, for example, that we allow local officials to use money from Highway Trust Fund for mass transit purposes. Greater reliance on mass transit can do a great deal to help us conserve gasoline.

The Federal Government can also lead by example. The General Services Administration, for instance, is constructing a new Federal office building using advanced energy conservation techniques, with a goal of reducing energy use by 20 percent over typical buildings of the same size. At the same time, the National Bureau of Standards is evaluating energy use in a full-size house within its laboratories. When this evaluation is complete, analytical techniques will be available to help predict energy use for new dwellings. This information, together with the experience gained in the construction and operation of the demonstration Federal building, will assist architects and contractors to design and construct energy-efficient buildings.

Significant steps to upgrade insulation standards on single and multi-family dwellings were taken at my direction in 1971 and 1972, helping to reduce heat loss and otherwise conserve energy in the residential sector. As soon as the results of these important demonstration projects are available, I will direct the Federal Housing Administration to update its insulation standards in light of what we have learned and to consider their possible extension to mobile homes.

Finally, we should recognize that the single most effective means of encouraging energy conservation is to ensure that energy prices reflect their true costs. By eliminating regulations such as the current ceiling on natural gas prices and by ensuring that the costs of adequate environmental controls are equitably allocated, we can move toward more efficient distribution of our resources.

Energy conservation is a national necessity, but I believe that it can be undertaken most effectively on a voluntary basis. If the challenge is ignored, the result will be a danger of increased shortages, increased prices, damage to the environment and the increased possibility that conservation will have to be undertaken by compulsory means in the future. There should be no need for a nation which has always been rich in energy to have to turn to energy rationing. This is a part of the energy challenge which every American can help to meet, and I call upon every American to do his or her part.

RESEARCH AND DEVELOPMENT

If we are to be certain that the forward thrust of our economy will not be hampered by insufficient energy supplies or by energy supplies that are prohibitively expensive, then we must not continue to be dependent on conventional forms of energy. We must instead make every useful effort through research and development to provide both alternative sources of energy and new technologies for producing and utilizing this energy.

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For the short-term future, our research and development strategy will provide technologies to extract and utilize our existing fossil fuels in a manner most compatible with a healthy environment.

In the longer run, from 1985 to the beginning of the next century, we will have more sophisticated development of our fossil fuel resources and on the full development of the Liquid Metal Fast Breeder Reactor. Our efforts for the distant future center on the development of technologies -- such as nuclear fusion and solar power -- that can provide us with a virtually limitless supply of clean energy.

In my 1971 Energy Special Message to the Congress I outlined a broadly based research and development program. I proposed the expansion of cooperative Government-industry efforts to develop the Liquid Metal Fast Breeder Reactor, coal gasification, and stack gas cleaning systems at the demonstration level. These programs are all progressing well.

My budget for fiscal year 1974 provides for an increase in energy research and development funding of 20 percent over the level of 1973.

My 1974 budget provides for creation of a new central energy fund in the Interior Department to provide additional money for non-nuclear research and development, with the greatest part designated for coal research. This central fund is designed to give us the flexibility we need for rapid exploitation of new, especially promising energy technologies with near-term payoffs.

One of the most promising programs that will be receiving increased funding in fiscal year 1974 is the solvent refined coal process which will produce low-ash, low-sulphur fuels from coal. Altogether, coal research and development and proposed funding is increased by 27 percent.

In addition to increased funding for the Liquid Metal Fast Breeder Reactor, I am asking for greater research and development on reactor safety and radioactive waste disposal, and the production of nuclear fuel.

The waters of the world contain potential fuel -- in the form of a special isotope of hydrogen -- sufficient to power fusion reactors for thousands of years. Scientists at the Atomic Energy Commission now predict with increasing confidence that we can demonstrate laboratory feasibility of controlled thermonuclear fusion by magnetic confinement in the near future. We have also advanced to the point where some scientists believe the feasibility of laser fusion could be demonstrated within the next several years. I have proposed in my 1974 budget a 35 percent increase in funding for our total fusion research and development effort to accelerate experimental programs and to initiate preliminary reactor design studies.

While we look to breeder reactors to meet our mid-term energy needs, today's commercial power reactors will continue to provide most of our nuclear generating capacity for the balance of this century. Although nuclear reactors have had a remarkable safety record, my 1974 budget provides additional funds to assure that our rapidly growing reliance on nuclear power will not compromise public health and safety. This

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includes work on systems for safe storage of the radioactive waste which nuclear reactors produce. The Atomic Energy Commission is working on additional improvements in surface storage and will continue to explore the possibility of underground burial for long-term containment of these wastes.

Solar energy holds great promise as a potentially limitless source of clean energy. My new budget triples our solar energy research and development effort to a level of \$12 million. A major portion of these funds would be devoted to accelerating the development of commercial systems for heating and cooling buildings.

Research and development funds relating to environmental control technologies would be increased 24 percent in my 1974 budget. This research includes a variety of projects related to stack gas cleaning and includes the construction of a demonstration sulphur dioxide removal plant. In addition, the Atomic Energy Commission and the Environmental Protection Agency will continue to conduct research on the thermal effects of power plants.

While the Federal Government is significantly increasing its commitment to energy research and development, a large share of such research is and should be conducted by the private sector.

I am especially pleased that the electric utilities have recognized the importance of research in meeting the rapidly escalating demand for electrical energy. The recent establishment of the Electric Power Research Institute, which will have a budget in 1974 in excess of \$100 million, can help develop technology to meet both load demands and environmental regulations currently challenging the industry.

Historically the electric power industry has allocated a smaller portion of its revenues to research than have most other technology-dependent industries. This pattern has been partly attributable to the reluctance of some State utility commissions to include increased research and development expenditures in utility rate bases. Recently the Federal Power Commission instituted a national rule to allow the recovery of research and development expenditures in rates. State regulatory agencies have followed the FPC's lead and are liberalizing their treatment of research and development expenditures consistent with our changing national energy demands.

I am hopeful that this trend will continue and I urge all State utility commissions to review their regulations regarding research and development expenditures to ensure that the electric utility industry can fully cooperate in a national energy research and development effort.

It is foolish and self-defeating to allocate funds more rapidly than they can be effectively spent. At the same time, we must carefully monitor our progress and our needs to ensure that our funding is adequate. When additional funds are found to be essential, I shall do everything I can to see that they are provided.

INTERNATIONAL COOPERATION

The energy challenge confronts every nation. Where there is such a community of interest, there is both a cause and a basis for cooperative action.

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Today, the United States is involved in a number of cooperative, international efforts. We have joined with the other 22 member-nations of the Organization for Economic Cooperation and Development to produce a comprehensive report on long-term problems and to develop an agreement for sharing oil in times of acute shortages. The European Economic Community has already discussed the need for cooperative efforts and is preparing recommendations for a Community energy policy. We have expressed a desire to work together with them in this effort.

We have also agreed with the Soviet Union to pursue joint research in magnetohydrodynamics (MHD), a highly efficient process for generating electricity, and to exchange information on fusion, fission, the generation of electricity, transmission and pollution control technology. These efforts should be a model for joint research efforts with other countries. Additionally, American companies are looking into the possibility of joint projects with the Soviet Union to develop natural resources for the benefit of both nations.

I have also instructed the Department of State, in coordination with the Atomic Energy Commission, other appropriate Government agencies, and the Congress to move rapidly in developing a program of international cooperation in research and development on new forms of energy and in developing international mechanisms for dealing with energy questions in times of critical shortages.

I believe the energy challenge provides an important opportunity for nations to pursue vital objectives through peaceful cooperation. No chance should be lost to strengthen the structure of peace we are seeking to build in the world, and few issues provide us with as good an opportunity to demonstrate that there is more to be gained in pursuing our national interests through mutual cooperation than through destructive competition or dangerous confrontation.

Federal Energy Organization

If we are to meet the energy challenge, the current fragmented organization of energy-related activities in the executive branch of the Government must be overhauled.

In 1971, I proposed legislation to consolidate Federal energy-related activities within a new Department of Natural Resources. The 92nd Congress did not act on this proposal. In the interim I have created a new post of Counsellor to the President on Natural Resources to assist in the policy coordination in the natural resources field.

Today I am taking executive action specifically to improve the Federal organization of energy activities.

I have directed the Secretary of the Interior to strengthen his Department's organization of energy activities in several ways.

-- The responsibilities of the new Assistant Secretary for Energy and Minerals will be expanded to incorporate all departmental energy activities;

-- The Department is to develop a capacity for gathering and analysis of energy data;

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-- An Office of Energy Conservation is being created to seek means for reducing demands for energy;

-- The Department of the Interior has also strengthened its capabilities for overseeing and coordinating a broader range of energy research and development.

By Executive order, I have placed authority in the Department of the Treasury for directing the Oil Policy Committee. That Committee coordinates the oil import program and makes recommendations to me for changes in that program. The Deputy Secretary of the Treasury has been designated Chairman of that Committee.

Through a second Executive order, effective today, I am strengthening the capabilities of the Executive Office of the President to deal with top level energy policy matters by establishing a special energy committee composed of three of my principal advisors. The order also reaffirms the appointment of a Special Consultant, who heads an energy staff in the Office of the President.

Additionally, a new division of Energy and Science is being established within the Office of Management and Budget.

While these executive actions will help, more fundamental reorganization is needed. To meet this need, I shall propose legislation to establish a Department of Energy and Natural Resources (DENR) building on the legislation I submitted in 1971, with heightened emphasis on energy programs.

This new Department would provide leadership across the entire range of national energy. It would, in short, be responsible for administering the national energy policy detailed in this message.

CONCLUSION

Nations succeed only as they are able to respond to challenge, and to change when circumstances and opportunities require change.

When the first settlers came to America, they found a land of untold natural wealth, and this became the cornerstone of the most prosperous nation in the world. As we have grown in population, in prosperity, in industrial capacity, in all those indices that reflect the constant upward thrust in the American standard of living, the demands on our natural resources have also grown.

Today, the energy resources which have fueled so much of our national growth are not sufficiently developed to meet the constantly increasing demands which have been placed upon them. The time has come to change the way we meet these demands. The challenge facing us represents one of the great opportunities of our time -- an opportunity to create an even stronger domestic economy, a cleaner environment, and a better life for all our people.

The proposals I am submitting and the actions I will take can give us the tools to do this important job.

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The need for action is urgent. I hope the Congress will act with dispatch on the proposals I am submitting. But in the final analysis, the ultimate responsibility does not rest merely with the Congress or with this Administration. It rests with all of us -- with government, with industry and with the individual citizen.

Whenever we have been confronted with great national challenges in the past, the American people have done their duty. I am confident we shall do so now.

RICHARD NIXON

THE WHITE HOUSE,

April 18, 1973.

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Office of the White House Press Secretary

THE WHITE HOUSE

THE PRESIDENT'S ENERGY MESSAGE

SUMMARY OUTLINE - FACT SHEET

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Background

The President has forwarded to the Congress his second Energy Message. This message presents a comprehensive program to provide for the Nation's current and future energy needs. The President's program provides for increased domestic production of fuels to minimize risks to the national security of supply interruptions. The program balances these national security considerations with concern for continued protection of the environment and for providing adequate supplies of energy at reasonable prices.

The energy picture has changed significantly in the past several years. Domestic production of fossil fuels -- crude oil, natural gas and coal -- has peaked. The United States no longer has excess shut-in crude production capacity. Environmental concerns have resulted in delays in siting of energy facilities and greatly increased the need for scarce low sulphur fuels, displacing high sulphur fuels, including coal. Unless the demand for energy is artificially restricted, significantly greater quantities of foreign crude oil must be imported in the next few years. There may also be temporary shortages of fuels under localized conditions.

In the mid-term, there will be increased domestic production of clean fuels; in the longer term, the development of new technologies for providing essentially pollution-free energy will be available.

The President has instituted a number of changes and recommended legislation to provide for increased domestic supplies in a manner compatible with the environment. The President has already forwarded several energy-related legislative proposals to the Congress this year -- the Electric Facilities Siting Act and the Mined Areas Protection Act. He has also already submitted legislative proposals to remedy the current right-of-way difficulties with the Alaska pipeline (Mineral Leasing Act amendments and Bureau of Land Management organic legislation). Today, three additional legislative proposals were forwarded to the Congress. The Natural Gas Supply Act will enable increased supplies of natural gas to be produced because of competitive pricing of new production of natural gas and new dedications of natural gas to interstate commerce. The Deepwater Port Facilities Act will enable more environmentally acceptable and more economical shipment of oil imports to this country through appropriately sited and operated deepwater ports. The third bill resubmits a proposal made to the 92nd Congress to have the Federal Government repurchase the thirty-five oil leases in the Santa Barbara channel. In addition, the President will soon forward a proposal for the creation of a Department of Energy and Natural Resources (DENR), in order to better focus and direct the Federal programs. This is a modification of his previous proposal for the Department of Natural Resources (DNR), placing a greater emphasis on the need for a comprehensive organizational focus on energy.

Besides these legislative proposals, the President has also undertaken a number of executive actions, including among others, major changes to the Mandatory Oil Import Program and accelerated leasing of the Outer Continental Shelf.

The President's revised oil import program provides for increasing the incentive for future domestic production of crude oil and refining capacity through phased imposition of license fees on imports of crude oil and products above the

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1973 levels. Drilling of new wells, opening of new mines and development of domestic refining capacity will require three to five years. In an effort to minimize the impact on the consumer during this period, the President has eliminated current tariffs on crude oil and products. Thus, imports at the 1973 level will enter the country duty-free; however, these duty-free import rights will be phased out over seven years, and an increasing license fee imposed.

The President's program covers virtually all energy policy areas. Specific information regarding the various components are presented in succeeding sections of this fact sheet.

Basic U.S. Energy Demand and Supply

Over the years, U.S. gross energy consumption has increased steadily at a rate slightly less than the growth of our economy. From 1947 to the early 1960's, energy demand grew at an average annual rate of about 3%. During the period 1965-1971, our total energy demand has accelerated rapidly to an average annual rate of 4.8%. In 1972, consumption by major consuming sectors was fairly evenly divided as follows: industrial, 28.8%; electricity generation, 25.6%; transportation, 25.0%; and household and commercial, 20.6%.

Fossil fuels have historically supplied the vast majority of our energy in the United States. Until 1947, coal supplied more than half the fuels consumed. But for the last decade, petroleum and natural gas have increased to around 75% of total gross energy consumption. Although nuclear power currently supplies only 1% of current energy, it is expected to provide a very large share of future energy growth -- up to 60% of electricity generation and 30% of total energy by the end of the century.

The major sources of domestic energy during 1972 were:

Petroleum (including natural gas liquids)	
Million barrels	5,960
Trillion BTU	32,812
Percent	46
Natural Gas	
Billion cubic feet	22,607
Trillion BTU	23,308
Percent	32
Coal (Bituminous, anthracite and lignite)	
Thousand short tons	517,053
Trillion BTU	12,428
Percent	17
Hydropower	
Billion kilowatt-hours	280.2
Trillion BTU	2,937
Percent	4
Nuclear Power	
Billion kilowatt-hours	56.9
Trillion BTU	606
Percent	1
Total Gross Energy	
Trillion BTU	72,091

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Domestic production of fossil fuels has remained relatively constant for several years and has not expanded adequately to meet rising demand.

New discoveries of natural gas have decreased during the past several years, but increased slightly in 1972 probably due in large part to efforts by the Federal Power Commission to provide higher production prices and to optimism about future changes in regulation. However, since 1966 proven reserves have decreased 21%, while consumption has increased 37%. We are now producing and consuming about twice as much natural gas each year as we are finding and adding to proved reserves.

Production of domestic crude oil and natural gas liquids peaked in November, 1970 and decreased in 1972 to an average of 11.6 million barrels per day, down approximately 5% from the peak. Continued delay of the Alaska pipeline will result in denial of additional U.S. production of up to 2.0 million barrels per day.

In 1972 total U.S. bituminous coal and lignite production is estimated at 590 million tons, down from 603 million tons in 1970. The use of coal has been greatly hampered by competition from lower cost and less polluting alternative fuels, primarily imported residual fuel oil in the mid-60's and low priced, regulated natural gas. Production is currently being restricted due to actual and anticipated constraints on the production and consumption of coal.

In 1967 imports to the United States exceeded reserve capacity, thus the U.S. was no longer self-sufficient. In 1972, the U.S. reached essentially 100% production (no reserve or shut-in capacity) and foreign petroleum imports totaled 4.7 million barrels per day, accounting for 29% of the total oil supply.

The projections are for large increases in imported crude oil and products, particularly during the next three to five years, primarily from the Middle East. In 1972, only about 1.4 million barrels per day, or about 30% of total oil imports came from the Eastern Hemisphere. This amounted to only 8% of the total oil supply. By 1985, if present trends were allowed to continue, the U.S. would have to import from 50 to 60% of its total oil supply and 30 to 40% of this may have to be from Eastern Hemisphere sources. The President's energy initiatives can greatly reduce future foreign imports.

Competitive Pricing of Natural Gas

The President announced today that he will submit legislation to amend the Natural Gas Act so that prices paid by interstate pipelines to producers for new supplies of domestic natural gas will be determined by the competitive forces of the market system rather than by the Federal Power Commission. This proposal would stimulate new exploration and development of domestic gas resources while maintaining current prices on present interstate supplies and eliminating any possibility of unfair gains at the expense of the consumer. The legislation includes provisions for the Secretary of the Interior to monitor the price of new supplies of natural gas, and impose a ceiling if circumstances should demand such action.

The Natural Gas Act of 1938 was passed in order to allow the Federal Power Commission to regulate the transportation and sales for resale of natural gas by the interstate pipelines. The Act specifically precludes Federal regulation of the local

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distribution and production or gathering of natural gas. However, in 1954, the Supreme Court held in the Phillips case that the Natural Gas Act also applied to sales by producers in interstate commerce. The Congress twice passed legislation to effectively deregulate natural gas, once in 1950 and again in 1956, which were vetoed by both President Truman and President Eisenhower.

After unsuccessful attempts to regulate producer prices on a case-by-case basis, in 1960 the Federal Power Commission decided to establish ceiling prices for natural gas on an area-wide basis. The first area rate proceeding for the Permian Basin area was begun in 1961, completed in 1965, and affirmed by the Supreme Court in 1968. This proceeding and all subsequent proceedings, was based primarily on the rate base and cost of service approach to regulation, which had been developed over the past half century for rate regulation of monopolistic, low-risk public utilities, such as gas pipelines and electrical power companies.

Consumption of natural gas in 1973 is estimated to be 37% higher than in 1966. Low regulated prices have discouraged development of a corresponding amount of new reserves, so that proven reserves have fallen by 21% since 1966. As a result, the ratio of reserves to production has fallen by 44%.

	(trillion cubic feet)	(trillion cubic feet)	Ratio
1966	16.9	286	16.4:1
1972	23.8	238	10.0:1
1973(est.)	23.0 (+37%)	227 (-21%)	9.2:1 (-44%)

Estimated Total Potential Reserves 850-2100 TCF

During the past year, 15 of the nation's largest interstate pipelines were forced to curtail their sales of natural gas in an amount equal to about 7% of their total sales. In many communities today, owners of new homes and apartments are deprived access to this clean burning and efficient fuel because of inadequate supplies. Moreover, an increasingly larger share of new natural gas supplies is being purchased within the intrastate market, which is not regulated by the Federal Power Commission, because interstate pipelines are unable to offer competitive prices for new supplies. Well-head prices in the intrastate market are up to twice as high as in the FPC regulated interstate market. In many markets today, natural gas, the most desirable fossil fuel, is selling for less per comparable heating unit than do alternative and less desirable fuels. At the same time, costs have increased significantly. It costs approximately ten times as much to drill a well in Alaska and six times as much to drill a well offshore as compared to onshore historical costs.

The increased field price of natural gas will result in very modest increase at the home for the average consumer. Because the pipelines and local distributors will remain regulated and because the new supplies of natural gas will be only a small percentage of the total supplies of the interstate pipelines for several years into the future. At the current time, the price paid to the producer for gas supplies is approximately 10 - 20% of the ultimate price paid by the homeowner in most areas.

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The President's proposed legislation provides that the FPC be granted rate jurisdiction over the direct industrial sales of pipelines. This action will allow the Federal Power Commission to assure that industrial customers, who use natural gas, are paying a fair and equitable share of the costs of obtaining this premium fuel. However, the President's action today does not alter state and local authority over intrastate pipelines and natural gas distributors.

The President's proposed legislation will allow the competitive forces of the market system, through arms length negotiations between producers and pipelines, to determine the price of new supplies of natural gas. It will also allow the interstate pipelines to compete with the intrastate pipelines for new gas supplies and lead to a more desirable distribution and usage of this premium fuel. On balance, the action taken by the President today is expected to provide consumers more supplies of natural gas at a lower cost than any other alternative.

Outer Continental Shelf (OCS)

The President announced today that he has directed the Secretary of the Interior to take steps to triple the acreage leased on the Outer Continental Shelf for drilling for oil and gas by 1979.

He also announced that leasing would begin in new frontier areas including beyond the 200 meter isobath, and beyond the Channel Islands in the Pacific if the environmental impact statements indicate it can be done safely. He directed the Council on Environmental Quality, in cooperation with the National Academy of Sciences and other government agencies, to complete studies within one year on the environmental suitability of drilling on the Atlantic OCS and the Gulf of Alaska. By 1985, this accelerated OCS leasing schedule could increase annual production by approximately 1.5 billion barrels of oil (approximately 16% of our projected requirements) above what would be expected if the current lease schedule were maintained.

The offshore areas of the United States are estimated to contain 186 billion barrels of crude oil and over 844 trillion cubic feet of natural gas resources, which are recoverable with existing technology. These amounts represent approximately 40% of the nation's total undiscovered oil and gas reserves and offer promising opportunities since most onshore areas have already been explored and developed.

The Federal Government has leased OCS lands since 1954. Currently, leases in the OCS are producing over 400 million barrels of oil and about 3 trillion cubic feet of natural gas annually.

In 1969 regulations of the Department of the Interior governing leasing and operations by lessees on the Outer Continental Shelf (OCS) were extensively revised and strengthened after the problem in the Santa Barbara Channel. Since then, improvement of these standards for safety and pollution control has been a continuing effort covering a wide range of operations including drilling procedures, well abandonments, well completion procedures, pollution and waste disposal, and procedures for the installation and operations of platforms and pipelines.

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Inspection procedures have been standardized and a statistical basis for inspection strategy has been developed. The OCS field inspection staff has been tripled since 1969. Six full-time helicopters are in use and a radio communication system has been installed. The revisions and strengthening of OCS operating standards and the increase in surveillance personnel has resulted in a marked improvement in OCS operations with regard to oil spills. There were no major oil spills in 1972. Minor oil spills in 1972 were reduced by 45 percent from 1971.

The President has resubmitted legislation which would authorize the Secretary of the Interior to buy back 35 leases in the Santa Barbara Channel where the Administration suspended drilling.

Alaska Pipeline

The discovery of oil in Alaska was announced in February of 1968. Current estimates are that there are 10 billion barrels of proven reserves on Alaska's North Slope. Once construction begins, 2-1/2 to 3 years will be required before delivery of new production. Initial production will be 600,000 barrels per day, rising to 2 million barrels per day in five years.

After the initial discovery, the Interior Department established a task force to study the situation in April of 1969. A pipeline application was received by the Secretary of the Interior in June 1969. After a series of public hearings and the issuance of preliminary and final environmental statements, the Secretary of the Interior announced that he intended to issue a permit for pipeline construction in May of 1972. A series of court actions resulted in Supreme Court refusal to review an earlier Court of Appeals decision, which enjoined construction because of an outmoded legal restriction regarding rights-of-way.

The Administration has submitted two bills to Congress relating to this issue: S. 1040 which amends the mineral leasing laws and S. 1041 which provides new organic legislation for the Bureau of Land Management. Both of these bills incorporate provisions which allow the Secretary of the Interior to provide for adequate rights-of-way for all pipelines over Federal lands to ensure protection of the environment.

The alternative of a pipeline through Canada was thoroughly studied prior to the Secretary's decision to authorize construction of the Trans-Alaska Pipeline (TAPS). The TAPS can be built much more quickly, creating U.S. jobs and utilized entirely for U.S. needs. Much more needs to be done prior to construction of a Trans-Canada line; detailed engineering and environmental studies would be required, hearings would be required, and permits prepared. At least three to five years delay would be involved for a Trans-Canada route which would probably cause greater environmental damage because of increased distance and the greater number of river crossings.

Shale Oil

President Nixon's June 4, 1971 Energy Message directed the initiation of a leasing program including preparation of an environmental impact statement. On June 29, 1971 the Secretary of the Interior issued a draft environmental impact statement for a proposed prototype oil shale leasing program which would include the offering of six leases under competitive bidding of 5,120 acres each, two each in Colorado, Utah and Wyoming.

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The six leases discussed will support a combined production level of no more than 250,000 barrels per day. A final environmental impact statement on the proposed program is nearing completion. If a decision is reached to proceed with the proposed program based on the environmental analysis, lease sales can be held during the summer of 1973. Stringent environmental regulations will be incorporated into any such program, including provisions to monitor changes in the existing environment. Additional oil shale leasing will not be considered until the environmental impact of prototype development has been fully evaluated.

Oil shale is the most significant energy resource known to exist in the world, with possible resources exceeding 2 trillion barrels of hydrocarbons contained in the sedimentary formations of the Rocky Mountain States, in Colorado, Utah, and Wyoming. An estimated 600 billion barrels of oil could be commercially produced from oil shale under technological development already achieved, of which 80 billion barrels are easily accessible.

Of the 11 million acres of land containing oil shale deposits considered to be potentially of commercial value, some 8.3 million acres (about 72%) are owned by the Federal Government. These are primarily "public lands" managed for multiple-use purposes by the Department of the Interior.

Of the two options to producing oil shale, only surface and subsurface mining with retort processing are believed to have been advanced to the point where it may be possible to scale up to commercial production in this decade. In situ (or in place) processing is in the experimental phase and commercial application of this technique cannot be expected prior to 1980.

By the mid-1980's, oil shale could contribute approximately one million barrels of oil per day to help meet the nation's growing demands for energy. The ultimate potential has not yet been established, but could exceed several million barrels per day.

Coal

The President discussed several factors related to national coal production and use in the Energy Message, including the Clean Air Act, mining legislation, and coal research.

In 1972, production of bituminous coal and lignite is estimated at 590 million tons, compared with 603 million tons in 1970. Of the 1972 production, about 57 million tons were exported and about 88 million tons were used for metallurgical purposes, leaving about 445 million tons for use as steam coal in domestic boilers. About four-fifths of this domestic steam coal is burned in power plants.

The President is committed to maintaining a strong industry to produce our most abundant domestic fossil fuel. At present rates of consumption, known reserves could supply the nation's energy needs for at least 300 years, and yet coal presently supplies less than 20% of our energy demands. Production has remained relatively level over the past several years despite rapidly increasing energy requirements. This stagnation has been attributed to some degree to health and safety standards, environmental restrictions on the sulphur content of coal, possible restrictions on strip mining, and until recently, price controls.

Current coal production is split roughly evenly between surface mined and deep mined coal. As of 1972, 4 million acres of land had been disturbed by surface mining, over half of which was unreclaimed. Coal mining may also result in serious damages to water, land, and property due to acid mine drainage.

The President earlier discussed his proposed Mined Area Protection Act in the Natural Resources and Environment Message on February 15, 1973. That bill would establish Federal requirements and guidelines to regulate the environmental consequences of surface and underground mining. The bill calls for stringent standards for mining and reclamation and encourages reworking and reclamation of previously mined areas. In any state that does not enact the necessary regulations or enforce them, the Federal Government would be authorized to do so.

The Clean Air Act affects coal production and utilization because of Federal and state standards on emissions of sulphur oxides. Under the Act, EPA set ambient air quality standards to limit sulphur oxides as well as other pollutants in the air. Primary standards are set to eliminate health damages from air pollution and must be met generally by mid-1975. Secondary standards are set to eliminate welfare damages to plants, materials, and property and must be met within a reasonable time.

The states in complying with the Clean Air Act set regulations on the sulphur oxide emissions from fuel combustion sources to meet air quality standards. Each state has different regulations and in about half the states, regulations vary from region to region. In many cases the state plans were designed to meet both primary and secondary air quality standards simultaneously in 1975, although the Act allows for a reasonable time to meet secondary standards. Many states set stringent sulphur oxide emission limitations in areas already meeting both primary and secondary ambient air quality standards.

If all state regulations were put into effect by 1975, roughly one-third of our present steam coal production could not be burned without sulphur removal equipment. If all of this coal were to be displaced, about 26,000 miners would be out of work.

Utilities have several alternatives for compliance with the state regulations, the most significant of which are burning low sulphur fuels and installation of stack gas cleaning equipment. Increased low sulphur coal production can be attained from accelerated production from existing mines or by opening new mines. The regions where such low sulphur fuel would be mined include Appalachia where most current production of low sulphur coal exists, and in the states west of the Mississippi which have vast, largely untapped reserves.

Stack gas cleaning technology is being rapidly developed. Two stack gas cleaning installations in Japan have shown high efficiency of sulphur oxide removal and very little lost operating time. These units were developed by U.S. manufacturers. Nine U.S. stack gas cleaning units have been installed in this country, and these are in various stages of solving operating problems. Nineteen additional installations are currently planned or under construction. This technology should begin to become available in relatively small quantities to help meet clean fuel needs in 1975.

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The President has urged the states to adopt the policy of the EPA Administrator announced last December to delay implementation of state secondary sulfur oxide regulations beyond 1975 where stringent controls are not needed to meet primary standards. Roughly 40% of current coal consumption occurs in areas already meeting both the primary and secondary standards. This action will insure that limited supplies of clean fuels and sulphur removal technology will be utilized first in areas which need them to meet health protective standards. It should also allow continued use of existing high sulphur coal supplies to meet energy needs until sulphur removal equipment is available in greater quantities.

Geothermal Energy

Geothermal energy is the natural heat of the earth. Water and steam serve to transfer the heat to the earth's surface. These areas of heat concentration may be tapped and utilized as a source of energy.

The present uses of geothermal resources include power generation, space heating and industrial processing. There are a few facilities in operation worldwide which utilize geothermal steam for electric energy, particularly in Europe. In the United States, the Geysers area in California presently has a 298 megawatt (MW) electric generation facility supplying about one-third of the electric power needs of San Francisco and plans are being developed for additional facilities of 404 MW and 510 MW.

About 1.8 million acres of land in our western states have now been classified as being within Known Geothermal Resources Areas (KGRA's), according to the U.S. Geological Survey. An additional 96 million acres are listed as having prospective value for geothermal resources.

Geothermal energy could contribute significantly to our future power needs at the local level. Nationally, geothermal energy will be less significant because our resources are located only in the western states.

It is anticipated that about 4,000 MW of geothermal electrical capacity will be available by the year 1985, less than 0.1% of our total energy needs. By the year 2000, geothermal energy is expected to contribute as much as 1.5% of our total energy needs. Technological breakthroughs may increase the contribution of geothermal energy to our total power supply.

The Geothermal Steam Act of 1970 was signed by the President on December 24, 1970. This Act provides for the leasing of public lands for geothermal resource development under the management of the Department of the Interior. The Administration's program, as emphasized in the President's Energy Message of June 4, 1971, is intended to provide for the utilization of geothermal resources under environmentally safe conditions and sound resource management practices.

It is expected that the leasing of geothermal resources on public lands will stimulate development of this resource. The Department of the Interior is making progress in the preparation of the environmental statement for the geothermal leasing program and the proposed geothermal development and operating regulations. It is anticipated that the final environmental statement will be issued in the near future. If it is decided to proceed with the program, competitive leases incorporating environmentally safe operating and development practices may be offered within a few months after publication of the final environmental statement.

Nuclear Power

The world's first nuclear reactor achieved initial operation in Chicago on December 2, 1942, launching a new technology. The Atomic Energy Commission, organized in 1946 to direct the nation's nuclear programs, proceeded with reactor development and in 1951 an experimental unit produced for the first time a small amount of electric power. Three years later, the AEC formally inaugurated a developmental effort looking toward commercial power reactors. In 1957 the Shippingport (Pa.) plant began operation as the first reactor producing power for commercial consumption.

In the 1950's several utilities began building reactors in the 200,000 kilowatt (KW) size range. The next scale up, to 400,000 to 500,000 KW, came in the early 1960's and by the late 1960's reactors on order had advanced to the 1,000,000 KW size as utilities took advantage of improvements in the economics of larger plants.

At present, 30 nuclear power plants are in operation, 60 are under construction, and 75 others have been ordered.

With 150 reactor years of operating experience in the United States, the safety of nuclear power has been clearly proved.

Nuclear power, now providing about 4% of the nation's electricity, will account for up to 25% by 1985, and up to 60% by the end of the century. Thus, the current nuclear capacity of about 14,700,000 KW is expected to grow to 1,200,000,000 KW by the year 2000.

The AEC has major developmental programs underway in the energy field -- the fast breeder reactor, which holds the promise of making reserves of uranium fuel last for centuries, and controlled thermonuclear fusion which, if harnessed in a reactor, would use the virtually limitless supplies of deuterium in seawater as fuel.

Mandatory Oil Import Program

A voluntary oil import program was begun in 1957. The Mandatory Oil Import Program was initiated in 1959 on the basis of a national security finding to limit low priced imports, thus providing protection for development of higher cost U.S. production and refining capacity. It was clear that, without regulation, market forces would encourage U.S. integrated oil companies to exploit cheaper foreign reserves of crude oil despite the risk of disruption to supply. This, in turn, could jeopardize the viability of the U.S. domestic oil industry. In the 1960's, the program did serve a useful purpose, maintaining a healthy domestic petroleum industry which could not have survived in direct competition with low cost Middle Eastern imports.

Within the industry, the independent refiners, terminal operators, jobbers and marketers have historically all received the great majority of their supplies (crude or products) from the major oil companies, not other independents. Sale of import licenses (tickets) is prohibited under the program. Exchanges of tickets, however, have been common. Exchanges of tickets were attractive

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to both parties, i.e., inland independent refiners used domestic crude produced by the major oil companies and the major oil companies imported and refined the foreign crude using the inland refiners' tickets.

In 1972, prorationing reached the 100% level; U.S. production capacity had peaked and began declining. Between 1969 and 1972, total oil imports rose by 52% to 4.7 million barrels per day. Imports for 1973 of both crude oil and products are projected at 6.0 million barrels per day. In early 1972, landed foreign crude prices were still lower than domestic prices and the sum of domestic production plus imports was equal to demand. The ticket still had value and could be traded, thus facilitating full operation of inland, independent refineries and providing ample products for the independent marketers.

In 1973, landed foreign crude and product prices rose significantly. This was due to increased OPEC ownership participation in production companies, devaluation of the dollar, high tanker rates, and high spot market prices for scarce low sulphur fuels. With increased ticket allocations (56% increase in 1973), there is now no shortage of tickets. These two factors have made import tickets of little or no value. Under these circumstances, some major oil companies have been less willing to trade tickets. Thus, many independent refiners and marketers have had problems obtaining supplies.

To respond to the need for increasing importation of crude oil and products, the President in 1972 raised the import quota levels twice to ensure adequate supplies. Quotas were totally lifted on heating oil in December, 1972, until April 30, 1973, and the 1973 import quota is 56% higher than in 1972. In addition, in March of this year, the President removed all limitations on the amount of import licenses which can be issued by the Oil Import Appeals Board (OIAB). The OIAB now issues these licenses to any party, usually a refiner, terminal operator, or marketer, based on hardship. These actions, coupled with the longer range actions announced today, are expected to reduce the possible near term fuel shortages.

The President has instituted the most sweeping changes since the Program was begun in 1959. The Program is being restructured to meet both the current needs for fuels at the lowest cost to the consumer by removing the current tariffs, while at the same time, providing longer term stability and additional incentives for increased domestic exploration and production and new refinery construction and expansion by providing for license fees to be imposed on imports above the 1973 levels.

Those presently holding tickets under the 1973 program will be able to trade these valuable, license fee exempt import licenses for domestic crude oil or products. This should help alleviate some of the current distribution problems affecting primarily the inland independent refiners and marketers. The license-fee exempt import rights will be phased out over seven years, to minimize Federal involvement and provide for more efficient market operation. The President also announced specific provisions to stimulate the construction of domestic refineries and plans to provide for increased storage to minimize the impact of possible supply interruptions.

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Deepwater Ports

There are at least 60 ports or buoy facilities currently in operation worldwide which are capable of handling ships of 175,000 deadweight tons (DWT) or more. These facilities generally have water depths of at least 80 feet. There are no ports in the United States now capable of handling these large ships; consequently, the U.S. is currently not able to benefit directly from the significant economic savings and environmental benefits from the use of offshore ports and supertankers.

With a few exceptions, the United States has a shallow continental shelf and no natural deepwater harbors. Most major U.S. ports are currently dredged to depths between 35 and 45 feet. It is generally not feasible to build deepwater ports in the United States by dredging or improving existing harbors. Thus, most deepwater ports would have to be built offshore beyond state waters in international waters, sometimes at distances of twenty or thirty miles from the shoreline.

At the end of 1971, more than one-fourth of the world's total oil-carrying capacity consisted of ships in the 175,000 DWT class and over. A total of 223 such ships were in operation and 321 more were on order. New orders represent approximately 50% of existing tanker tonnage of all registries.

Total tanker arrivals for the 48 contiguous states in 1971 was 67,770, with 56,700 (84%) of these in Petroleum Administration District I (PAD I) which is the Eastern Seaboard. West Coast arrivals totaled 4,420 and Gulf Coast arrivals were 6,650. Most of the shipments were products from the Gulf Coast and the Caribbean to PAD I. The average size of the ships currently carrying imported crude is about 29,000 DWT.

By 1980, Eastern Seaboard (PAD I) imports of foreign oil by very large crude carriers (VLCC) are expected to average between 1 and 3.5 million barrels per day, virtually all of which will come from Africa or the Persian Gulf. If the U.S. does not rapidly develop deepwater port capability, foreign transshipment terminals in the Bahamas and the Canadian Maritime Provinces will probably be developed by U.S. and foreign companies. The U.S. will then be serviced by increasing numbers of small and medium sized transshipment vessels, increasing the risks of pollution from vessel casualties and operations and requiring expansion of conventional port facilities.

Significant economies can be achieved from use of larger vessels. Dollar per ton freight costs could be reduced nearly 30% by increasing tanker size from 65,000 to 250,000 DWT. Greater economies can be realized utilizing bigger ships.

The environmental advantage of offshore deepwater ports is that they reduce the risks of collision and grounding and minimize the probability that spilled oil will reach beaches or estuaries. The most valid environmental concern involves the impact of primary and secondary economic development, such as refineries and petrochemical plants, associated with the port. These risks are recognized and can be controlled through land use planning and adequate local zoning. Dispersion of facilities versus concentration with only a few ports would probably significantly reduce the environmental impact on any particular region.

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The President has proposed legislation which will provide authority for the Secretary of the Interior, in consultation with other concerned Federal agencies and state governments, to issue a license in waters beyond state jurisdiction for the construction and operation of deepwater ports. The legislation is intended to simply provide a complete legal regime for licensing beyond the three mile limit, under strict environmental safeguards and with provisions for navigation and safety. The President recognizes the importance of the states in developing ports and associated onshore facilities. The legislation does not preempt state authority, but extends state laws to any deepwater port licensed by the Department of the Interior, as long as those laws are not in conflict with Federal laws.

The President's legislation makes provision for issuance of the necessary license for the rights-of-way for an associated pipeline by amending the Outer Continental Shelf Lands Act (OCSLA). Under the OCSLA, the Secretary of the Interior currently grants rights-of-way for pipelines constructed to bring oil and gas ashore from offshore drilling operations.

Energy Conservation

Current Federal energy conservation programs are diffused in many Federal departments and agencies. The President has directed the establishment of an Office of Energy Conservation within the Department of the Interior. That Office will coordinate Federal energy conservation programs, conduct research on issues related to energy conservation, and work to educate the public on energy efficiency and costs.

Energy demand is growing more rapidly than in the past, now at levels of 4.8% annually. Some sectors, such as consumption of fuels for electricity and transportation, are growing at significantly faster rates. Besides the impact of the continually increasing U.S. standard of living and the availability of more labor saving devices to more Americans, environmental regulations have significantly increased energy consumption. This is particularly apparent with the automobile, where pollution control devices have reduced engine operating efficiencies.

The President directed the Department of Commerce, in cooperation with the Council on Environmental Quality and the Environmental Protection Agency, to develop a voluntary labeling program which would apply to major energy-consuming home appliances, automobiles and auto accessories. Automobiles and home appliances account for approximately 20% of current energy demand. Manufacturers could voluntarily display labels providing data on energy use, as well as a rating based on the product's efficiency relative to other similar projects. Standard testing procedures for appliances would be developed by the National Bureau of Standards and for autos by the Environmental Protection Agency. As a first step toward this goal, the Environmental Protection Agency will shortly release the results of its tests of automotive efficiency.

In the last two years, the President has twice directed the Department of Housing and Urban Development to strengthen FHA insulation requirements for single and multifamily housing. The President has now directed HUD to evaluate extension of insulation standards to mobile homes.

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The President directed all Federal agencies to develop programs to conserve energy. These programs include building design and construction, procurement of energy conserving products and through taking into account the energy impacts of their major actions. The new Office of Energy Conservation will work closely with the Federal agencies to implement this directive.

The General Services Administration is constructing a new Federal office building in Manchester, New Hampshire, using advanced energy conservation techniques. The GSA has established a goal of reducing energy use by 20% over typical buildings of the same size. The National Bureau of Standards is now evaluating energy use in an actual full size house in its laboratories in Gaithersburg, Maryland. When this evaluation is complete, analytical techniques will be available to help predict energy use for new structures. This effort, combined with the experience gained in the construction and operation of the demonstration Federal building, will provide guidance for construction of Federal buildings and assist architects and contractors to help them conserve energy.

Energy Research and Development

The President indicated today that funding for energy R&D would continue to be monitored carefully and when additional funds are essential those funds would be provided.

A detailed summary of the specific programs is attached. The highlights of the President's energy R&D program follow.

Coal. The President's FY'74 budget includes a 27% increase to \$120 million for coal R&D - or a 300% increase since 1970. Additional funds to be requested would further increase this level. Major programs at the Department of the Interior to expand the use of coal in a manner compatible with the environment are:

- liquefaction and precombustion removal of pollutants.
- high BTU coal gasification to produce pipeline quality gas.
- low BTU coal gasification for industrial and utility use.

Nuclear Fission. The FY'74 budget provides for a \$63 million increase for AEC's nuclear fission R&D programs.

Highlights are:

- a \$51 million increase to maintain the pace of the Liquid Metal Fast Breeder Reactor program toward the goal of commercial demonstration by 1980.
- an 11% increase in R&D to further ensure the safety of the current generation of light water reactors.

Nuclear Fusion. The AEC's thermonuclear fusion program is increased 35% to \$88 million in the FY'74 budget. This program includes:

- a 19% increase to develop controlled thermonuclear fusion reactors through magnetic confinement.
- a 59% increase to develop the capability to initiate a thermonuclear reaction using a high powered laser.

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Solar Energy. The solar energy program would triple, from \$4 million in FY'73 to \$12 million in FY'74. The program will be administered by the National Science Foundation and emphasize the development of solar energy for:

- heating and cooling of buildings.
- producing and converting organic materials to fuels.
- generating electricity.

Additional Environmental Control R&D. In addition to the substantial efforts to develop cleaner fuel from coal, the FY'74 budget provides for a 24% increase, from \$38 to \$47 million, for other environmental control research with expected near-term benefits. This includes a construction of the TVA demonstration SO_x removal plant as well as continued R&D aimed at minimizing the thermal-effects of power plants.

Other R&D Programs. Other energy R&D programs include:

- an accelerated effort in utilization of geothermal energy.
- development of magnetohydrodynamic (MHD) devices, in cooperation with the Soviet Union, to produce electric power more efficiently from heat.

Electric Utility Participation. The President also cited the importance of non-Federal energy R&D and noted with pleasure the formation of the Electric Power Research Institute. He indicated that this utility R&D organization, with a budget in 1974 exceeding \$100 million, would provide additional capability to accelerate and influence the development of energy technology. The President also urged all State utility commissions to consider permitting increased R&D expenditures to be included in utility rate bases.

International

The President called for greater cooperation between all nations on energy matters. He specifically noted the need for consuming nations to cooperate to ensure that ample supplies are available to all nations.

Most of the world's oil producing nations have been organized into a cartel in 1960 called the Organization of Petroleum Exporting Countries (OPEC).^{*} The member nations provide over 90% of the world's current oil trade and 75% of the free world oil reserves. Revenues to these nations in 1970 were approximately \$7 billion; and are growing.

In early 1972 the exporting states won special price increases from the companies to compensate for devaluation of the U.S. dollar and will receive similar increases in 1973. Recently, the oil companies accepted the host governments as partners in petroleum operations. Under the agreements worked out for the Persian Gulf states, government equity in the properties will rise in steps from an initial 25% to 51% by 1982.

^{*}The charter members were Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. Joining later were Qatar (1961), Libya and Indonesia (1962), Abu Dhabi (1967), Algeria (1969), and Nigeria (1971).

The United States currently imports approximately 6.0 million barrels per day of crude oil and petroleum products. The products, approximately 2.2 million barrels per day, are mostly residual fuel oil for the Eastern Seaboard (2.3 million barrels per day). U.S. imports by source can be summarized as follows:

<u>U.S. Oil Imports</u> (Current -- by source of origin)		
Canada	1.2 million b/d	20%
Other Western Hemisphere	2.3 million b/d	38%
Eastern Hemisphere	2.5 million b/d	42%
Total	6.0 million b/d	(33% of demand)

The nations of Western Europe and Japan are highly dependent on foreign sources of supply for fuels, particularly the Middle East.

International Import Summary
Million Barrels Per Day

	<u>1972</u>	<u>Est. 1973</u>	<u>Est. 1980</u>	<u>Current Dependence on Oil</u>
United States	4.7	6.0	10-12	46%
Western Europe	14.4	15.5	22-26	60%
Japan	5.0	5.5	10-13	75%

The United States meets regularly with these other consuming nations, including Canada and Australia, as a member of the Organization for Economic Cooperation and Development (OECD).

The entire world faces energy-related problems similar to those faced by the United States, although this nation is more fortunate than many with vast reserves of fossil fuels. The President proposed greater international cooperation in solving these problems through research and development. He cited the recent agreements with the Soviet Union to exchange information on fusion, fission, electric generation, transmission and pollution control technology and to jointly pursue research in magnetohydrodynamics (MHD).

ENERGY ORGANIZATION

In March 1971, the President proposed legislation to create a Department of Natural Resources which would have included important energy policy functions and programs. The 92nd Congress did not act on that proposal.

The President has announced a number of changes by executive action better to focus and implement Federal energy programs and coordinate energy matters which affect many agencies and involve both domestic and international considerations. In addition, he will propose shortly new organizational arrangements which require Congressional approval.

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Steps taken by the President include:

- Established a Special Energy Committee composed of his Assistants for Domestic Affairs, Foreign Affairs, and Economic Affairs.
- Appointed a Special Consultant to the President for energy matters who heads a staff in the Office of the President to support the Special Energy Committee.
- Issued, today, an Executive Order formalizing the Energy Committee and reaffirming the appointment and role of his Special Consultant for Energy.
- Appointed in January 1973 the Counsellor to the President for Natural Resources who coordinates a broad range of domestic natural resources, environment and energy matters.
- Directed the Secretary of the Interior to strengthen his Department's organization for energy activities. Actions accomplished to date or planned include creation of a new position with the title of Assistant Secretary for Energy and Minerals, a new Office of Energy Conservation, and increased capability for energy data and analysis. Capabilities for overseeing and coordinating energy R&D are being strengthened.
- Placed authority in the Department of Treasury for direction of the Oil Policy Committee, which committee coordinates the oil import program and recommends changes in the program to the President.

These actions will help improve the ability of the Executive Branch to develop, implement and coordinate energy programs, but they are largely interim steps. More fundamental changes are needed and the President will submit legislation to the Congress establishing a Department of Energy and Natural Resources (DENR). This legislation will modify the President's 1971 proposal for DNR to provide more emphasis for energy policy and management.

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Federal Energy R&D Funding

	<u>Agency</u>	<u>FY 1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Coal</u>						
<u>resources development</u>		30.4	49.0	73.5	94.5	119.9
<u>Production & utilization R&D,</u> <u>incl. gasification, lique-</u> <u>faction, and MHD</u>	DOI-OCR	13.5	18.8	30.3	43.5	52.5
	DOI-BOM	13.2	15.4	14.7	19.8	18.1
<u>Mining Health & Safety</u>						
Research	DOI-BOM	3.7	14.8	28.5	31.2	28.3
Interior central fund (part)..	DOI					21.0
<u>Petroleum & natural gas.....</u>		8.8	11.5	12.9	12.8	9.1
Petroleum extraction tech..	DOI-BOM	2.7	2.7	3.2	3.1	3.1
Nuclear gas stimulation....	AEC	3.7	6.1	7.1	7.2	4.0
Oil shale.....	DOI-BOM	2.4	2.7	2.6	2.5	2.0
<u>Nuclear fission.....</u>		283.4	295.2	358.0	412.0	475.4
Liquid Metal Fast Breeder Reactor.....	AEC	144.3	167.9	236.0	269.0	320.0
	TVA			0.2	3.0	3.0
Other civilian nuclear power.....	AEC	108.5	96.6	86.8	98.0	90.5
Nuclear materials process development.....	AEC	30.6	30.7	35.0	42.0	61.9
<u>Nuclear fusion.....</u>		37.5	42.2	52.8	65.5	88.5
Magnetic confinement.....	AEC	34.3	32.2	33.3	39.6	47.3
Laser.....	AEC	3.2	10.0	19.5	25.9	41.2
<u>Solar energy.....</u>				1.7	4.2	12.2
	NSF			1.7	4.2	12.2
<u>Geothermal energy.....</u>		0.2	0.2	1.4	3.4	4.1
	NSF			0.7	0.7	1.4
	DOI-GS	0.2	0.2	0.7	2.5	2.5
	DOI-BOM				0.2	0.2
<u>Electrical generation,</u> <u>transmission and</u> <u>storage.....</u>						4.1
	NSF		1.3	2.2	4.9	
	DOI		0.5	1.3	2.4	0.9
	AEC		0.8	0.9	1.0	1.0
					1.5	2.2
<u>Control technology</u> <u>(stationary sources).....</u>				28.6	38.1	47.5
<u>Air pollution control</u> <u>technology.....</u>	EPA	19.8	17.4	24.5	29.5	21.5
SOX removal.....	TVA			1.1	3.0	18.0
<u>Thermal effects.....</u>	EPA	0.8	0.6	0.7	1.0	1.0
	AEC	1.5	1.8	2.3	4.6	7.0

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<u>Agency</u>	<u>FY 1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Miscellaneous.....	_____	_____	6.3	6.9	11.0
Systems and resource studies.....]			4.4	5.3	5.3
Energetics research..... NSF			1.9	1.6	1.7
Interior central fund (part). DOI	_____	_____	_____	_____	4.0
 Total research and development.....	382.4	419.2	537.4	642.3	771.8

	<u>FY 1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Recap by agency</u>					
AEC	326.1	345.3	420.0	487.8	574.1
EPA	20.6	18.0	25.2	30.5	22.5
NSF	--	0.5	10.0	14.2	21.5
DOI	35.7	55.4	80.9	103.8	132.7
TVA	--	--	1.3	6.0	21.0

Agency Codes:

AEC Atomic Energy Commission
 DOI-BOM Department of the Interior, Bureau of Mines
 DOI-GS Department of the Interior, Geological Survey
 DOI-OCR Department of the Interior, Office of Coal Research
 NSF National Science Foundation
 TVA Tennessee Valley Authority

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Office of the White House Press Secretary

THE WHITE HOUSE

EXECUTIVE ORDER

11712

SPECIAL COMMITTEE ON ENERGY AND NATIONAL ENERGY OFFICE

This Administration is determined to continue to develop a more comprehensive, integrated national energy policy to meet the emerging energy challenge. Many steps have been taken toward that end, including measures to increase domestic production of all forms of energy without violating our natural environment, to conserve the energy we produce, to better utilize our current resources, and to use our vast scientific and technological capacities to develop new sources and new forms of energy. I have now determined that in order to protect and promote the interests of the people of the United States as energy users, and to coordinate the policies of the executive branch in this area, it is necessary to establish a Special Committee on Energy and a National Energy Office.

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States by the Constitution and statutes of the United States, it is hereby ordered as follows:

Special Committee on Energy

Section 1. Three Assistants to the President, John D. Ehrlichman, Henry A. Kissinger, and George P. Shultz, shall constitute a Special Committee on Energy. The Director of the National Energy Office shall perform his functions under this order in accordance with policies and guidance provided him by the Special Committee.

Establishment of the Office

Sec. 2. There is hereby established in the Executive Office of the President a National Energy Office. The Office shall be under the immediate supervision and direction of a Director who shall be designated by the President. The Director shall report to the President through the Special Committee on Energy.

Functions of the Director

Sec. 3. (a). The Director shall advise the President, through the Special Committee on Energy, with respect to all Federal energy programs, activities, and related matters.

(b) The Director shall recommend policies and guidelines pertaining to energy matters for all energy related programs within the Executive Branch. To the maximum extent permitted by law, Federal officers and Federal departments and agencies shall cooperate with the Director in carrying out his functions under this Order.

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(c) In addition, the Director shall --

- (1) assure the development of comprehensive plans and programs to insure the availability of adequate and dependable supplies of energy;
- (2) assure that Federal energy policy is properly coordinated;
- (3) evaluate all such programs;
- (4) advise the heads of departments and agencies of his findings and recommendations, when appropriate;
- (5) make recommendations to the Director of the Office of Management and Budget concerning proposed funding of energy programs and activities;
- (6) constitute a clearinghouse for the prompt consideration of energy problems brought to his attention by Federal departments and agencies and by other public and private entities, organizations, agencies, or individuals; and
- (7) report, through the Special Committee on Energy, from time to time, to the President concerning the foregoing.

RICHARD NIXON

THE WHITE HOUSE,

April 18, 1973.

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Office of the White House Press Secretary

THE WHITE HOUSE

MODIFYING PROCLAMATION 3279, RELATING TO IMPORTS
OF PETROLEUM AND PETROLEUM PRODUCTS, PROVIDING
FOR THE LONG-TERM CONTROL OF IMPORTS OF PETROLEUM
AND PETROLEUM PRODUCTS THROUGH A SYSTEM OF LICENSE
FEES AND PROVIDING FOR GRADUAL REDUCTION OF LEVELS
OF IMPORTS OF CRUDE OIL, UNFINISHED OILS AND
FINISHED PRODUCTS

4210

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA
A PROCLAMATION

The Chairman of the Oil Policy Committee maintains a constant surveillance of imports of petroleum and its primary derivatives in respect to the national security.

He informs me that, in the course of his surveillance, he has reviewed the status of imports under Proclamation 3279, as amended, of petroleum and its primary derivatives in their relation to the national security and that further Presidential action under section 232 of the Trade Expansion Act of 1962, as amended, is required.

He recommends, after consultation with the Oil Policy Committee, that the method of adjusting imports of petroleum and petroleum products be modified by immediately suspending tariffs on imports of petroleum and petroleum products and by shifting to a system whereby fees for licenses covering such imports shall be charged and whereby such fees may be adjusted from time to time, as required in order to discourage the importation into the United States of petroleum and petroleum products in such quantities or under such circumstances as to threaten to impair the national security; to create conditions favorable, in the long range, to domestic production needed for projected national security requirements; to increase the capacity of domestic refineries and petro-chemical plants to meet such requirements; and to encourage investment, exploration, and development necessary to assure such growth.

The Chairman informs me further, that the levels of imports heretofore fixed in calendar year 1973, with respect to Districts I-IV, District V, and Puerto Rico, reflect application of the established policy that for each such area the maximum level of imports shall be the difference between estimated supply and estimated demand, and that he finds that such levels of imports should be continued to be permitted without payment of the fees otherwise provided for in this proclamation.

I agree with the recommendations of the Chairman, and I deem it necessary and consistent with the national security objectives of the Trade Expansion Act of 1962, as amended, that provision be made for a gradual transition from the existing quota method of adjusting imports of petroleum and petroleum products to a long-term program for adjustment of imports of petroleum and petroleum products through the

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suspension of existing tariffs and the institution of a system of fees applicable to imports of crude oil, unfinished oils, and finished products, which fees may be adjusted from time to time.

NOW, THEREFORE, I, RICHARD NIXON, President of the United States of America, acting under and by virtue of the authority vested in me by the Constitution and laws of the United States, including section 232 of the Trade Expansion Act of 1962, do hereby proclaim that, effective as of this date, that portion of Proclamation 3279, as amended, beginning with section 1 thereof, is hereby amended to read as follows:

"Sec. 1(a) In Districts I-IV, in District V, and in Puerto Rico, no crude oil, unfinished oils, or finished products may be entered for consumption or withdrawn from warehouse for consumption, except (1) by or for the account of a person to whom a license has been issued by the Secretary of the Interior pursuant to an allocation made to such person by the Secretary in accordance with regulations issued by the Secretary, and such entries or withdrawals may be made only in accordance with the terms of such license, or (2) as authorized by the Secretary pursuant to paragraph (b) of this section, or (3) as to finished products, by or for the account of a department, establishment, or agency of the United States, which shall not be required to have such a license but which shall be subject to the provisions of paragraph (c) of this section, or (4) as provided in paragraph (c) of this section, or (5) as otherwise provided in this proclamation.

(b) The Secretary of the Interior may, in his discretion, authorize entries, without allocation or license, of small quantities of crude oil, unfinished oils, or finished products.

(c) In Districts I-IV, District V, and in Puerto Rico, no department, establishment, or agency of the United States shall without prior payment of the fees provided for in this proclamation, import finished products in excess of the respective allocations made to them by the Secretary of the Interior. Such allocations shall, except as otherwise provided in this proclamation, be within the maximum levels of imports established in section 2 of this proclamation:

(d) The Secretary may, by regulation, provide that no allocation or license shall be required in connection with the transportation to the United States by pipeline through a foreign country of crude oil, unfinished oils, or finished products produced in the customs territory of the United States or, in the event of commingling with foreign oils of like kind and qualities incidental to such transportation, of quantities equivalent to the quantities produced in and shipped from such customs territory."

"Sec. 2(a) Except as otherwise provided in this proclamation, the maximum level of imports, from sources other than Canada and Mexico which may be made without prior payment of the fees provided in this proclamation, of crude oil, unfinished oils, and finished products (other than residual fuel oil to be used as fuel) shall be:

(1) for Districts I-IV, 1,992,000 average barrels per day per calendar year: Provided, That, in addition to the foregoing, there may be imported into District I an average of 50,000 barrels per day of No. 2 fuel oil, manufactured in the Western Hemisphere from crude oil produced in the Western Hemisphere under allocations made by the

Secretary, pursuant to regulations of the Secretary, to deepwater terminal operators currently receiving allocations and who do not have crude oil import allocations into Districts I-IV; Provided Further, That, whenever the Chairman of the Oil Policy Committee finds that, because of supply, price, or other considerations, the requirement that No. 2 fuel oil be manufactured in the Western Hemisphere from crude oil produced in the Western Hemisphere is unduly restricting the availability of such oil for importation into District I and is not required for the national security, he shall so advise the Secretary who shall then suspend such requirement by appropriate regulation. No such suspension shall be renewed except upon a new finding by the Chairman as required by the preceding sentence; Provided Further, That, the Secretary may, by regulation, provide that a holder of an allocation for the importation of No. 2 fuel oil may import crude oil produced in the Western Hemisphere in lieu of No. 2 fuel oil, barrel for barrel, and exchange such crude oil for No. 2 fuel oil.

(2) for District V, 670,000 average barrels per day per calendar year.

(3) for Puerto Rico 227,221 average barrels per day per year commencing April 1, 1973; Provided, That no person who manufactures in Puerto Rico No. 2 fuel oil from crude oil produced in the Western Hemisphere shall incur a reduction of an allocation or be deemed to have violated a condition of an allocation by reason of a shipment of such oil to a person who holds an allocation of imports of No. 2 fuel oil into District I and who does not have a crude oil import allocation into District I; Provided Further, That, this limitation shall not apply to long-term allocations of imports into Puerto Rico.

(4) for District I, 2,900,000 average barrels per day per year, commencing April 1, 1973, of residual fuel oil to be used as fuel.

(5) for Districts II-IV, 42,000 average barrels per day per calendar year of residual fuel oil to be used as fuel.

(6) for District V, 75,600 average barrels per day per calendar year of residual fuel oil to be used as fuel.

(b) Imports of asphalt, ethane, propane, and butanes shall not be subject to the levels established in this proclamation nor shall any allocation or license be required for their importation.

(c) Crude oil may be imported into District I to be topped for use as burner fuel under such conditions as the Secretary may, by regulation, provide. The quantities of crude oil, unfinished oils, and finished products that may be imported into the United States under the provisions of this proclamation shall not be reduced by reason of imports of crude oil used as fuel under this paragraph.

(d) (1) Except as otherwise provided in this proclamation, the maximum levels of imports from Canada of crude oil and unfinished oils to which license fees are not applicable shall be:

(1) for Districts I-IV, 960,000 average barrels per day per calendar year; Provided, That, the Secretary may, within the limits established by subparagraph (1) of paragraph (a) of this section, increase the quantity of crude oil, unfinished oils, and finished products which may be imported from Canada so long as such increase is consonant with the purposes of this proclamation.

(ii) for District V, 280,000 average barrels per day per calendar year; Provided, That, the Secretary may, within the limits established by subparagraph (1) of paragraph (a) of this section, increase the quantity of crude oil, unfinished oils, and finished products which may be imported from Canada so long as such increase is consonant with the purposes of this proclamation.

(2) Entries for consumption of imports from Canada by pipeline may be made until midnight January 15 of the calendar year following the calendar year in which any license authorizing such imports from Canada was issued.

(e) Except as otherwise provided in this proclamation, the maximum level of imports from Mexico of crude oil produced in Mexico and unfinished oils and finished products produced in Mexico wholly from Mexican crude oil shall be 32,500 average barrels per day per calendar year.

(f) The levels established, and the total demand referred to, in this section do not include free withdrawals by persons pursuant to section 309 of the Tariff Act of 1930, as amended (19 U.S.C. 1309), or petroleum supplies for vessels or aircraft operated by the United States between points referred to in said section 309 (as to vessels or aircraft, respectively) or between any point in the United States or its possessions and any point in a foreign country."

"Sec. 3(a) Effective May 1, 1973, the Secretary shall, by regulation, establish a system of fees for licenses issued under allocations of imports of crude oil, unfinished oils, and finished products, over the above levels of imports established by section 2 of this proclamation. Such regulations shall require, among other appropriate provisions, that such fees shall be:

Fee Schedule

(Cents Per Barrel)

	<u>May 1</u> <u>1973</u>	<u>Nov.1</u> <u>1973</u>	<u>May 1</u> <u>1974</u>	<u>Nov.1</u> <u>1974</u>	<u>May 1</u> <u>1975</u>	<u>Nov.1</u> <u>1975</u>
Crude	10 1/2	13	15 1/2	18	21	21
Motor Gasoline	52	54 1/2	57	59 1/2	63	63
All Other Finished Products and Unfinished Oils (Except ethane, propane and butanes)	15	20	30	42	52	63

Provided, That, license fees paid for imports of crude oil or unfinished oils will be refunded to the extent that such crude oils or unfinished oils have been incorporated into petrochemical or finished products subsequently exported or that asphalt as defined in this proclamation was produced from the imported feedstocks.

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(b) Except for allocation and licenses to which the license fee is not applicable, applications for allocations of imports of crude oil, unfinished oils, or finished products shall be accompanied by the applicant's certified check or a cashier's check payable to the order of the Treasurer of the United States in the appropriate amount chargeable pursuant to this section. Applications not accompanied by a certified or cashier's check in the amount required shall not be considered.

(c) (1) All monies received by the Secretary under the terms of paragraph (b) of this section shall be held by the Secretary of the Interior in a suspense account and may be drawn upon by the Secretary for the payment of any refunds of refundable license fees and for payments to Puerto Rico of sums collected by way of license fees for imports into Puerto Rico. Balances remaining in such suspense account not required for payment hereinabove provided shall be deposited at the end of each fiscal year in the Treasury of the United States and credited to miscellaneous receipts.

(2) Refunds pursuant to subparagraph (1) of paragraph (c) of this section shall be made without interest."

"Sec. 4(a) The Secretary of the Interior is hereby authorized to issue regulations for the purpose of implementing this proclamation.

(b) (1) With respect to the allocation of imports of crude oil and unfinished oils into Districts I-IV and into District V, such regulations shall provide for a fair and equitable distribution of allocations of imports for which license fees are not applicable among eligible persons having refinery capacity in relation to refinery inputs or in relation to storage capacities of such allocation holders. The Secretary may, by regulation, also provide for the making of allocations of imports for which license fees are not applicable, of crude oil and unfinished oils into Districts I-IV and into District V to persons having petrochemical plants in these districts in relation to the outputs of such plants or in relation to inputs to such plants. Provision may be made in the regulations for the making of such allocations on the basis of graduated scales. Notwithstanding the levels prescribed in section 2 of this proclamation, the Secretary may also by regulation make such provisions as he deems consonant with the objectives of this proclamation for the making of allocations of imports of crude oil and unfinished oils to which the license fee is not applicable into Districts I-IV and into District V to persons who manufacture from crude oil and unfinished oils and who export finished products and petrochemicals, subject to such designations as the Secretary may make. Notwithstanding the levels established in section 2 of this proclamation the Secretary may make allocations to which license fees shall not be applicable to new, expanded, or reactivated refinery capacity and petrochemical plants for a period of five years from the date such facility comes on stream. Such allocations shall not exceed 75 percent of estimated refinery inputs or the percentage of petrochemical plant inputs applicable.

(2) Such regulations shall provide for the allocations of imports with respect to which license fees are not applicable of crude oil and unfinished oils into Puerto Rico among persons having refinery capacity in Puerto Rico in the calendar year 1964 on the basis of the allocation of crude and unfinished oils received by such persons for the allocation period commencing April 1, 1973; Provided, That, in respect of imports for which license fees are applicable, license fees paid for imports of crude oil and unfinished oils into Puerto Rico will be refunded to the extent that such crude oil

or unfinished oils have been incorporated into finished products consumed in Puerto Rico or petrochemicals or finished products exported therefrom.

(3) Except for crude oil or unfinished oils imported under license or licenses for which a fee has been charged, or pursuant to specific relief granted pursuant to section 5, such regulations shall require that imported crude oil and unfinished oils be processed in the licensee's refinery or petrochemical plant, except that exchanges for domestic crude or unfinished oils may be made, if otherwise lawful, if effected on a current basis and reported in advance to the Secretary, and if the domestic crude or unfinished oils are processed in the licensee's refinery or petrochemical plant.

(4) With respect to the allocation of imports of finished products (other than residual fuel oil to be used as fuel) in respect of which license fees are not applicable into Puerto Rico, such regulations shall provide, to the extent possible for a fair and equitable distribution of imports of such finished products among persons who were importers of such finished products into Puerto Rico during all or part of the calendar year 1958, or such higher level as the Secretary may have determined to be required to meet demand in Puerto Rico for finished products that would not otherwise have been met, during the calendar year 1973.

(5) With respect to the allocation of imports to which license fees are not applicable of residual fuel oil to be used as fuel in Puerto Rico, such regulations shall, to the extent possible, provide for a fair and equitable distribution of imports of residual fuel oil to be used as fuel among persons who were importers of that product into Puerto Rico during all or part of the calendar year 1958. In addition, the Secretary by regulation may, to the extent possible, provide for a fair and equitable distribution of imports of residual fuel oil to be used as fuel, the maximum sulphur content of which is acceptable to the Secretary (i) among persons who are in the business in the respective districts or Puerto Rico of selling residual fuel oil to be used as fuel and who had inputs of that product to deepwater terminals located in the respective districts or Puerto Rico and (ii) among persons who are in the business in the respective districts or Puerto Rico of selling residual fuel oil to be used as fuel and who have throughput agreements (warehouse agreements) with deepwater terminal operators. With respect to the allocation of imports into District I of residual fuel oil to be used as fuel, such regulations shall, to the extent possible, provide for a fair and equitable distribution of imports of residual fuel oil to be used as fuel (i) among persons who are in the business in District I of selling residual fuel oil to be used as fuel and who have had inputs of that product to deepwater terminals located in District I, and (ii) among persons who are in the business in District I of selling residual fuel oil to be used as fuel and have throughput agreements (warehouse agreements) with deepwater terminal operators. With respect to the allocation of imports of residual fuel oil to be used as fuel into District I, Districts II-IV, District V, and Puerto Rico, such regulations shall also provide, to the extent possible, for the granting of allocations of imports of residual fuel oil to be used as fuel in accordance with procedures established pursuant to section 5 of this proclamation.

(c) Such regulations may provide for the revocation or suspension by the Secretary of any allocation or license on grounds relating to the national security, or the violation of the terms of this proclamation, or of any regulation, allocation, or license issued pursuant to this proclamation.

(d) For the balance of the calendar year 1973, notwithstanding the levels established in section 2 of this proclamation and the provisions of paragraph (b) of this section, the Secretary may provide by regulation for additional allocations of imports in respect of which license fees are not applicable of crude oil and unfinished oils to persons in District I-IV, and District V who manufacture in the United States residual fuel oil to be used as fuel, the maximum sulphur content of which is acceptable to the Secretary, in consultation with the Secretary of Health, Education and Welfare. These allocations to each of such persons shall not exceed the amount of such residual fuel oil manufactured by that person."

"Sec. 5(a) The Secretary of the Interior is authorized to provide for the establishment and operation of an Appeals Board to consider petitions by persons affected by the regulations issued pursuant to this proclamation. The Appeals Board shall be comprised of a representative each from the Departments of the Interior, Justice, and Commerce to be designated respectively by the heads of such Departments.

(b) The Appeals Board may be empowered, subject to the general direction of the Chairman of the Oil Policy Committee, (1) within the limits of the maximum levels of imports established in this proclamation, to modify on the grounds of error any allocation made to any person under such regulations; (2) without regard to the limits of the maximum levels of imports established in this proclamation, (i) to modify, on the grounds of exceptional hardship, any allocation with respect to which license fees are not applicable made to any person under such regulations; (ii) to grant allocations of imports to which license fees will not be applicable of crude oil and unfinished oils in special circumstances to persons with importing histories who do not qualify for allocations under such regulations; and (iii) to grant allocations of imports, to which license fees shall not be applicable, of finished products on the grounds of exceptional hardship; and to assure that adequate supplies of crude oil, unfinished oils, and finished products are made available to independent refiners or established marketers who are experiencing exceptional hardship or in emergencies requiring, in its judgment, the grant of allocations to them, and (3) to review the revocation or suspension of any allocation or license. The Secretary may provide that the Board may take such action on petitions as it deems appropriate and that the decisions by the Appeals Board shall be final.

(c) Effective April 30, 1980, the jurisdiction of the Oil Import Appeals Board shall expire."

"Sec. 6 Persons who apply for allocations of crude oil, unfinished oils, or finished products, persons to whom such allocations have been made, and persons who hold such allocations shall furnish to the Secretary of the Interior such information and shall make such reports as he may require, by regulations or otherwise, in the discharge of his responsibilities under this proclamation."

"Sec. 7 The Chairman of the Oil Policy Committee shall provide policy direction, coordination, and surveillance of the oil import control program, including approval of regulations issued pursuant to this proclamation. He shall perform

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"Sec. 8 The Oil Policy Committee shall consist of the Deputy Secretary of the Treasury, as Chairman, and the Secretaries of State, Defense, Interior, and Commerce, the Attorney General, and the Chairman of the Council of Economic Advisers, as members. The President may, from time to time, designate other officials to serve as members of the Committee. The Chairman may create subcommittees of the Committee to study and report to the Committee concerning specified subject matters."

"Sec. 9 The Oil Policy Committee shall consult with and advise the Chairman on oil import policy, including the operation of the control program under Proclamation 3279, as amended, and on recommendations for changes in the program by the issuance of new proclamations with respect to it, or otherwise."

"Sec. 10 The Chairman of the Oil Policy Committee shall from time to time and as, in his judgment is required, review the status of imports of petroleum and its primary derivatives in respect to the national security, and, after consultation with the Oil Policy Committee, he shall inform the President of any circumstances which, in the Chairman's opinion, might indicate the need for further Presidential action under section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862), as amended. In the event prices of crude oil or its products or derivatives should be increased after the effective date of this proclamation, beyond the limits contemplated by the Cost of Living Council, such review may include a determination as to whether such increase or increases are necessary to accomplish the national security objectives of section 232 of the Trade Expansion Act of 1962, as amended, and this proclamation."

"Sec. 11 Annually, beginning May 1, 1974, the maximum levels of imports subject to allocation and license, to which license fees shall not be applicable, shall be reduced as follows:

For the year commencing May 1, 1974, the maximum levels of such imports shall be ninety percent (90%), in barrels per day, of the levels established during the calendar year 1973;

For the year commencing May 1, 1975, the maximum levels of such imports shall be eighty percent (80%), in barrels per day, of the levels established during the calendar year 1973;

For the year commencing May 1, 1976, the maximum levels of such imports shall be sixty-five percent (65%), in barrels per day, of the levels established during the calendar year 1973;

For the year commencing May 1, 1977, the maximum levels of such imports shall be fifty percent (50%), in barrels per day, of the levels established during the calendar year 1973;

For the year commencing May 1, 1978, the maximum levels of such imports shall be thirty-five percent (35%), in barrels per day, of the levels established during the calendar year 1973;

For the year commencing May 1, 1979, the maximum levels of such imports shall be twenty percent (20%), in barrels per day, of the levels established during the calendar year 1973.

Effective April 30, 1980, the system of issuing allocations and licenses not subject to license fee shall be abolished;

Provided, That, with respect to any allocation period expiring prior to May 1, 1974, such allocation period shall be extended to April 30, 1974, and the Secretary shall issue appropriate regulations to issue additional oil import licenses to reflect such extension.

"Sec. 12(a) Commitments and obligations contained in long-term allocations heretofore made of imports of crude oil into Puerto Rico shall be unimpaired by this proclamation or regulations issued thereunder.

(b) Commitments and obligations contained in that certain allocation made to Hess Oil and Chemical Corporation of imports of finished products into Districts I-IV, dated December 12, 1967, effective January 1, 1968, shall be unimpaired by this proclamation or regulations issued thereunder."

"Sec. 13 The Secretary of the Interior may delegate, and provide for successive redelegation of, the authority conferred upon him by this proclamation. All departments and agencies of the Executive Branch of the Government shall cooperate with and assist the Secretary of the Interior in carrying out the purposes of this proclamation."

"Sec. 14 Executive Order 10761 of March 27, 1958, entitled "Government Purchases of Crude Petroleum and Petroleum Products" (23 F.R. 2067) is revoked."

"Sec. 15 As used in this proclamation:

(a) "Person" includes an individual, a corporation, firm, or other business organization or legal entity, and an agency of a state, territorial or local government, but does not include a department, establishment, or agency of the United States.

(b) "District I" means the states of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida, and the District of Columbia.

(c) "Districts II-IV" means all of the states of the United States except those states within District I and District V.

(d) "Districts I-IV" means the District of Columbia and all of the states of the United States except those states within District V.

(e) "District V" means the states of Arizona, Nevada, California, Oregon, Washington, Alaska, and Hawaii.

(f) "Crude oil" means a mixture of hydrocarbons that existed in natural underground reservoirs and which is liquid at atmospheric pressure after passing through surface separating processes and does not include natural gas products. It includes the initial liquid hydrocarbons produced from tar sands, gilsonite, and oil shale.

(g) "Finished products" means any one or more of the following petroleum oils, or a mixture or combination of such oils, or any component or components of such oils which are to be used without further processing by any one or more of the processes described in subparagraphs (1) through (3) of paragraph (h) of this section, and which, as of January 1, 1973, under the Tariff Schedules of the United States, were not subject to a duty of more than one cent (\$.01) per pound of the hydrocarbons therein contained:

(1) The term "liquefied gases" means the following liquefied or liquefiable gases, namely, ethane, propane, butanes, ethylene, propylene, and butylenes which are derived by refining or other processing of natural gas, crude oil, or unfinished oils.

(2) "Gasoline" means a refined petroleum distillate, including naphtha, jet fuel or other petroleum oils (but not isoprene or cumene having a purity of 50 percent or more by weight, or benzene which meets the ASTM distillation standards for nitration grade) derived by refining or processing crude oil or unfinished oils, in whatever type of plant such refining or processing may occur, and having a boiling range at atmospheric pressure from 80° to 400°F.

(3) "Kerosene" means any jet fuel, diesel fuel, fuel oil or other petroleum oils derived by refining or processing crude oil or unfinished oils, in whatever type of plant such refining or processing may occur, which has a boiling range at atmospheric pressure from 400° to 550°F.

(4) "Distillate fuel oil" means any fuel oil, gas oil, topped crude oil, or other petroleum oils, derived by refining or processing crude oil or unfinished oils, in whatever type of plant such refining or processing may occur, which has a boiling range at atmospheric pressure from 550° to 1200°F.

(5) "Residual fuel oil" means a petroleum oil, which is (i) any topped crude or viscous residuum of crude or unfinished oils or one or more of the petroleum oils defined in subparagraphs (2) through (4) of this paragraph (g), which has a viscosity of not less than 45 seconds Saybolt Universal at 100°F, to be used as fuel without further processing other than by mechanical blending or (ii) crude oil to be used as fuel without further processing other than by blending by mechanical means.

(6) "Asphalt" means a solid or semi-solid cementitious crude oil or derivative of crude oil, 50 percent or more of the constituents of which are bitumins, which is not to be used as fuel and which is to be used without further processing except airblowing or blending by mechanical means.

(7) "Lubricating oils" means any lubricant containing more than 50 percent by volume of refined petroleum distillates or specially treated petroleum residuum.

(8) "Natural gas products" means liquids (under atmospheric conditions), including natural gasoline, which are recovered by process of absorption, adsorption, compression, refrigeration, cycling, or a combination of such processes, from mixtures of hydrocarbons that existed in a reservoir and which, when recovered and without processing in a refinery or other plant, fall within any of the definitions of products contained in clauses (2) through (4) of this paragraph (g).

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(h) "Unfinished oils" means one or more of the petroleum oils listed in clauses (1) through (4) and clause (8) of paragraph (g) of this section or a mixture or combination of such oils, or any component or components of such oils, which are to be further processed in one or more of the following ways:

(1) By distillation with a resulting yield of at least two distinct finished products or unfinished oils, two of which must be equal to not less than 10 percent of the total charge of such imported unfinished oils to a distillation unit. Different grades or specifications of finished products or unfinished oils will not constitute distinct finished products or unfinished oils for purposes of this subparagraph. Distillation of petroleum oils which have been reconstituted by blending of two or more finished products or unfinished oils does not constitute processing for the purposes of this subparagraph.

(2) By catalytic or thermal conversion in process units such as alkylation, coking, cracking, hydrofining, hydrodesulfurization, polymerization, isomerization, dehydrogenation, or refining.

(3) By physical separation established by means of solvent dewaxing, solvent deasphalting, solvent extraction, or extractive distillation.

(i) As used in paragraphs (g) and (h) of this section, the term "petroleum oil" includes only hydrocarbons derived from crude oil or natural gas.

(j) The term "imports from Canada" as used in this proclamation, means entries for consumption or withdrawals from warehouse for consumption of the following items which have been transported into the United States from Canada, by overland means (pipeline, rail, or other means of overland transportation) or over waterways other than ocean waterways, to-wit: crude oil produced in Canada, unfinished oils which have been derived from crude oil or natural gas produced in Canada, and finished products which have been produced in Canada from crude oil produced in Canada.

(k) The expression "long-term allocation" means:

(1) That certain allocation made to Commonwealth Oil Refining Company, Inc., of imports of crude and unfinished oils into Puerto Rico dated May 10, 1968 -- effective January 1, 1968 (as amended).

(2) That certain allocation made to Phillips Petroleum Company of imports of unfinished oils into Puerto Rico -- dated December 23, 1965 -- effective January 1, 1966 (as amended).

(3) That certain allocation made to Sun Oil Company of imports of crude oil into Puerto Rico -- effective April 18, 1968 (as amended).

(4) That certain allocation made to Union Carbide Corporation of imports of crude oil and unfinished oils into Puerto Rico -- dated April 19, 1968 -- effective April 19, 1968.

(5) That certain allocation made to Hess Oil and Chemical Corporation of imports of finished products into Districts I-IV -- dated December 12, 1967 -- effective January 1, 1968 (Hess Oil and Chemical Corporation now Amerada-Hess).

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(1) The term "imports" includes both entry for consumption and withdrawal from warehouse for consumption."

"Sec. 16 Effective as of May 1, 1973, tariffs upon imports of petroleum and petroleum products listed in Schedule 4, Part 10 -- "Petroleum, natural gas, and products derived therefrom" of the Tariff Schedules of the United States shall be and are suspended."

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of April, in the year of our Lord nineteen hundred seventy-three and of the Independence of the United States of America the one hundred ninety-seventh.

RICHARD NIXON

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