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THE WHITE HOUSE
WASHINGTON
12 Jul 79

Stu Eizenstat

The attached was returned in
the President's outbox today
and is forwarded to you for
~~your information.~~ appropriate
handling.

Rick Hutcheson

Jack Watson

2942



Court of Common Council

CITY OF HARTFORD

550 MAIN STREET
HARTFORD, CONNECTICUT 06103

*Sk. - Very
interesting*

J

Councilmen

Nicholas R. Carbone
William A. DiBella
Sidney L. Gardner
Robert F. Garry, Jr.
Robert F. Ludgin
Raymond Monteiro
Margaret V. Tedone
Olga W. Thompson
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Clerk
Robert J. Gallivan

July 10, 1979

President Jimmy Carter
Camp David, Maryland

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Dear Mr. President:

Your Urban Policy acknowledged that many of our cities are in crisis. Inflation driven by energy costs and structural unemployment are transforming the crisis into human tragedy. To provide the forceful leadership that is necessary to restore credibility and reduce unnecessary suffering, it is imperative that we address four issues: the cost of energy; the availability of home heating oil; the credibility of the government and its relationship to the oil industry; and, the need for America to harness the underutilized manpower resources of its people to assist in meeting this energy crisis through conservation.

Every American's life style will undergo significant changes because of the energy crisis. It is the obligation of the government to ensure that the burden of this fundamental change in our society is not borne disproportionately by the elderly, youth, poor and the working poor. In Hartford, a northeastern city of 140,000 people, we have attempted to quantify the problem. Predicated on the assumption that home heating oil will increase in cost from an average of 57¢ a gallon in the past season to 90¢ a gallon and, that there will be a 12% increase in electric rates, energy costs this winter will increase 70% for our residents. Oil price increases alone will mean to our citizens a minimum loss of over \$11 million in purchasing power. (Figure 1)

This shift will place an extraordinary burden on those surviving on limited or fixed incomes. This winter, we estimate that over 50% of Hartford's elderly will pay between 25% and 57% of their entire annual income on energy costs. (Figure 2) For the approximately 12,000 households on welfare, the problem will be equally severe. Welfare recipients have utility costs included in the State's unrealistically

President Jimmy Carter
July 10, 1979
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low rent allowance. As the heating season begins, landlords faced with exploding energy costs must either pass them on to needy tenants, or absorb them. Trapped by Connecticut's flat grant welfare system, recipients simply will not have the resources to pay increased costs. Landlords, who have slim or non-existent profit margins, are equally unable to bare significant new costs. For example, in a non-owner-occupied four family house, the landlord will be faced with a bill averaging \$135 a month more during the heating season in addition to last year's costs. The inevitable outcome for low income renters in Hartford is a choice between eating or non-payment of rent; and, for landlords, severe financial losses, or more probably massive abandonment of the only housing stock available to the poor. In the last year, the number of abandoned housing units in Hartford has increased from 752 to 1,280, or ~~40%~~ due in large part to energy costs.

As you are aware, federal energy assistance has been reduced to 10% of last year's level. The State of Connecticut's appropriation for energy assistance has remained constant. Based on the funding level proposed by the Sub-committee on Energy Assistance Programs, Hartford has an energy assistance shortfall of \$7,712,671. (Figure 3) In other words, only 6.4% of the funds needed in Hartford have been appropriated by either the State or Federal government. Therefore, a massive fuel assistance allocation is required to guarantee a life-line allocation to the poor, the elderly and the working poor. Clearly these figures urge the President to immediately order a mobilization of our cities and towns to determine their exact level of unmet needs. Faced with a new need we must derive new definitions of eligibility and levels of assistance based on income and minimal BTU requirements for a particular structure. Many in need who do not directly pay for energy are presently ineligible for any program. Lacking definitive information, we could only speculate at a time that mandates action.

Moreover, I am concerned about the impact of limited fuel availability on the city and its residents. National information about potential allocations is at best murky. As allocations tighten, and without government action, those with the least purchasing power will be those who suffer most. In Hartford, 9 minority fuel dealers supply 90% of the heating oil to the 4,500 housing units in our poorest neighborhoods. All of these minority fuel dealers are dependent on secondary market distributions. In other words, not a single dealer in Hartford has a guarantee of supplies adequate to meet the needs of clients and of his business. Minority entrepreneurs may be forced out of business by a combination of lack of reliable supply and critical cash flow problems caused by delayed payments from the needy or from the government. The government must guarantee primary source allocations to minority entrepreneurs and small businessmen to ensure that their companies and their clients are not disproportionately punished by limitations in the supply of home heating oil this winter.

President Jimmy Carter
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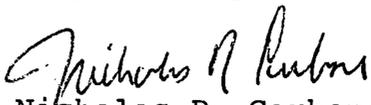
Given short or uneven supply, we must act together to sustain the American people's faith in the government's ability to manage a critical public resource controlled entirely by massive privately held corporations. The government must mandate that clear, timely, and reliable information be made available concerning prices, supply, distribution and profits.

Finally, and perhaps most importantly, every American has a fundamental right to a job. The tragedy of structural unemployment is only exacerbated by the growing unmet energy needs that unemployed workers could address. Our unemployed workers could winterize our nation's homes, they could grow food in a less costly and more energy efficient manner, they can assist in the production of gasohol or engage in a WPA like reconstruction of our wasted hydro-electric capacity. Moreover, the concept of solar energy has enormous potential for new job creation.

In Hartford and other cities, I believe a public-private partnership can utilize private sector entrepreneurial expertise with public subsidy to both provide winterization services and create new jobs for city residents. While this would require a public subsidy equivalent to the cost of Public Service Employment, the additional return to the nation would be a significant reduction in energy required. We can begin with the single family home which comprise 11.5% of the housing stock yet use 26% of our energy. The benefits of this form of job creation are clear when compared with the \$40,000 required in capital required to create a new manufacturing job, or the enormous capital resources required in the construction of nuclear power plants. In addition, the California Public Center for Public Policy estimated that, if 75% of the homes in California were retrofitted for solar space heating, and if 100% of the new residents required solar space heating and water heating, over 375,000 jobs could be created in a 10-year period. Joint public, private initiatives are required to dramatically reduce our energy demands and simultaneously support public job creation. Regardless of the often justified criticism of the CETA system, public employment has worked, continues to work, and can assist as a cornerstone of a national energy and full employment program.

In conclusion, Mr. President, I am honored to have the opportunity to present these thoughts to you on the energy crisis confronting our country. You are the first President who has attempted to establish both a comprehensive national urban policy and a comprehensive national energy policy. Our task together now is to blend the hard realities of the energy crisis with the compassion necessary to sustain our national commitment to justice and equity.

Respectfully,


Nicholas R. Carbone
Deputy Mayor

EXAMPLES OF NEED

- I. The working poor family living in a multi-family dwelling making \$10,500 a year will be spending 17% of their income during the heating season for energy. Even the middle class family living in a single family house will be spending 16% of their income during the heating season. An individual making \$7,500 living in 2-3 room apartment will be spending 20% of his income during heating season.
- II. If we in Hartford have a winter 5% colder than the average -- it will cost our residents over \$1,500,000 more. (Figure 5)
- III. 26% of our heating oil is consumed by the single family house that makes up only 11.5% of our housing stock. (Figure 6)
- IV. The cost of residential energy will be at least 70% more for residents using heating oil no matter how big or little the rooms.
- V. The cost of energy in 4-5 room apartments will be nearly \$100 a month when annualized. (Figure 8-9)

Figure I

Increased Costs to Hartford Consumers

OIL ONLY

	<u>1978-79</u>	<u>1979-80</u>
Gallons used	33,862,400 ^a	33,862,400 ^a
Cost per gallon	57.0¢	90.0¢
Total Cost	\$ 19,301,568	\$ 30,476,160
Increased Cost to Consumers	\$ 11,174,592	
Average per unit (year)	\$ 277.28	
Average per unit (month)	\$ 23.10	
Average per month (Nov-March season)	\$ 42.70	

FIGURE 2

ENERGY IMPACT ON HARTFORD ELDERLY

Elderly Population	24,325	
Elderly Homeowners	6,240	(26%)
Elderly Renters	8,138	(33%)
Paying Own Heating Costs		
Total Elderly Paying Heating Costs	14,378	(59%)

PERCENTAGE OF INCOME TOWARD ENERGY COST
BY UNIT SIZE

<u>AVERAGE INCOME</u>		<u>2-3 Room</u>		<u>4-5 Room</u>		<u>SINGLE FAMILY HOUSE</u>	
<u>Yearly</u>	<u>Monthly</u>	<u>\$81.38^a</u>	<u>123.67^b</u>	<u>\$96.22^a</u>	<u>146.97^b</u>	<u>\$183.31^a</u>	<u>301.73^b</u>
\$1800	\$ 150	54%	82%	64%	98%	122%	201%
\$3000	\$ 250	33%	49%	38%	59%	73%	120%
\$3828	\$ 319 ^c	26%	39%	30%	46%	57%	95%
\$4200	\$ 350	23%	35%	27%	42%	52%	86%
\$5400	\$ 450	18%	27%	21%	33%	40%	67%
\$7200	\$ 600	14%	20%	16%	25%	30%	50%

a-Monthly Annual Average

b-Five Month Peak Usage

c-Median Income for Hartford Elderly

FIGURE 3

1978 - 79 ASSISTANCE PROGRAMS

PROGRAM	HARTFORD AREA	HARTFORD AREA	NUMBER OF		% HARTFORD	AVG. DOLLARS PER CASE
	1978-79 FUNDING	1979-80 FUNDING IN PLACE	CASES RECEIVING ASSISTANCE (29 Town Region)	CASES RECEIVING ASSISTANCE (Hartford)		
EEAP/WEAP (Federal)	\$441,211	\$37,329	2,344	1,666	71%	\$188.22
EFAP (SCIP) State	124,000	124,000	1,414	1,074	76%	87.69
Department of Income Maintenance	314,000	314,000 (est)	2,200	1,650 (app)	75%	142.72
Emergency Fuel Bank	20,000	20,000 (est)	Information Not Available			
Totals	\$899,211	\$ 495,329	5,958	4,390	74%	\$ 139.54
		% of 1978-79 55%				

Funding Proposed by Sub committee on Energy Assistance Programs

Total U.S. Funding \$ 3.2 Billion^b

to Connecticut (1.5%)^a \$48,000,000

to Hartford (19%) \$ 9,120,000

- 10% Administration \$ 8,208,000

(to meet the need of 75% of U.S. residents with incomes 125% and below poverty level \$500 maximum per recipient)

Shortfall between recommended funding and funding in place \$7,712,671 (Funding in place 6.4%)

a. same allocation formula is used

b. based on 1978 fuel oil prices

FIGURE 4

ENERGY COSTS
AS PERCENTAGE OF GROSS FAMILY INCOME
IN HARTFORD

GROSS FAMILY INCOME		<u>MULTI-FAMILY</u>				<u>SINGLE FAMILY</u>	
		<u>2 - 3 Room</u>		<u>4 - 5 Room</u>		<u>6-7 Room</u>	
<u>YEARLY</u>	<u>MONTHLY</u>	<u>Annualized Mo. Avg.</u>	<u>Heating Season Avg.</u>	<u>Annualized Mo. Avg.</u>	<u>Heating Season Avg.</u>	<u>Annualized Mo. Avg.</u>	<u>Heating Season Avg.</u>
		<u>\$81.38</u>	<u>\$123.67</u>	<u>\$96.22</u>	<u>\$146.97</u>	<u>\$183.31</u>	<u>\$301.73</u>
\$2500	\$ 208.33	39%	59%	46%	71%	88%	145%
3500	291.66	28	42	33	51	63	103
4500	375.00	22	33	26	39	49	81
5500	458.33	18	27	21	32	40	66
6500	541.66	15	23	18	27	34	56
7500	625.00	13	20	15	24	29	48
8500	708.33	11	17	14	21	26	43
9500	741.66	10	16	12	19	23	38
10,500	875.00	9	14	11	17	21	35
11,500	958.33	8	13	10	15	19	32
12,500	1,041.66	8	12	9	14	18	29
13,500	1,125.00	7	11	9	13	16	27
14,500	1,208.33	7	10	8	12	15	25
17,500	1,458.33	6	8	7	10	13	21
20,000	1,666.66	5	7	6	9	11	18
22,500	1,875.00	4	6	5	8	10	16
25,000	2,083.33	4	6	5	7	9	14
27,500	2,291.66	3.5	5	4	6	8	13
35,000	2,916.66	3	4	3	5	6	10

FIGURE 5
ENERGY IMPACT
STUDY
WEATHER VARIABLES^a

AVERAGE WINTER	6350 Degree Days	
1978-1979	6418 Degree Days	(1.07% colder than normal)
1960-1961	6895 Degree Days	(recent extreme 8.6% colder than normal)

This measure (% increase/decrease in degree days) equates closely to actual heat energy demand^a. If there is a particularly severe winter such as 1960-1961, it could increase consumption of home heating oil and correspondingly its cost by as much as 8.6%.

A winter 5% colder than average (6667.5 degree days) would have the following impact:

	Aug. Winter (6350 degree days)	5% colder (6667.5 degree days)	(t)
Gallons use (Hartford)	33,500,007	35,175,007	1,675,000 G.
Cost @ 90¢	\$30,150,006	\$31,657,506	\$1,507,500
Hartford - Aug. per Housing Unit (for winter 5% colder)			41.56 Gal./\$ 37.40

Source a: National Weather Service

Source b: The New England Energy Consumer

FIGURE 6

HARTFORD HOUSING STOCK
AND
OIL USAGE

<u>Type of Structure</u>	<u># of Structures</u>	<u># of Units</u>	<u>% of Total Units</u>	<u># of Oil Heated Units</u>	<u># of Gal. Req. per Season</u>	<u>Gal. Req. per Nov. - March</u>
Single Family	6,445	6,445	11.5	4,640	8,639,866 ^c	6,652,696
Two Family	3,214	6,428	11.5	4,628	3,692,587 ^d	2,843,292
Three Family	3,118	9,354	16.7	6,735	5,373,722 ^d	4,137,766
4-49 Units	1,857	30,241	54.0	21,774	14,477,968 ^e	11,148,035
50 or More	46	3,506	6.3	2,524	1,678,258 ^e	1,292,258
Total	14,680	55,974	100%	40,301	33,862,401	26,074,048

a City of Hartford Assessor's Office 1978

b The New England Energy Consumer Pg. 11

c Based on average size of 6-7 rms.

d " " " " " 4-5 rms.

e " " " " " 2-3 rms.

FIGURE 7

ONE YEAR INCREASE
IN RESIDENTIAL ENERGY COSTS

(1978-79 to 1979-80)

COST BY UNIT TYPE

#BR	Rooms	<u>1978-79</u>				<u>1979-80</u>				% Inc.
		Oil	Gas Hot water & Cooking	Electric (lights)	TOTAL	Oil	Gas Hot water & Cooking	Electric (lights)	TOTAL	
0BR	1-2	31.81	14.66	12.00	58.47	49.96	14.66	13.44	77.96	75.0
1BR	2-3	31.81	18.08	12.00	61.89	49.96	18.08	13.44	81.38	76.0
2BR	4-5	38.17	19.58	15.00	72.75	59.84	19.58	16.80	96.22	75.6
3BR	5-6	54.07	21.25	16.50	91.82	84.77	21.25	18.48	124.50	73.7
4BR	6-7	89.07	23.50	18.00	130.57	139.65	23.50	20.16	183.31	71.1
5BR	7-8	104.95	25.25	19.50	149.70	164.65	25.25	21.84	211.64	70.3
6BR	8-9	120.88	27.25	21.00	169.13	189.53	27.25	23.52	240.30	70.3

Figure 8

Residential
Oil & Utility Costs

<u>Bedrooms</u>	<u>Rooms</u>	<u>Oil Monthly</u> ^a	<u>Oil & Gas 5-Month Season</u>	<u>Hotwater & Cooking</u>	<u>Electric Lights</u> ^b	<u>Total Monthly</u>	<u>5-Month Nov-Mar Average</u>	<u>Total Yearly</u>
0 Br	1-2	49.86	92.15	14.66	13.44	77.96	120.25	935.52
1 Br	2-3	49.86	92.15	18.08	13.44	81.38	123.67	976.56
2 Br	4-5	59.84	110.59	19.58	16.80	96.22	146.97	1,154.64
3 Br	5-6	84.77	156.67	21.25	18.48	124.50	196.40	1,494.00
4 Br	6-7	139.65	258.07	34.50	20.16	183.31	301.73	2,199.72
5 Br	7-8	164.55	304.09	25.25	21.84	211.64	351.18	2,539.68
6 Br	8-9	189.53	350.25	27.25	23.52	240.30	401.52	2,883.60

a) Based on .90 per gallon

b) includes latest 6/79 rate increase (12%)

FIGURE 9
TOTAL UTILITY COST
BASED ON FIGURE 8

		<u>MONTHLY</u>			<u>ANNUAL</u>		
<u>BR</u>	<u>Rooms</u>	<u>1978-79</u>	<u>1979-80</u>	<u>Increase</u>	<u>1978-1979</u>	<u>1979-80</u>	<u>Increase</u>
0BR	1-2	\$ 58.47	\$ 77.96	\$ 19.49	\$ 701.64	\$ 935.52	\$ 233.88
1BR	2-3	\$ 61.89	\$ 81.38	\$ 19.49	\$ 742.68	\$ 976.56	\$ 233.88
2BR	4-5	\$ 72.75	\$ 96.22	\$ 23.47	\$ 873.00	\$1,154.64	\$ 281.64
3BR	5-6	\$ 91.82	\$124.50	\$ 32.68	\$1,101.84	\$1,494.00	\$ 392.16
4BR	6-7	\$130.57	\$183.31	\$ 52.74	\$1,566.84	\$2,199.72	\$ 632.88
5BR	7-8	\$149.70	\$211.64	\$ 61.94	\$1,796.40	\$2,539.68	\$ 743.28
6BR	8-9	\$169.13	\$240.13	\$ 71.17	\$2,029.56	\$2,883.60	\$ 854.04

THE WHITE HOUSE
WASHINGTON

July 9, '79

Mr. President:

Attached is a letter the Vice-President asked me to get to you. Richard Lamm gave it to him Sunday morning of the Governors' Conference.

The Vice-President is strongly in favor of inviting Lamm to Camp David, not, as he puts it, for Lamm's sake, but for Gary Hart who is, of course, up for re-election and is not helped by an appearance of hostility between the Administration and Colorado.

My own view is that we can help Hart without Richard Lamm. Coming on the heels of his remarks to the press that he had "declined" an invitation to Camp David because it was a quid pro quo for an endorsement vote, an invitation raises questions with your loyal supporters in the West --- the Kings, Babbitts, Judges, and even Ed Herschler of Wyoming.

TK





State of Colorado

EXECUTIVE CHAMBERS
136 State Capitol
Denver
80203

RICHARD D. LAMM
Governor

Called &
thanked
J

839-2471

MR. PRESIDENT;

Notwithstanding my Abstinence on The
MOTION of Support for your Renomination, I
WANT you to know you have my ADMIRATION,
Respect and Support.

Your burdens are heavy and I
believe you are doing a good job for
OUR NATION. History will show you
"did The best of Things in The worst of Times."

Rimm

THE WHITE HOUSE
WASHINGTON
12 Jul 79

Tim Kraft

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the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

Jack Watson

2939

FOR ACTION
FYI

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<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND
<input type="checkbox"/>	NO DEADLINE
<input type="checkbox"/>	LAST DAY FOR ACTION

<input type="checkbox"/>	VICE PRESIDENT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	KRAFT
<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	RAFSHOON
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<input type="checkbox"/>	WEXLER
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	MCINTYRE
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<input type="checkbox"/>	ADAMS
<input type="checkbox"/>	ANDRUS
<input type="checkbox"/>	BELL
<input type="checkbox"/>	BERGLAND
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<input type="checkbox"/>	BROWN
<input type="checkbox"/>	CALIFANO
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<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VANCE

<input type="checkbox"/>	ARONSON
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	CRUIKSHANK
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HERNANDEZ
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	KAHN
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MARTIN
<input type="checkbox"/>	MILLER
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SANDERS
<input type="checkbox"/>	WARREN
<input type="checkbox"/>	WEDDINGTON
<input type="checkbox"/>	WISE
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	ADMIN. CONFIDEN.
<input type="checkbox"/>	CONFIDENTIAL
<input type="checkbox"/>	SECRET
<input type="checkbox"/>	EYES ONLY

cc Watson
of Lamm
letter only

Bill/Betty Fisher
machinist - RN

Jim/Cathy Marsh
~~Pharmacist~~

Singer machine repair - HED

Mike/Mary Kay Fording
Pharmacist - nurse

Bill/Joy Wright
Electrician - HED

John Buckley (Helen)
Hardening helper

Henry Jablonski
Steelworkers union

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carnegie (suburb of
pittsburg, pennsylvania)
host couple--bill and betty
fisher

7/12/79

Pennsylvania

THE WHITE HOUSE
WASHINGTON
12 JUL 79

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Rick Hutcheson

2943

BILL ALEXANDER, M.C.
DEPUTY MAJORITY WHIP



COMMITTEE ON
APPROPRIATIONS

CONGRESS
of the
United States of America
July 9, 1979

Sk-
answer
J

The Honorable Jimmy Carter
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C.

Dear Mr. President:

I would like to add my two-bits to the discussion on energy.

Americans can no longer afford to import eight million plus barrels of oil per day (8M b/d) from foreign oil producing countries costing more than forty-one billion dollars (\$41B) last year. The 1978 trade deficit was twenty-eight billion five hundred thousand dollars (\$28.5B) which has produced the double digit inflation we are now experiencing. Based upon the recent Organization of Petroleum Exporting Countries (OPEC) price increase the cost to Americans of imported oil in 1979, is estimated to be about sixty-five billion dollars (\$65B) which is likely to produce a 1979 trade deficit of approximately fifty billion dollars (\$50B). If this occurs Americans can anticipate twenty percent (20%) inflation.

Not only are Americans being victimized by the OPEC pricing policies, several OPEC countries are using U.S. oil dependence to hold this Nation a political hostage to achieve their foreign policy goals, to-wit: Nigeria issued a veiled threat to withhold its oil which supplies the U.S. with nine percent (9%) of the supply if the U.S. should recognize the recently elected Muzorewa government in Zimbabwe Rhodesia, and, Saudi Arabia's Sheik Yamani recently warned that "If the United States does not force Israel to withdraw from Arab occupied territories along the West Bank and in the Gaza Strip to provide a homeland for Palestinians, Americans should be prepared to face the consequences." Dependence on foreign oil has made the United States vulnerable to these kinds of political intimidation.

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Both economic and political considerations dictate that the United States switch from an oil based economy to a mixed energy economy. Accordingly, I recommend the following to be considered as a part of a national energy strategy, to-wit:

I. Production:	<u>Crude Oil Savings in Barrels Per Day</u>
1) COAL: Maximize coal use in electric utility plants	1.5 Million
2) NUCLEAR: Fully utilize existing nuclear power facilities	1.5 Million
3) SYNTHETIC FUEL: Support H.R. 3930, Synthetic Fuel Development/Defense Production Act Amendments of 1979, passed by the House on June 26. Energy produced from coal gasification and liquefaction, shale, lignite, peat, solid waste, and the conversion of agricultural and other organic material.	0.5 Million
4) GASOHOL: Utilize an average gasoline fuel mixture containing at least 10 percent alcohol on a nationwide basis.	0.5 Million
5) SOLAR: Continue to encourage passive solar heating and cooling technology development and applications.	0.5 Million
6) HYDROELECTRIC: Improve existing hydroelectric generating facilities.	0.5 Million
7) OTHER SOURCES: Develop energy sources from wind, ocean thermal, hydrogen, etc.	0.5 Million

II. Conservation:	<u>Crude Oil Savings in Barrels Per Day</u>
1) TRANSPORTATION: Fund the Inter-City Bus and Terminal Program for mid-sized cities (under 50,000 population), small towns and rural communities and the countryside. Improve the energy efficiency of private vehicles.	1.5 Million
2) IMPROVED ENERGY EFFICIENCIES FOR FARM, HOME, AND BUSINESS: Provide tax incentives and low-interest loans for alcohol-powered farm equipment and home and business energy improvements.	<u>1.0 Million</u>

TOTAL CRUDE OIL SAVINGS ----- 8.0 Million Barrels per day

While it is important to achieve the objectives established by the National Environmental Policy Act of 1969 (NEPA), which I supported, it is mandatory that the Nation somehow break the impasse created when the forces of energy production are stopped by the forces of environmental protection. For every energy action there is an equal and opposite environmental preservation reaction. This stoppage must be resolved. Therefore, I propose the establishment of an Emergency Energy Production Board (EEPB) empowered with authority similar to the War Mobilization Board of the World War II era. The EEPB could resolve the present log-jam that prevents more energy production.

I am looking forward to working with you to resolve the energy crisis that plagues this Nation.

With warmest personal regards and best wishes, I am

Sincerely yours,



BILL ALEXANDER
Member of Congress

JOHN KENNETH GALBRAITH
HARVARD UNIVERSITY
CAMBRIDGE, MASSACHUSETTS

July 9, 1979

Steve
info
J

MEMO: PRESIDENT JIMMY CARTER

RE: Immediately Effective Action on Energy and Prices

The problems faced by the Administration on energy and prices, although certainly not minor, are, I believe, less difficult than is commonly supposed. That is because past effort has extensively substituted simulated action for real action, theoretical promise for practical effect, and it has regularly yielded to ideological and theological fears. What I am suggesting reflects, I believe, a solid pragmatism. And it has all been done before. I have been responsible for administering several of these measures in the past; and I have been closely associated with nearly all of the others. I venture the thought that those who say this program is unworkable should be asked to reflect on the workability or unworkability of the measures they have been using these last two and a half years and which have brought us (and your Administration) to the present difficulties. I concede that little of what I propose here will be popular with interest groups, but all will be popular with the public. And I might add, again urging some personal experience, that Presidents (and free enterprise) have survived quite brilliantly the actions here proposed.

(1) A simple but firm consumer rationing system must now be put into effect on gasoline. This, I judge, the Congress is ready to enact. A strongly affirmative case should be made for the step; we have now experienced the worst form of rationing, which is the uncertain, wasteful, even infuriating method of giving gasoline to those who remain longest in line. The second worst method, disastrous for the poor and people of moderate income and urged only by Senator Hayakawa, is to let price do the job and thus to exacerbate inflation and to favor the rich. So there remains only to give each user an equitable and secure share of what is available. I might add that the present system of wholesale allocation without rationing we learned during World War II to be absolutely disastrous.

(2) It should be announced that the prices of all firms employing one thousand workers or more will be placed under a ceiling as of the level of January first of this year

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plus a firm minimum fixed per cent, and appropriate authorization should immediately be sought from the Congress. And it should further be announced that next year there will be no further increase. This action covers well over half of the gross national product and associated price indexes. The number of firms involved -- only a few thousand -- does not involve an intolerable administrative problem. The action gives force of law to what is now conceded policy under the guidelines. And since the firms in question are all large with power to establish prices, you are, in economic terms, fixing prices that are already privately fixed. There would have to be further pass-through provisions for higher energy costs and in other limited areas. On this I do not dwell.

(3) All collective bargaining contracts should be subject to a similar ceiling, probably a trifle higher, and a similar promise of eventual stability subject only to productivity gains. Again the number of negotiations involved, though substantial, does not impose an intolerable administrative burden. And again the action affirms present policy.

(4) The Congress will, as noted, have to be asked for authorizing legislation for this action. But the proposal as here made excludes the danger of anticipatory increases, places responsibility for any failure on the Congress and reflects, if the polls are to be trusted, the views of a large percentage of the electorate. I have always been persuaded that the public instinct on these matters is far more reliable than the textbook instinct of my fellow economists.

(5) In keeping with the above steps, all listed corporations would be asked to freeze their dividends at present levels. This is the equitable counterpart of what is being asked from the trade unions. It does not keep earnings from being increased, only their private use expenditure. And the effect of this action would be immediately to enlarge the funds available for capital reinvestment. Authorization for this action should be included in the request for legislation.

(6) Farm costs being prospectively stable, energy apart, farm support prices should be held at present levels. And, a politically somewhat difficult but necessary step, it

should be announced that export demand for wheat, feed grains and possibly other crops will be carefully monitored to insure against runaway pressures from sudden large overseas purchases.

(7) Should the economy show signs of weakness during the coming year, the Federal Reserve Board should be asked to reduce interest rates. This will have the combined effect of reducing rentier or interest income and easing the cost position of home-builders, home-owners and small businessmen. I would strongly urge that this action be taken well ahead of any of the superficially popular proposals to reduce taxes.

(8) As a final point, on which I am somewhat less certain (some would say dogmatic), I would urge that the strongest consideration be given to legislation now pending in Congress to create a public corporation for the centralization of all oil purchases. The title on the oil so purchased would then be conveyed to the oil companies. It is a major problem in contending with OPEC, as has long been noticed, that there is no two-sided bargaining. The oil Majors with their extensive investment in the OPEC countries and their extensive dependence on the good will of the OPEC governments are in no position to exert any pressure against higher prices or to conduct any bargaining with these sellers. A purchasing corporation working in conjunction with the other consuming countries would restore the kind of bargaining that is normal as between large sellers and large buyers in other markets, including the labor market.

(9) To deal with the administrative problems in this proposal -- those having to do with rationing and price enforcement in particular -- I would urge the creation of a Federal Emergency Force (FEF). Existing federal agencies would be required to contribute personnel to this organization, and a network of offices would be established in present federal quarters or, as required, in facilities of the U. S. Postal Service. By drawing on existing staff, even at some cost, the charge that you are creating another bureaucracy would be largely elided, the administrative costs will be minimized and expert federal personnel will be in charge.

These proposals, if firmly announced and vigorously pursued, will cause a prompt appreciation of the overseas position of the dollar with further moderating effect on price increases. And they will, I'm convinced, go far to restore public confidence in the energy and economic prospect and in the leadership on these matters. It will be urged in a dreary way, especially as regards the rationing and the

controls, that these steps are somehow inconsistent with the free enterprise system. (Curiously they were not when initiated by Richard Nixon and John Connally.) What is damaging to the free enterprise system is the confusion and the costs that people suffer in the absence of effective action. The Department of Energy now exists because the market system does not equate supply of energy and demand. Its problem is that it does not effectively adjust the one to the other.

You will observe that I have confined myself to matters with an immediate time dimension. These are the matters of present urgency as well as those on which my experience is relevant.

J. K. G.

P. S. I am including two added notes, one on home heating oil and the other on shale oil.

Home Heating Oil

The rationing of gasoline should be sufficiently firm to allow of an appreciable buildup of supplies of home heating oil. The rationing of home heating oil, as we discovered in World War II, is a far more difficult matter. There could, however, be an announcement that deliveries to a household above a certain level will be cut progressively should supplies be insufficient. In larger houses some rooms can be closed off or kept at lower temperatures. This option is not available to the small home-owner or apartment dweller.

Shale Oil

In 1964 and 1965, I served on a special commission established by Secretary Udall at the request of President Johnson on the future and utilization of the shale oil reserves. I think it fair to say that I took a leading part in this effort. Accordingly, I am familiar with the economics of shale oil and, in a general way, with the engineering problems involved. The reserves of oil are indeed enormous, and it should be borne in mind by environmentalists and others that they are spread over such a vast territory in such richness that large-scale extraction is possible in a way that would never seriously obtrude itself on the public eye. I am also unimpressed by the frequent suggestion that large quantities of water would be involved.

I would urge, accordingly, that shale, though it involves no miracles, be taken seriously. There is continuing doubt about the much advertised in situ process. If it does seem prospectively practical, it should certainly be pressed. With the mining and retorting, the major problem, of course, is the massive earth-moving process that is involved, although I would judge this also to be the case with the production of synthetic oils from coal. The spent shale will not, in fact, be much noticed in the vast area involved. And, although I am a committed environmentalist, it should be remembered that this is a great semi-desert area of no great topographic excitement. If intelligently sited these operations will not be seen by many people or even very many animals.

W. G. S.

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THE WHITE HOUSE
WASHINGTON
12 Jul 79

Zbig Brzezinski

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Rick Hutcheson

Jody Powell

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E.O. 12356, SEC. 3.4(b)
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MEMORANDUM

THE WHITE HOUSE

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ACTION

July 6, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ZBIGNIEW BRZEZINSKI *ZB*

SUBJECT:

Descriptive Terms for Rhodesia - Zimbabwe Groups (U)

Before leaving for Japan, you directed that we and State come up with less politically loaded ways of referring to the contending forces in the Zimbabwe - Rhodesian conflict. State had already been moving in that direction gradually, and will speed up the movement. We propose, however, that this be done inconspicuously and without any formal instructions which would only lead to newspaper stories. Word will be passed informally to concerned agencies. If asked, we would reply simply that we had been shifting terminology to reflect new realities. (C)

State and NSC have developed the following terminology:

-- The government in Salisbury will be referred to as "The Muzorewa Government" or the "Muzorewa Administration." We would not, however, want to call it the "Government of Zimbabwe - Rhodesia." (C)

-- The external forces are somewhat more difficult. We cannot abandon completely the term "Patriotic Front," since it is widely used in Africa, but we will cut back on its usage, and tend more to the following terms: "ZAPU and ZANU," "Nkomo - Mugabe Forces," "External forces." When appropriate, they can be called "guerrilla movements." (C)

-- In referring to both sides together, we will use "Internal and External parties," or "black leaders on both sides." (C)

RECOMMENDATION:

That you approve the above terminology and procedure for implementing it. (C)

APPROVE

DISAPPROVE

except as noted J

~~CONFIDENTIAL~~
Declassify 6-30-85

~~CONFIDENTIAL~~ *Jay 7/14/90*

THE WHITE HOUSE
WASHINGTON
12 Jul 79

Tim Kraft

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Rick Hutcheson

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Tim
info
J

Dear Mr. President:

I did not want to take the time away from your other guests to dwell on a couple of items that I believe are critical:

1. I agree with those who have suggested that you utilize your Cabinet Secretaries across the country. However, there are no Hispanics among your Cabinet members (nor have there ever been any Hispanics in anyone's Cabinet prior to yourself). Therefore, I would suggest that you utilize your Hispanic Assistant Secretaries and other appointees and consider appointing an Hispanic to your Cabinet when the opportunity presents itself.

2. Please, please, make yourself and Vice President Mondale available to speak at some of the National Hispanic Organization Conventions during this next year. We need to feel your presence and concern. You may find it advantageous to hire an Hispanic to help you with your speech writing and someone ~~who~~ who

has the knowledge to distribute your message to Hispanic media outlets across the country.

3. We recognize that you have made three times more Hispanic appointments in your administration than anyone in our history, but we still do not have a single Hispanic Regional Director in Region IX (Calif) where more than $3\frac{1}{2}$ million Hispanic reside. Also, parity in appointments would be around 450 as opposed to the 180 that have been made from the Hispanic community.

4. Alternative transportation methods are essential to help solve both the air pollution and energy problems confronting our people. It is important that more resources (perhaps from the windfall profits tax) be utilized to develop more comprehensive mass transit systems. ~~As~~ Please reconsider your decision to discontinue some Amtrak lines. If the railroad

tracks are not used it will be even more costly to repair them for use in the future. We need more rail service for people, not less.

5. Would it be possible to ~~to~~ redirect some more resources ~~to~~ for more subway systems - perhaps combining subways with defense as they do in U.S.S.R.

Thank you,

Polly Bann Barragan

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THE WHITE HOUSE
WASHINGTON
12 July 79

Frank Moore

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Rick Hutcheson

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THE WHITE HOUSE
WASHINGTON
CONGRESSIONAL TELEPHONE CALL

*Called
Jenkins
J*

TO: Ed Jenkins (Georgia)
Sam Gibbons (Florida)
Frank Guarini (New Jersey)
Bill Cotter (Connecticut)

DATE: Tuesday, July 10, or Wednesday, July 11.

RECOMMENDED BY: Frank Moore and Bob Maher.

PURPOSE: Assure necessary votes for passage of Hospital Cost Containment.

BACKGROUND: The House Ways & Means Committee is scheduled to mark up Hospital Cost Containment legislation on Wednesday and Thursday of this week. Nineteen votes are needed. A package of amendments approved by the Administration should assure us the 19 votes if Jenkins and Gibbons stay with us. Guarini is expected to.

TALKING POINTS:

1. Jenkins: We are still talking to Jenkins about his "trigger" mechanism and are appealing to him not to get into a Congressional veto position. Jenkins has said that such an amendment will be offered on the Senate side. However, Senator Boren, if he offers such an amendment, will be satisfied with allowing a simple 60-day period before mandatory controls are implemented if hospitals fail to meet voluntary goals. You should tell Jenkins that he should be able to go along with this. It is important that you get assurances from Jenkins that he not support weakening Republican amendments and that he will be with us whether or not his amendment succeeds.
2. Gibbons: You have spoken to Gibbons and most of his concerns have been taken care of through acceptable amendments. He says he will not be the 19th vote which kills the bill. You should ask him not to support weakening Republican amendments.

*Should win 1-2 votes
Will support - Need Jones/
Pickle support on house
Best for
William - Holland. Jones -
Gephardt to work out
differences*

3. Guarini: The Vice President has spoken to Guarini, but he has asked "if this is a high Presidential priority, why haven't I heard from the President?" We believe Guarini is with us. Your call is to nail this down.
4. Cotter: Because we do not know if Jenkins will stick with us against weakening amendments, we need Cotter's vote in reserve. You should ask him to help on the bill's final passage if at all possible. Regardless of his response, the most important factor may be getting his assurance not to support weakening amendments.

7/10/79

THE WHITE HOUSE
WASHINGTON

Rick -

The Frank Moore / Boss
Maher phone request
that went in late this
afternoon takes the place
of this one. Warden
at H&W concurs -

LES

For The record

This was
not submitted
(H&W memo)



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

JUL 9 1979

MEMORANDUM FOR THE PRESIDENT

The House Ways and Means Committee is scheduled to mark up hospital cost containment legislation on Wednesday and Thursday of this week. The Senate Finance Committee will vote on the issue on Thursday of this week.

It is my understanding that the discussions now underway at Camp David concern not only energy policy but also inflation generally. Obviously, hospital cost containment is an important legislative issue in response to the inflation that is affecting the entire economy. In fact, it is the only major piece of legislation now pending before the Congress which addresses inflation in a key segment of the economy, representing some 9 percent of the GNP.

Ways and Means

The head count of the Ways and Means Committee shows us with 16 "hard" votes*, with 19 needed to report the bill and 18 to defeat a motion to table (Ways and Means has 36 Members). Our "target" Members are:

- o Frank Guarini of New Jersey, who has asked on a couple of occasions that "if this is a high Presidential priority, why haven't I heard from the President?" We believe Guarini will be with us, and we are working on an amendment to meet his only substantive concern.

* The votes are: Ullman, Rostenkowski, Vanik, Corman, Rangel, Stark, Jacobs, Mikva, Fisher, Ford, Brodhead, Lederer, Downey, Heftel, Fowler, Shannon

The votes solidly against are: Democrats--Pickle, Jones, Holland, Gephardt; Republicans--Conable, Duncan, Archer, Vander Jagt, Crane, Frenzel, Martin, Bafalis, Schulze, Gradison, Rousselot, Moore (16)

- o Ed Jenkins of Georgia and Bill Cotter of Connecticut, both of whom you have personally seen on this issue. The principal sticking point with Jenkins is his advocacy of an amendment empowering the Congress to prevent the mandatory program from taking effect. (Congressional veto)
- o Sam Gibbons of Florida, with whom we also have been discussing amendments.
- o Wyche Fowler, with whom you have also spoken, is now indicating that he is prepared to vote for the bill. He may, however, support the Jenkins amendment.

It would be helpful if you could call Guarini, Jenkins, Gibbons and Cotter to urge them to support the bill.

Finance

We count eight solid votes in Finance*, including the Chairman, based upon his commitment to you, with 11 votes needed to report the bill.

On the Democratic side, we assume we have no chance of getting the votes of Herman Talmadge or Harry Byrd.

We are discussing various amendments with Dave Boren of Oklahoma, and he appears to be a possibility. His vote would give us nine.

A less likely possibility might be Lloyd Bentsen, although he has told me personally he does not favor our bill. It may be significant that he has been critical of the hospital industry.

We have met with Mike Gravel on a number of occasions and the labor movement is also trying to reach him. He too has been negative, even though he voted with us last year.

On the Republican side of the Committee, we count John Chafee of Rhode Island as a supporter.

David Durenberger of Minnesota, while skeptical at times, continues to maintain that he has an open mind. We are talking to Durenberger about amendments as well.

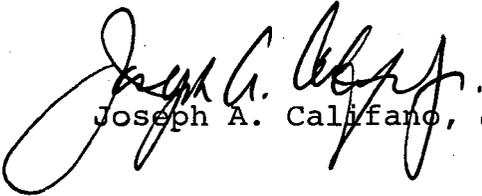
* The votes are: Chairman Long, Ribicoff, Nelson, Matsunaga, Moynihan, Baucus, Bradley, Chafee

Other possibilities among Committee Republicans include John Heinz of Pennsylvania, with whom you have spoken, and Bob Packwood of Oregon--but both Heinz and Packwood are very long shots.

If we can pick up Boren, plus two additional votes, we will have enough to report the bill. The Finance Committee Members most likely to respond affirmatively to a call from you would be Boren and Bentsen on the Democratic side and the three Republicans--Durenberger, Heinz, and Packwood.

We have only an outside chance of winning in Finance. But even if we were to lose by a close vote, we will be in a stronger position on the Senate floor if Senators such as Boren and Durenberger wind up with us in the Committee. There will be a vote on the Senate floor--on an amendment to delete cost containment from the Talmadge bill if we win, or, as was the case last year, an amendment to add cost containment with Gaylord Nelson as sponsor.

Senator Byrd has indicated that he wants cost containment to be taken up on the Senate floor before the August recess.


Joseph A. Califano, Jr.

THE WHITE HOUSE
WASHINGTON
12 Jul 79

Frank Moore

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Rick Hutcheson

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*Jim speaks
for me
J*

THE WHITE HOUSE
WASHINGTON

July 11, 1979

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE *FM*
BOB THOMSON *Bob*

SUBJECT: PUBLIC WORKS APPROPRIATIONS

This afternoon at 2:00, the Senate Appropriations Committee will mark up the 1980 Public Works Appropriations bill. There is substantial danger the Committee will add Yatesville and Bayou Bodcau, two of the six "hit list" projects.

Senator Johnston will lead the fight against the projects. He requested a written veto signal from you. We sent a McIntyre letter saying Jim would "recommend a veto". Johnston fears that is not enough. Consequently, we would like authority from you to have Susan sign the attached letter.

Normally, veto signals are sent by letter from Jim. We believe this is a special case because of our water projects history - Johnston should not be able to charge later that we were not responsive.

Herky Harris thinks the OMB letter is sufficient.

Jim McIntyre thinks the OMB letter is sufficient. It is important, as ~~an~~ acknowledgment that he is speaking for the President.

THE WHITE HOUSE

WASHINGTON

July 1 , 1979

To Senator Bennett Johnston

This week the Senate Appropriations Committee will mark up the 1980 Energy and Water Development Appropriations bill.

I want to emphasize again my continuing opposition to construction funding for the Yatesville and Bayou Bodcau projects. I will not approve a bill similar to the one you are considering which provides appropriations for resuming construction of these uneconomical and environmentally unsound water projects.

I have consistently opposed these projects since 1977. Since that time, the necessity for spending federal dollars wisely has increased, not decreased.

I urge you and your colleagues to reject funding for the Yatesville and Bayou Bodcau projects.

Sincerely,

The Honorable J. Bennett Johnston
United States Senate
Washington, D.C. 20510

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PRECEDENCE

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FROM: RICK HUTCHESON
TO: PHIL WISE -
CAMP DAVID

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SPECIAL INSTRUCTIONS:

THE WHITE HOUSE

WASHINGTON

July 12, 1979

INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN WA

SUBJECT: Theme for Speech and Policy

This memorandum suggests a central theme for your forthcoming speech and for the Administration's foreign and domestic economic policy in the remainder of your first term.

I. The Theme

The energy problem is both cause and symptom of a deeper problem: The US, like other industrial societies, can no longer achieve all its important goals, as it sought to do in the high growth environment of the 1960s. In a harsher economic environment, we must choose among these goals. Our over-riding purposes must be to fight inflation, and to increase investment -- not only in energy but in other sectors as well; that is the only way we can get back on the road to high growth. In the meantime, living standards and the quality of life will have to improve less rapidly in the next few years than in the past.

This is not just a US condition. All the industrial countries at Tokyo found that they faced the same prospect, and all agreed on the same broad policies: to give priority to fighting inflation and increasing productivity. All agreed that higher energy prices mean a loss of real income, which cannot be offset by new fiscal stimulus.

Fixing priorities is difficult in a society like ours, which has been shielded by several decades of prosperity from hard choices. What is required is not merely to carry out a few discrete measures, but to hold to tough priorities across the board over the balance of 1979 and 1980. In many cases we will have to choose among different worthwhile purposes. Making these choices, and making them stick, will be a test of our own governability.

The same priorities should govern both our energy and our economic policy. This speech indicates how these criteria apply to energy; economic policy will be discussed in later speeches. A coordinated approach is needed to these two areas. (If you are minded to put a single person in charge of coordinating economic and energy policy, this would be the place to announce it.)

These priorities will also govern the allocation of the President's time. Devising measures to fight inflation and to increase productivity will come ahead of everything else.

II. Comment

There is no way out of the inflation/energy crisis without clear priorities, painful though these may be. The implications of the priorities proposed above for energy policy are evident and are covered in recommendations recently made by your advisers. The implications for economic policy are also important, and are worth mentioning here, even if they are not to figure in your speech:

-- Reducing restrictions on agricultural production (e.g., wheat set-asides), in order to enhance output in the face of an uncertain global harvest outlook.

-- Accelerated depreciation and similar tax measures to encourage investment.

-- Doing more to defer or temper government regulations, including environmental regulations, that hinder production and add to its cost.

-- Sticking to your November 1 program of fiscal and monetary restraint, even when the economy slows down.

-- Gearing any tax cuts that may be needed next year to strengthening the anti-inflation program -- e.g., cuts in payroll, instead of income, taxes.

Of course, some of the measures will be unwelcome to special interests; so will some of the energy proposals. But I believe the American people will prefer a President who tells it like it is to critics who offer superficial analyses and painless remedies.

Describing your broad priorities would convey a clear signal to both the American people and the bureaucracy. Issues that do not come to you for decision are more likely to be handled by the Executive Branch in a way consistent with your views if you have indicated publicly the broad guidelines that should govern US policy. And the American people will perceive that the Administration is following a consistent course in calling for it to give up some things we want, in order to achieve other things we want more.

There is good reason to believe these policies will succeed. The experience of Germany and Japan indicates that inflation can be overcome by fiscal and wage restraint. The recent Saudi production increase suggests that measures by the industrial countries to restrain energy demand and increase supply can pay off sooner than we expect.

But none of this will happen unless we have our priorities straight -- and stick to them, despite the risks and costs involved. This is the central message we need to get across the American people.

THE WHITE HOUSE

WASHINGTON

July 12, 1979

MEMORANDUM FOR PRESIDENT CARTER

FROM: SARAH WEDDINGTON *SW*

SUBJECT: Camp David Deliberations

Having recently taken the time to reevaluate my own staff and my work, I know how important such careful evaluation and analysis away from the day-to-day White House activities can be. I look forward to sharing my evaluation with you after your return.

Thank you for including me in the group yesterday. The comments during the return ride were very positive. I think several items not mentioned are important.

1. Newspapers have intimated that you have considered not running for reelection. I doubt the accuracy of a representation of any serious thought to such, and I believe such a course would be a great mistake.

I believe you are exactly the kind of person needed by this Nation and that your strengths and moral leadership would be sorely missed. In the absence of an expected second term, your ability to deal effectively with Congress, the public, and international leaders would be lessened far beyond any value of being able to "deal with the situation above politics."

2. WE MUST DEAL NOT ONLY WITH THE CURRENT SITUATION, BUT ALSO WITH THE PREDOMINANT EMOTIONS PEOPLE ARE EXPERIENCING: ANGER AND FRUSTRATION. I believe that it is a perceived lack of choice and uncertainty that is angering people most. To the

extent we can ease the uncertainty and emphasize the choices, the less angry the public will be. (To me, pointing to a scapegoat only increases anger.) One way to ease uncertainty is to present a clear explanation of the current situation and what the future will bring, even if that future is a gas rationing system and increased prices for greater quantities of fuel. But the aspect of choice (as less gasoline now instead of lack of winter heating oil) should be emphasized, whether it is personal choice or national choice.

3. I agree that your address to the Nation should center on OPPORTUNITIES for drawing upon our strength as an American people and learning to live within our means, rather than on blame of any group of countries or individuals for our current problems. I would center a speech and establish your leadership on the positive actions you plan to take and then leave to Jody Powell the announcement immediately of other matters (such as a change in Cabinet positions, if such were decided).
4. To my knowledge, the senior staff has never been called together to address or brainstorm the issues facing you. Such a meeting should be considered regarding future issues, if time does not currently allow such.

If personal credit is a part of the inflationary problem, why not gradually increase the monthly minimum payment on charge accounts? Is Kahn's office looking at that option? If we eventually go to a rationing system, let's not do it on a per vehicle basis (which helps those with more cars and makes old cars valuable), but perhaps on a per adult over 18 basis. Those without cars could sell their share of gas to those who have the ability to pay and choose to use more. Perhaps the zoning laws should be examined to allow more family stores in suburban neighborhoods to reduce the distances for homemakers to travel for basic family needs. Other staff members have other ideas and suggestions.

5. I believe that people are not expecting "all the answers" by the end of your Camp David sessions. I do think they are looking to you for the firm leadership which you are so capable of providing. People do believe that once you set your mind to solving a problem, you can do so.
6. After your speech is written and approved and has become a part of you, I would ask you to throw it away and, guided by its thoughts and language, visit directly with the American people. A "read speech" seldom captivates its audience, regardless of the speaker. You have a personal, warm and winning way that should be utilized to the fullest.
7. I rough drafted speech thoughts for Hamilton; a copy is attached.

Our thoughts and hopes are with you.

THE WHITE HOUSE

WASHINGTON

July 12, 1979

MEMORANDUM FOR HAMILTON JORDAN

FROM: SARAH WEDDINGTON *SW*

SUBJECT: Preliminary Thoughts for the Presidential
Speech

I wanted to share some preliminary thoughts for the tone of the speech you are working on. I would be happy to refine this, work with speech writers, or do anything else that might be helpful to you.

- Outline of topics contained in speech.

(To follow old speech wisdom: Tell them what you're going to tell them; tell them; tell them what you've told them.)

- I have had the benefit of the ideas and advice of a great many leading Americans during this week, and their help and support is deeply appreciated.

(Related comments)

- Today we have a more serious problem facing us than we have had in recent years. We have failed to recognize the limitations of the resources of our planet and have planned our lives and our habits as though energy sources such as oil would always be plentiful and low in price.
- Today we are realizing our assumption was mistaken.
- We must deal with ourselves to change our life styles, our expectations and our assumptions that life would always be as before.
- There is no group of individuals or group of nations that can be blamed, although it is certainly true that the recent actions of the OPEC cartel in dramatically increasing prices for oil have made our economic and energy problems more severe and more pressing.

- We have experienced anger, rudeness, and even tragedy for a few gallons of gasoline.
 - Out of this experience we are a more united nation, though currently united in anger, anxiety, and a collective realization that hard times are here to stay and that these hard times require strong action and sacrifice.
 - I believe that Americans will sacrifice for the common good when they know the problem, when their basic needs are met, and when sacrifice applies to all, fairly and impartially.
 - While we cannot restore our freedom to use energy without restriction, we can restore our freedom to make choices, as individuals and as a Nation.
 - We must make what are difficult choices:
 - If we continue our current habits our foreign policy might be held captive by the policies of nations located half-way around the world and the price we pay held captive by their price-settings.
 - If we choose to become energy self-sufficient, we can reassert our own control of our destiny.
- The choice is ours.
- We can choose to use our oil supplies to drive whenever and wherever we choose, but that choice means inadequate energy supplies to warm our homes in winter.

The choice is ours to make.

[Other similar statements about our choices. I believe this helps to defuse the natural anger and resentment when people feel they "have no choice"].

- To make informed choices, we must consider other information.
- When I first came to you as a Presidential candidate, the American people were experiencing a crisis of

leadership. I came in the belief that the American people wanted and deserved more, that they wanted the truth, the straight story.

- I want to report on the State of the Nation to you:

Number One -- Inflation is down for the first time in months due to a decline in food prices.

Number Two -- Unemployment is at its lowest point in five years.

Number Three -- We are already in a mild recession.

Number Four -- We have a crisis of energy.

[Continue the list, being sure to include the bad news as well as the good; as Jody says, "the bad does not improve with age."]

- After reviewing all the information available to me as President and after carefully weighing all the choices and after seeking counsel from some of the best minds and most prestigious leaders in America, I have decided to take the following steps:

[Insert positive ones; let Jody announce others.]

- We are a self-correcting Nation. The process will begin now.
- Hard times have always been the making of America. We are a nation of inventors. America is a brain trust. We can mobilize our strengths to overcome any obstacle, any crisis -- no matter its origins -- once we understand it and once we have made our choices. We can mobilize our forces more swiftly than any other nation. We are great because of the attitudes and beliefs that began this country and which are true today.

THE WHITE HOUSE

WASHINGTON

CONGRESSIONAL TELEPHONE CALL

TO: Senator John Culver

DATE: Today

RECOMMENDED BY: Dan Tate/Frank Moore *F.M.*

PURPOSE: To congratulate him on his presentation on the NBC SALT II debate last night.

BACKGROUND: As you know Senator Culver was one of three proponents (along with Adm. Gaylor and Bill Perry) of the SALT II Treaty during last night's televised debate.

TALKING POINTS: I thought you did an excellent job in presenting several points in favor of the SALT II Treaty and, in fact, all of the proponents did very well in my judgment.

I wanted to take this opportunity to thank you for your forceful and effective presentation.

I look forward to working with you as SALT II is debated in the Senate.

THE WHITE HOUSE

WASHINGTON

July 12, 1979

C
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Mr. President:

I believe the Administration needs to be on record as trying to limit the ability of the oil companies to use their windfall - or other - revenues for unnecessary acquisitions. You have indicated publicly - in statements which are attached - that you favor such limits. I believe we need to have a legislative vehicle which reinforces your statements and imposes strict merger limits.

I have developed an option which modifies the Justice Department proposal (itself a modification of the Kennedy-Metzenbaum bill). That option, No. IV in the attached memo, represents a compromise between the Kennedy-Metzenbaum approach and the Justice approach - it would impose a virtually complete ban on purchases of non-energy companies and a rebuttable presumption against purchases of energy companies. This option will be seen as a tough response to those who believe we are allowing the oil companies to use windfall revenues in any way they desire.

While I am dubious about any merger bill passing the Congress, I believe we should be seen as favoring merger restraints.

If you approve one of the options on merger limitations, we can place it in your energy announcement or announce it thereafter. I will discuss this with you and Jody after you have made a decision on an option.



Stu Eizenstat

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

July 12, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Legislation to Limit Oil
Company Mergers

The Administration has been asked to testify on a Kennedy-Metzenbaum bill to prohibit acquisitions by any of the nation's 16 largest oil companies of any firms with assets over \$100 million. Your advisers all agree that this bill is unsound in its current form and should not be supported, but there is disagreement within the Administration over whether to offer an alternative bill or to oppose all oil company merger legislation.

Oil company conglomerate merger legislation has two principal aims: (1) to restrict oil company purchases of non-energy companies and to help promote the use of funds for the development of energy resources (see Attachment 1 for recent purchases); and (2) to address the same concern which lies behind economy-wide conglomerate merger legislation: that concentrations of economic power developed through mergers have the potential to disrupt our social and political fabric.

You have publicly made clear your strong desire to see oil industry revenues used for development and not for acquisition of non-energy business, like hotels and department stores. You have indicated you would support laws to place constraints on such acquisitions.

You decided in March to defer formulation of an Administration position on general conglomerate merger legislation. As is the case with that broader legislation, oil company conglomerate merger legislation is unlikely to be enacted by this Congress. Taking an Administration position would thus not be much more than an expression of our concerns in this area.

Four basic approaches are open to the Administration.

I. Oppose any oil company conglomerate merger legislation.

Pro

1. This approach avoids taking steps which could be seen as purely punitive toward oil companies. There is no undisputed evidence that energy industry concentration is increasing through mergers or other factors. There is thus no stronger case for banning mergers in this industry than there is in industry generally. Even if restrictions on oil company acquisition of non-energy assets could be justified, limitations on the acquisition of energy related firms has no economic or energy policy justification.
2. The primary impetus behind oil company conglomerate merger legislation is restricting non-energy acquisitions and encouraging increased energy exploration and development; but a shift to energy investments is not guaranteed by such a restriction. A statute which controls non-energy acquisition by oil companies will not necessarily discourage internal growth in the non-energy areas of a firm's business, investment of its earnings in non-energy securities, increases in dividends, or retirement of debt.
3. Support of this legislation could be seen as undermining the Administration's case for the windfall profits tax and our case against plowback.

Con

1. Opposition to any oil company merger legislation would show we are unprepared to stand behind your numerous statements against oil company diversion of resources to the non-energy area. In the April 5 energy address and elsewhere, you have expressed the strong belief that energy companies should direct their investments toward energy production. (See Attachment 2.) At present, however, we have no means of ensuring that oil companies will not purchase hotels or circuses with their windfall revenues. Since your decontrol announcement, Exxon has announced plans to spend more than a billion dollars to purchase an electronics company.
2. Opposition would not respond to legitimate public concerns about concentration in the energy industry. Even if concentration is not now growing, the potential adverse effects of industry dominance by a few gigantic firms threatens to place the nation's energy future in the hands of a very few individuals.

3. Opposition to merger legislation would be viewed by those wishing to extend oil price controls as evidence of our lack of concern about how oil companies spend their windfall revenues, and they can be expected to use our opposition as a spur to this effort.

CEA and Treasury recommend opposition to any merger bill. DOE, Justice, OMB and DPS recommend support for the oil merger bills developed by the Antitrust Division of Justice.

- II. Support the Kennedy-Metzenbaum bill, which imposes an absolute ban on all acquisitions by the 16 largest oil companies of firms with \$100 million or more in assets.

Pro

1. This complete ban represents the strongest overall prohibition on oil company mergers and would place the greatest restraints on the ability of an oil company to acquire other companies.
2. This would place you as far in front of this issue as Senator Kennedy and other Congressional liberals opposed to your decontrol decision.

Con

1. This approach is without support in the Administration because of your advisers' belief that an absolute ban on all types of acquisitions is excessively restrictive. If our primary concern is ensuring that windfall revenues--and other oil company funds--are not diverted away from increased energy exploration and development, that goal can be accomplished with legislation short of a total ban.
 2. A complete ban on acquisitions goes beyond your publicly stated concern about diversion of resources into non-energy areas.
 3. Kennedy and Metzenbaum are likely to ultimately modify this bill to accord with the Administration preference, since a joint bill would have a far better chance of at least getting out of Committee.
- III. Support the Justice Department's proposal to limit major oil company acquisitions of firms having total assets or annual sales of \$100 million or more when the result would be a firm with assets or sales of \$2 billion or more, unless the acquiring firm can show that competition is enhanced by the acquisition. Under this proposal, the acquisition of leading firms of any size in a concentrated industry would also be prohibited unless the "enhancing competition" test were met.

This proposal, developed by the Antitrust Division of Justice, primarily differs from the Kennedy-Metzenbaum proposal in its reliance on a presumption against certain acquisitions rather than a complete ban. The presumption is rebuttable, depending upon whether the acquiring firm can provide evidence (to Justice or to the courts) that competition will be enhanced by the acquisition.

Pro

1. Oil companies should be discouraged from diverting their resources to non-energy uses at this critical juncture in our history. Moreover, they should have a higher standard of proof for major energy acquisitions or we may soon find solar, coal, nuclear, and syn fuels dominated by a handful of giant energy companies. This bill would not foreclose them on entry into these fields but would make it hard to acquire others as the vehicle for entry.
2. While not as strict as the Kennedy-Metzenbaum bill, this proposal would still represent a very tough approach to the problem of oil company diversion of revenues from increased exploration and production. This approach is strict enough to defuse arguments that you are permitting the oil companies to use their windfall revenues in any manner they choose.
3. It will be extremely difficult to show that competition will be "enhanced", and very few oil company acquisitions are likely to be approved. But the possibility of making such a showing avoids the unreasoned, and in particular cases unnecessary, ban contained in the Kennedy-Metzenbaum bill.

Con

1. Contains the basic defects of all merger legislation -- there is no sound economic justification for limiting mergers, nor is there any economic reason to single out the oil industry for such restrictions.
2. Does not represent a change that is meaningful in practical terms from the Kennedy-Metzenbaum approach, since few acquisitions are going to meet the test of "enhancing competition" (especially since it is a standard that must be proven by the acquiring company and not a standard that must be disproven by the government).
3. Treats energy and non-energy acquisitions alike, though a sharper distinction should be made if one of the primary purposes of this type of legislation is to ensure that oil company profits are not diverted away from energy production and development.

Justice and DOE recommend this option.

- IV. Support a modified Justice proposal, which treats energy acquisitions in the same way as the basic Justice proposal but bans completely non-energy acquisitions of firms over \$50 million or more in assets or sales.

Pro

1. Same argument as for Justice Department position (Option III).
2. Would differentiate the treatment of energy and non-energy acquisitions, and would provide the toughest treatment for non-energy acquisitions of all the proposals (including Kennedy-Metzenbaum, which has a \$100 million rather than \$50 million threshold).
3. Would represent the most demonstrable evidence of your intention to oppose oil company use of windfall revenues to purchase such entities as circuses or hotels.
4. Would provide the oil companies with the opportunity to expand into other energy-related areas if they could demonstrate an "enhancing" of competition. While that is a tough standard, it does not provide a complete ban of the type in the Kennedy-Metzenbaum bill.
5. Is tougher than the basic Justice proposal and is even more likely than that proposal to gain Kennedy-Metzenbaum support and to thwart the anti-decontrol rhetoric and efforts in Congress.

Con

1. Retains the basic problems of all merger legislation.
2. The distinction between energy and non-energy mergers may appear unnecessarily complicated.
3. This proposal, like the Kennedy-Metzenbaum and the basic Justice proposals, will greatly upset both the oil industry and big business generally. That the proposals are unlikely to pass will not reduce the volume or strength of their opposition.

DPS and OMB recommend this option.

Decision

- I. Oppose all legislation (recommended by CEA and Treasury) _____
- II. Support Kennedy-Metzenbaum. _____
- III. Support Justice proposal on both energy and non-energy acquisitions with an "enhancing competition" test (recommended by DOE and Justice) _____

- IV. Support the modified Justice proposal imposing ban on certain non-energy mergers and an "enhancing competition" test on energy mergers (recommended by DPS and OMB). _____

ATTACHMENT ONE

Examples of Mergers Consummated in 1975-1977
Which Would Have Been Challengeable Under the
Combined-Assets Provision of the Proposed Statute

Year	Acquiring Firm	Assets (millions)	Acquired Firm	Assets (millions)
1975	Anaconda	1,931.3	Walworth, Inc.	2,077.5
	Southwestern Life Corp.	1,411.4	Liberty National Life Ins.	1,082.5
	United Technologies	1,820.1	Otis Elevator	764.2
	Signal Companies	1,532.9	Universal Oil Products	443.1
	Gulf & Western	2,683.0	Kayser-Roth Corp.	402.0
	Esmark Inc.	1,473.9	International Playtex	182.0
	Crown Zellerbach Corp.	1,526.8	S. T. Corp.	179.6
	International Paper	2,729.9	General Crude Oil	108.4
	1976	Mobil Oil Co.	15,050.3	Marcor Inc.
General Electric Co.		9,763.5	Utah International Inc.	1,130.8
R. J. Reynolds		3,294.3	Burmah Oil & Gas (div.)	520.0*
Marathon Oil Co.		2,005.4	ECOL Ltd. (div.)	403.0*
Colgate-Palmolive		1,443.6	Riviana Foods Inc.	269.0
Federated Dept. Stores		1,839.9	Rich's, Inc.	178.1
Gulf & Western		3,305.7	Marquette Company	155.4
Marathon Oil Co.		2,005.4	Pan Ocean Oil Corp.	137.4
Boise Cascade Corp.		1,569.5	Ethyl Corp. (div.)	90.0*
1977	Atlantic Richfield	8,853.3	Anaconda Co.	2,050.9
	Continental Group	2,189.2	Richmond Corp.	1,255.0
	J. Ray McDermott Co.	1,117.9	Babcock & Wilcox	1,124.1
	Tenneco Inc.	7,177.1	Philadelphia Life Insurance	644.7
	Kennecott Copper	2,308.8	Carborundum Co.	532.2
	Gulf Oil Corp.	13,449.0	Kewanee Industries	389.0
	Champion International	2,180.5	Hoerner-Waldorf	365.7
	St. Regis Paper Co.	1,489.2	Southland Paper	296.6
	Tenneco Inc.	7,177.1	Monroe Auto Equipment	190.3
	Union Oil of Calif.	4,226.8	Molycorp Inc.	163.6
	American Can	1,956.0	Pickwick International	139.0
	Dresser Industries	1,721.1	Marion Power Shovel	126.0*
	IT&T Corp.	11,070.1	Carbon Industries	105.3
	Beatrice Foods	2,128.9	Harman Intl. Inds.	103.1
	Union Carbide	6,621.6	Amchem Products	97.4

* Assets unknown. Value listed is price paid for acquisition.

Source: FTC Statistical Report on Mergers & Acquisitions; W. T. Grimm & Co.:
Information for Industry, Inc.

NOTE: Dollar limits of the statute are deflated from January 1, 1979
using the Consumer Price Index.

April 4 Energy Announcement

"I will demand that they use their new income to develop energy for America, and not to buy such things as department stores and hotels, as some have done in the past."

April 10 News Conference

Opening Statement:

"The Nation has a right to expect that all of this new income will be used for exploration for oil and gas and not to buy timberlands and department stores."

Response to Question:

The oil companies will get, after the windfall tax is levied, about \$6 billion in increased revenue or income in the next 3 years. That money should be plowed back into increased production of oil and gas. And I would favor any constraints placed on the oil companies by the Congress or administratively, within my own sphere of influence, to encourage that use of increased revenues for oil and gas production.

Q. Would you require it?

Yes, I would be glad to put restraints on them. I don't know if you could require it in every instance, but I would certainly favor either laws or administrative actions to put constraints, so that they would plow back that oil into energy production.

As I said in my opening statement, for them to take that money and use it to buy circuses or to buy timberlands or to buy motels or department stores, I think contravenes that need of our country, and it contravenes the purpose that I and the Congress have in mind when we give them that additional income."

THE WHITE HOUSE

WASHINGTON

July 3, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*
SUBJECT: Energy Situation

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for Preservation Purposes**

I would like to offer my thoughts on the energy situation:

- (1) Americans are more concerned about day-to-day domestic pocketbook issues such as enough gasoline to get to and from work, than they are any other issues including SALT II.
- (2) Deal with the problem boldly and swiftly. Take sides with grass roots America -- the average individual the average business or organization -- and approach the problem from their point of view. Realize that at the grass roots level previous government efforts are not well recognized. Let each also share equally in the burden.
- (3) Declare a national energy emergency and launch an attack similar to past national projects such as the synthetic rubber and Manhattan atomic projects in World War II, and the man on the moon project in the 1960s.
- (4) Develop a program in three parts to deal with the problem:
 - Part 1 -- use available tools to contain the problem at the present level -- we must gain conservation from individuals and industry through drastic measures.
 - Part 2 -- use present and quick conversion type energy assets to relieve current supply pressures -- oil, gas, coal, hydropower, and nuclear energy. Special interest groups will get upset some, but the energy needs of the average American are more important.
 - Part 3 -- start action now to meet 21st century energy demand. The U.S. has great energy assets, but they need accelerated development -- nuclear, solar power, hydrogen, tar sands, geothermal energy.

- (5) Ask Congress for a National Energy Mobilization Act authorizing you to prepare a national energy program which would automatically take effect 60 days after you presented it to them if they failed to act on it.

THE WHITE HOUSE

WASHINGTON

CONGRESSIONAL TELEPHONE CALL

TO: Senator Barry Goldwater

DATE: Tonight, July 12, 1979

RECOMMENDED BY: Frank Moore, Bob Thomson

PURPOSE: To solicit Senator Goldwater's help on the Panama Canal implementing legislation

BACKGROUND: The Senate Armed Services Committee plans to mark up the Panama bill this week, starting July 13. The committee is evenly balanced between pro- and anti-treaty forces. The effort to get a bill which is a big improvement over the House version could be in trouble in Committee if Republicans vote solidly against it. However, moderates like Cohen and Warner are likely to be amenable to a reasonable bill if one of the senior Republicans goes for it. Goldwater, who was ambivalent about the Treaties and who is highly conscious of the honor of both the Senate and the United States, may be a good bet to break Republican ranks. The best arguments would probably be 1) the need for the U.S. Government to live up to its Treaty commitment, and 2) the military and economic importance of avoiding instability around the canal.

TOPICS OF DISCUSSION:

1. The Panama Treaty implementing bill will be marked up in the Armed Services Committee this week.
2. I know that you will do all you can to assure that we live up to the commitments which the Executive Branch and the Senate have undertaken in the Panama Treaties.
3. It would be extremely unfortunate if we should have a break in the operation of the canal because the implementing legislation is inadequate.

4. The House bill has a number of undesirable provisions, including some that are inconsistent with the Treaties.
5. The most offensive of the House bill's provisions, from the standpoint of compliance with the treaty, are those which would 1) deny payments to Panama if Panama interferes in another country's internal affairs 2) effectively deny Panama the "contingency" payment of up to \$10 million by requiring that a number of so-called "costs" be paid by the Commission first; and 3) require legislation to transfer property--even that which is transferred by the Treaty.
6. Senator Stennis and Senator Levin are trying to get a Senate bill which will be fully consistent with the Treaties and will guarantee the smooth running of the Canal. I hope you will join that effort.

DATE OF SUBMISSION: July 12, 1979

President To Call Congressman Sam Gibbons (Fla)

When Wednesday Night / There is a delegation meeting at 9 am, markup at 10 am

Why Cost Containment

Background

We have 18 votes and need 19. Gibbons was counted on as the 19th until late today.

Gibbons has said that although he does not like regulations, he would not be the person to kill the bill. He is in that position now.

Jim Jones moved to hold the bill markup over for one week so that he could come up with a substitute. This would have replaced the mandatory aspects of our bill. Gibbons voted for the deal because Jones sold him on the idea that the substitute would be based on competition rather than regulations.

Gibbons is mad that Jones' motion failed (18-18) He feels Jones should have had a week.

Gibbons also says a call from Eizenstat upset him.

Rangel believes Sam is just looking for someone to blame.

Talking Points

You are for deregulation. Airlines already. Trucks deregulation proposed. Gasoline deregulation has cost you dearly in the public because you did what was right and not what was politically safe. (Gibbons voted for it)

The Jones proposal is not cost containment. It is theory but you have endorsed the idea of competition in health in your national health proposals. "any of the ideas are the same.

The so-called Entoven proposal for competition (Jones idea) has been around for a long time. Why was this not developed before today -- the answer is because it looked like the hospital people had the votes to kill cost containment. When they knew they did not have the votes, then this proposal came forth.

This proposal basically has more to do with broad scale restructuring of the entire health care system.

When hearings were held by Jones this week, which Gibbons attended, CBO (Alice Rivlin) said that competition was good, but that you could not rely on that alone in health, that cost containment was necessary.

This is the only anti-inflation piece of legislation before the Congress.

If this bill is pulled or defeated, it would add to the preception that major energy and inflation legislation is stalled. The President will take the blame, not the Congress.

You know that Sam has supported you on this bill in good measure so far, but he has said he would not kill the bill and that is the situation now.

If we do NOT CONVERT GIBBONS
the bill will be pulled off FRIDAY.

THE WHITE HOUSE

WASHINGTON

July 13, 1979

MR. PRESIDENT:

At 8 p.m. this evening we received the two attached memoranda from Jim Schlesinger. In both memos, he raises the issue of using Section 110(f) of the Clean Air Act as a means of potentially increasing distillate stocks. As recently as this afternoon, Schlesinger's senior staff told us this proposal may well be unworkable. EPA also has serious reservations about whether this would in fact bring distillate to the U.S., though EPA is willing to use the 110 (f) authority if it can increase stocks.

Given the environmental consequences of a Clean Air Act waiver, the political controversy it would engender and a major question about whether this authority should be reserved for next winter, I recommend that you not use this for your speeches Sunday and Monday.

On an expedited basis we will work with EPA and DOE to try to design a Clean Air Act waiver program in which we have confidence about the results. If savings can be realized in this area, I will get a memorandum to you at the end of next week recommending that we support it.

I need not comment on the other points raised in the Message on Energy memorandum because you have already made your decisions. Jim's memo is not intended to appeal your decisions but was to be recorded by you before your decisions.



Stu Eizenstat



Department of Energy
Washington, D.C. 20585

July 13, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER

SUBJECT:

Message on Energy

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Your upcoming energy address offers an opportunity to exert leadership and to develop consensus on the major elements of energy policy. The Administration can expand upon existing Congressional efforts by providing a coherent strategy and a balanced program of import reductions from synthetic fuels and other options. To do so, the program must be bold and credible, and it must lay the basis for continuing import reductions.

Import Reduction Task Force Proposals

I recommend option C in the report of the Import Reduction Task Force, which proposes a 4 MMBD import reduction goal for 1990 to be achieved by at least 2 MMBD of synthetic fuels production and 2 MMBD through increased production and fuel switching. In addition, conservation initiatives for residential retrofits and auto fuel efficiency should be added to provide balance to the overall program.

These recommendations are based on the following considerations:

First, the proposal must be bold. The American people and the Congress are finally willing to face up to the Nation's energy crisis. Production of petroleum liquids and natural gas from synthetic fuels has captured the attention and support of a broad spectrum of interests, including labor, industry and the media. Consequently, anything less than the synthetic fuels goal of 2 MMBD in 1990, established in the Moorhead bill would be considered an inadequate response (passed the House by a 368-25 vote.)

Now is the best and perhaps the only opportunity to place a challenging goal before the Nation that will evoke broad support and can be achieved by marshalling our great industrial and technical capacity. You should call for a maximum effort. While there is some disagreement as to how much more than 2 MMBD can be achieved there is general agreement that there are no technical limits that would restrict us to this level. We can always reduce the goal in the coming years but it will be very difficult to increase it.

Second, it is important to lay the basis for a potentially rapid development of the synthetic fuels industry in the 1990's. In contrast to incremental conservation, fuel switching, and oil and gas supplies, where each addition costs more, synthetic fuels provide readily expandable and secure supplies at constant real prices based on the Nation's vast reserves of coal and shale.

A convincing demonstration of the Nation's capacity to supplant imported oil has value not only for the direct reduction in demand on world oil markets, but also for the potential effect on OPEC pricing. Development of a base from which further import reductions can be readily obtained would tend to place a cap on world oil prices as the OPEC countries perceive the limit to their pricing power and the threat to their markets and revenues at higher prices.

Some of the other options, such as phasing oil out of utility boilers and some of the production incentives for heavy oil only accelerate import reductions that would take place anyway. The development of a synthetic industry, however, opens up large new supplies of liquid fuels for many decades in the future.

Third, the import savings must be credible. The projected import savings from the non-synthetic fuels initiatives in the report of the Import Reduction Task Force assume passage of legislation as submitted by the Administration. Based on experience in enacting the National Energy Act, the Administration's proposals are likely to be watered down. Finally, the projected import savings generally depend on a private sector response that is always hard to estimate.

The situation with synthetic fuels stands in sharp contrast. Congress is willing to provide the Administration with the necessary legislative authorities and funds to achieve an ambitious target. Unlike the other programs, the synthetic fuels program does not require changes in behavior or industrial practice.

Adjustments to the goal for synthetic fuels could be made as we gain experience. It makes little sense at this time, however, when there is such a strong need for the Congress and the Executive Branch to move forward together on new energy programs, to retreat from a strong but reasonable target. Whether the goal is achieved exactly in 1990 is less important than establishing a strong goal and committing resources to its achievement.

I believe a successful initiative in synthetic fuels can best be launched by a new corporation with policy and operational ties to the Department of Energy. There is indication that a proposal to establish a separate new cooperative entity will meet substantial resistance in the Congress. An identifiably separate entity is needed to concentrate resources on the task and as a symbol of the Nation's commitment. It is important, however, not to waste time in creating the new organization. Much of the necessary expertise exists in the Department of Energy and its national laboratories as a result of the consolidation of energy agencies in the Department of Energy. Accordingly, the best solution is to create an independent entity, which can draw upon the resources at DOE, with the Secretary of Energy as Chairman of the Board and a separate Chief Executive Officer who would be in charge of the day-to-day management (Option C in the Task Force report).

Finally, no effort in synthetic fuels will bear fruit if some way is not found to short-circuit the procedural impediments in permitting and judicial review that currently threaten any major energy project in the Nation. For this reason, I think it is essential that a strong, centralized expediting authority, such as an Energy Mobilization Board, be adopted. Option 4, as described in the Task Force Memorandum, provides the necessary tools to move not only synthetic fuels projects, but also other major energy facilities. If steps are not taken to reduce the endless red-tape and court challenges, it will be impossible to meet any reasonable import reduction goal in the future.

In summary, I recommend:

- Option C of the Task Force report (a minimum of 2 MMBD of synthetic fuels with other initiatives, including conservation);
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Other Issues to be Covered in the Memorandum

I recommend that three additional issues be covered in your address to the Nation:

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One way to add about 10 million barrels per day to distillate stocks over the next four months would be through temporary waivers of sulfur emission limits required by the Clean Air Act. Under this proposal, which is detailed in a separate memorandum, health based air quality standards would not be violated.

To deal with such situations in the future, some relatively minor statutory changes would also be required in the Clean Air Act. These changes would allow extension of variances if oil shortages continue and would provide a more flexible basis for granting temporary waivers under the Clean Air Act.

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- o expanded use of the light water reactor in a manner that assures the public health and safety;
- o effective and responsible management of nuclear waste materials;
- o continued attention to our nonproliferation goals to assure that civilian nuclear power is not the source of materials or technology for use in nuclear explosives; and
- o the effective research program aimed at providing essentially inexhaustible nuclear energy on a timely basis.

But policy is not action; and these goals cannot be achieved unilaterally by this Administration. It is essential that nuclear opponents and advocates alike end the intransigence that has thus far stalemated the progress which our Nation urgently needs. We must work together to assure the safety of the light water reactor. I look forward to the recommendations of the Kemeny Commission, which I chartered after the Three Mile Island accident to provide an independent assessment of the ways to do this. We must work together to assure the safe and environmentally acceptable disposal of nuclear waste materials; and we must continue our international leadership in the nonproliferation arena.

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IMMEDIATE
PRECEDENCE

UNCLAS
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: STU ERENSTAT
TO: PHIL WISE FOR THE
PRESIDENT

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WHITE HOUSE
SITUATION ROOM

THE WHITE HOUSE

WASHINGTON

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Department of Energy
Washington, D.C. 20585

July 13, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER 

SUBJECT:

Section 110(f) Waivers of the Clean Air Act to Increase Distillate Supply

I continue to be concerned over the level of distillate stocks and the pace of building those stocks toward safe levels for this winter, despite measures already taken.

Last week primary distillate stocks were at 148 million barrels (MMB)--slightly above the estimated minimal acceptable level for this time of year, and more than 15 MMB below the level for the same week of last year. In order to reach the October target stock level of 240 MMB, an average of about 800 thousand barrels per day would have to be added to distillate stocks over the next three months. Only in the last three weeks have distillate stocks increased at an acceptable rate; stock additions over the preceding six weeks averaged around 270 thousand barrels a day. Although the present rate of stock accumulation is expected to continue, achievement of the October target is by no means assured.

Distillate supply could be increased without reducing gasoline availability by temporary waivers of the sulfur emission limits required by the Clean Air Act. Such waivers could save an estimated 100 thousand barrels per day of vacuum gasoil that would otherwise be blended into residual oil (resid) in the Caribbean to lower the sulfur content. The gasoil is a feedstock which may be processed to yield a high proportion of distillate. These waivers of sulfur emission limits can remain in effect for only 4 months, roughly coinciding with the period of stock build-up. About 10 million barrels could be added to distillate stocks by these environmental waivers.



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The policy issue here is one of balance between adequate gasoline and distillate supplies and lower prices, and a temporary lifting of environmental controls. Although environmental controls are important for the long term protection of public health, the potential impact of distillate or gasoline shortages on health and safety, not to mention the cost and inconvenience imposed by shortages, leads me to conclude that a temporary and selective relaxation of environmental controls would be the best policy. If the overall supply situation improves with increased crude imports and higher refinery yields, then the environmental controls could be placed back into effect. The main consideration is to gain flexibility in managing the current crisis without exacerbating the gasoline problem or causing a distillate shortage this winter.

The overall effect of these temporary waivers on the environment would be minimal. A preliminary review of air quality for East Coast states, which are those principally affected, shows that somewhat higher sulfur resid could be burned in most powerplants without violating the health standards for sulfur dioxide and particulates. To guard against any adverse health effects in local areas, waiver plans could be tailored to exclude those few areas where increased sulfur dioxide emissions would have a significant potential impact on public health. In any case, sulfur oxides present a long-term threat to health and they should have little short-term impact over a four-month period.

The legal authorities that would be used to free up distillate supplies are contained in the National Energy Act (Fuel Use Act) and the Clean Air Act. Under the recommended approach, the President would prohibit the use of low sulfur resid in specified plants under the Fuel Use Act, upon a finding that a severe energy supply interruption exists. Facilities which are ordered off low sulfur resid may then request a waiver of sulfur emission limits under the emergency variance provisions of the Clean Air Act (this procedure is described more thoroughly in Tab A). The following steps would be taken by DOE and EPA to implement the recommended program:

- o DOE and EPA would identify power plants presently burning residual oil of less than 1% sulfur.
- o The President's prohibition order for individual plants would contain the following conditions:

- the plant would have to show it is supplied by a Caribbean refiner,
 - the plant would have to demonstrate through a certification provided by the Caribbean refinery that the waiver will result in imported gasoil from the Caribbean,
 - DOE would determine that the plant does not have natural gas available to it as an alternative fuel,
 - EPA would determine that the use of higher sulfur residual oil through November 15, 1979 will not violate primary ambient air quality standards and
 - for plants meeting these conditions, EPA will grant section 110(f) waivers within two weeks.
- o DOE will monitor imports of gasoil by refinery of origin to determine increases in gasoil imports resulting from the waivers.

EPA has raised questions as to whether the gasoil will actually be imported into the U.S. The Department believes that, through certification by refiners that the product will be shipped to the U.S., coupled with reporting of gasoil imports, there will be adequate assurance the U.S. will receive additional gasoil in exchange for 110(f) waivers. In addition, the Department is planning to provide entitlement benefits for gasoil, which will provide an economic incentive to bring this product into the U.S.

To deal adequately with continued shortages and future supply interruptions, some statutory changes are needed to provide adequate flexibility to provide certain Clean Air Act waivers. In particular, present authority in the Fuel Use Act should be changed to permit State implementation plan requirements to be suspended by Governors for the duration of any prohibition order. This change would allow extensions of environmental waivers and streamline the waiver process. Tab B contains the proposed amendment to FUA. If enacted in the next four months, this amendment would provide additional flexibility this winter and next year as needed.

Recommendation

I recommend the immediate granting of environmental waivers and submission of legislation to provide flexibility in the future.

TAB A

LEGAL ACTION NECESSARY TO OBTAIN SECTION 110(f) WAIVERS

Section 110(f) of the Clean Air Act is a measure requiring four separate Federal or state actions prior to the granting of a temporary, one-time, 4-month waiver. After application by a fuel burning stationary source, the Governor of a State may petition the President to determine that a national or regional emergency exists. Following such determination by the President, the Governor must then make two findings, which are discussed below, prior to issuing a waiver. EPA then has the power to approve or disapprove the suspension (waiver) request.

Prior to the issuance of a waiver, a State Governor must determine that emergency shortage of energy supplies for powerplants, buildings, or industrial plants exists and is presently affecting employment or residential energy supplies in his State. This provision arguably prevents use of 110(f) waivers in anticipatory and preventive situations such as the one the nation now faces with respect to middle distillates. An indirect method is available, however, by which the provisions of the Powerplant and Industrial Fuel Use Act (FUA) can be used to create the type of fuel shortage which is required to activate section 110(f) of the Clean Air Act.

Under section 404(b) of FUA, the President has the authority to prohibit given utility powerplants and industrial fuel burners from burning any specified petroleum product, such as low sulfur resid. As a condition, the President must have declared a severe energy supply interruption under section 3(8) of the Energy Policy and Conservation Act. This supply interruption finding is identical to that necessary to implement the Emergency Building Temperature Restriction Program.

Facilities that are ordered off middle distillate may then request the four-month waiver of the sulfur limitations placed on them by their state implementation plans, pursuant to section 110(f) of the Clean Air Act. The section 404 prohibition would continue for 90 days and extension would require Congressional approval.

TAB B

PROPOSED AMENDMENT TO
404 POWERPLANT AND INDUSTRIAL FUEL USE ACT (Pub. L. 95-620)
(b) EMERGENCY PROHIBITION ON USE OF NATURAL GAS OR PETROLEUM

If the President declares a severe energy supply interruption, as defined in section 3(8) of the Energy Policy and Conservation Act, the President may, by order, prohibit any electric powerplant or major fuel-burning installation from using natural gas or petroleum, or both, as a primary energy source for the duration of such interruption. Notwithstanding any other provision of this section, any suspension of emission limitations or other requirements of applicable implementation plans, as defined in section 110(d) of the Clean Air Act, required by such prohibition shall be issued [only in accordance with section 110(f) of the Clean Air Act] by the Governor of the State in which the affected source is located, upon application by the owner or operator of such source, and after notice and opportunity for public hearing, and shall remain effective for the same period as such prohibition order.



Department of Energy
Washington, D.C. 20585

July 13, 1979

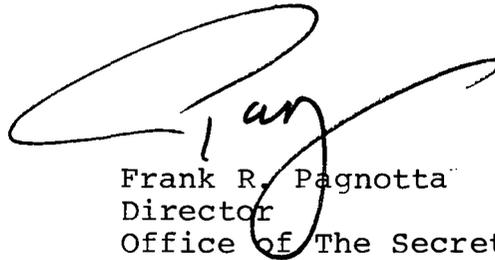
NOTE TO BILL SIMON

Pursuant to my telephone call attached is the second part of the message I sent you earlier.

If you send it up tomorrow I believe it will take care of it.

If you have any questions call me.

Thanks.



Frank R. Pagnotta
Director
Office of The Secretary

Attachment



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- o DOE will monitor imports of gasoil by refinery of origin to determine increases in gasoil imports resulting from the waivers.

EPA has raised questions as to whether the gasoil will actually be imported into the U.S. The Department believes that, through certification by refiners that the product will be shipped to the U.S., coupled with reporting of gasoil imports, there will be adequate assurance the U.S. will receive additional gasoil in exchange for 110(f) waivers. In addition, the Department is planning to provide entitlement benefits for gasoil, which will provide an economic incentive to bring this product into the U.S.

To deal adequately with continued shortages and future supply interruptions, some statutory changes are needed to provide adequate flexibility to provide certain Clean Air Act waivers. In particular, present authority in the Fuel Use Act should be changed to permit State implementation plan requirements to be suspended by Governors for the duration of any prohibition order. This change would allow extensions of environmental waivers and streamline the waiver process. Tab B contains the proposed amendment to FUA. If enacted in the next four months, this amendment would provide additional flexibility this winter and next year as needed.

Recommendation

I recommend the immediate granting of environmental waivers and submission of legislation to provide flexibility in the future.

TAB A

LEGAL ACTION NECESSARY TO OBTAIN SECTION 110(f) WAIVERS

Section 110(f) of the Clean Air Act is a measure requiring four separate Federal or state actions prior to the granting of a temporary, one-time, 4-month waiver. After application by a fuel burning stationary source, the Governor of a State may petition the President to determine that a national or regional emergency exists. Following such determination by the President, the Governor must then make two findings, which are discussed below, prior to issuing a waiver. EPA then has the power to approve or disapprove the suspension (waiver) request.

Prior to the issuance of a waiver, a State Governor must determine that emergency shortage of energy supplies for powerplants, buildings, or industrial plants exists and is presently affecting employment or residential energy supplies in his State. This provision arguably prevents use of 110(f) waivers in anticipatory and preventive situations such as the one the nation now faces with respect to middle distillates. An indirect method is available, however, by which the provisions of the Powerplant and Industrial Fuel Use Act (FUA) can be used to create the type of fuel shortage which is required to activate section 110(f) of the Clean Air Act.

Under section 404(b) of FUA, the President has the authority to prohibit given utility powerplants and industrial fuel burners from burning any specified petroleum product, such as low sulfur resid. As a condition, the President must have declared a severe energy supply interruption under section 3(8) of the Energy Policy and Conservation Act. This supply interruption finding is identical to that necessary to implement the Emergency Building Temperature Restriction Program.

Facilities that are ordered off middle distillate may then request the four-month waiver of the sulfur limitations placed on them by their state implementation plans, pursuant to section 110(f) of the Clean Air Act. The section 404 prohibition would continue for 90 days and extension would require Congressional approval.

TAB B

PROPOSED AMENDMENT TO
404 POWERPLANT AND INDUSTRIAL FUEL USE ACT (Pub. L. 95-620)
(b) EMERGENCY PROHIBITION ON USE OF NATURAL GAS OR PETROLEUM

If the President declares a severe energy supply interruption, as defined in section 3(8) of the Energy Policy and Conservation Act, the President may, by order, prohibit any electric powerplant or major fuel-burning installation from using natural gas or petroleum, or both, as a primary energy source for the duration of such interruption. Notwithstanding any other provision of this section, any suspension of emission limitations or other requirements of applicable implementation plans, as defined in section 110(d) of the Clean Air Act, required by such prohibition shall be issued [only in accordance with section 110(f) of the Clean Air Act] by the Governor of the State in which the affected source is located, upon application by the owner or operator of such source, and after notice and opportunity for public hearing, and shall remain effective for the same period as such prohibition order.

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Department of Energy
Washington, D.C. 20585

July 13, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER

SUBJECT:

Message on Energy



Your upcoming energy address offers an opportunity to exert leadership and to develop consensus on the major elements of energy policy. The Administration can expand upon existing Congressional efforts by providing a coherent strategy and a balanced program of import reductions from synthetic fuels and other options. To do so, the program must be bold and credible, and it must lay the basis for continuing import reductions.

Import Reduction Task Force Proposals

I recommend option C in the report of the Import Reduction Task Force, which proposes a 4 MMBD import reduction goal for 1990 to be achieved by at least 2 MMBD of synthetic fuels production and 2 MMBD through increased production and fuel switching. In addition, conservation initiatives for residential retrofits and auto fuel efficiency should be added to provide balance to the overall program.

These recommendations are based on the following considerations:

First, the proposal must be bold. The American people and the Congress are finally willing to face up to the Nation's energy crisis. Production of petroleum liquids and natural gas from synthetic fuels has captured the attention and support of a broad spectrum of interests, including labor, industry and the media. Consequently, anything less than the synthetic fuels goal of 2 MMBD in 1990, established in the Moorhead bill would be considered an inadequate response (passed the House by a 368-25 vote.)

Now is the best and perhaps the only opportunity to place a challenging goal before the Nation that will evoke broad support and can be achieved by marshalling our great industrial and technical capacity. You should call for a maximum effort. While there is some disagreement as to how much more than 2 MMBD can be achieved there is general agreement that there are no technical limits that would restrict us to this level. We can always reduce the goal in the coming years but it will be very difficult to increase it.

Second, it is important to lay the basis for a potentially rapid development of the synthetic fuels industry in the 1990's. In contrast to incremental conservation, fuel switching, and oil and gas supplies, where each addition costs more, synthetic fuels provide readily expandable and secure supplies at constant real prices based on the Nation's vast reserves of coal and shale.

A convincing demonstration of the Nation's capacity to supplant imported oil has value not only for the direct reduction in demand on world oil markets, but also for the potential effect on OPEC pricing. Development of a base from which further import reductions can be readily obtained would tend to place a cap on world oil prices as the OPEC countries perceive the limit to their pricing power and the threat to their markets and revenues at higher prices.

Some of the other options, such as phasing oil out of utility boilers and some of the production incentives for heavy oil only accelerate import reductions that would take place anyway. The development of a synthetics industry, however, opens up large new supplies of liquid fuels for many decades in the future.

Third, the import savings must be credible. The projected import savings from the non-synthetic fuels initiatives in the report of the Import Reduction Task Force assume passage of legislation as submitted by the Administration. Based on experience in enacting the National Energy Act, the Administration's proposals are likely to be watered down. Finally, the projected import savings generally depend on a private sector response that is always hard to estimate.

The situation with synthetic fuels stands in sharp contrast. Congress is willing to provide the Administration with the necessary legislative authorities and funds to achieve an ambitious target. Unlike the other programs, the synthetic fuels program does not require changes in behavior or industrial practice.

Adjustments to the goal for synthetic fuels could be made as we gain experience. It makes little sense at this time, however, when there is such a strong need for the Congress and the Executive Branch to move forward together on new energy programs, to retreat from a strong but reasonable target. Whether the goal is achieved exactly in 1990 is less important than establishing a strong goal and committing resources to its achievement.

I believe a successful initiative in synthetic fuels can best be launched by a new corporation with policy and operational ties to the Department of Energy. There is indication that a proposal to establish a separate new cooperate entity will meet substantial resistance in the Congress. An identifiably separate entity is needed to concentrate resources on the task and as a symbol of the Nation's commitment. It is important, however, not to waste time in creating the new organization. Much of the necessary expertise exists in the Department of Energy and its national laboratories as a result of the consolidation of energy agencies in the Department of Energy. Accordingly, the best solution is to create an independent entity, which can draw upon the resources at DOE, with the Secretary of Energy as Chairman of the Board and a separate Chief Executive Officer who would be in charge of the day-to-day management (Option C in the Task Force report).

Finally, no effort in synthetic fuels will bear fruit if some way is not found to short-circuit the procedural impediments in permitting and judicial review that currently threaten any major energy project in the Nation. For this reason, I think it is essential that a strong, centralized expediting authority, such as an Energy Mobilization Board, be adopted. Option 4, as described in the Task Force Memorandum, provides the necessary tools to move not only synthetic fuels projects, but also other major energy facilities. If steps are not taken to reduce the endless red-tape and court challenges, it will be impossible to meet any reasonable import reduction goal in the future.

In summary, I recommend:

- Option C of the Task Force report (a minimum of 2 MMBD of synthetic fuels with other initiatives, including conservation);
- The creation of an independent entity to manage the synthetic fuels program with policy and operational ties to the Department of Energy; and

--The creation of an Energy Mobilization Board to expedite the development of critical energy facilities.

Other Issues to be Covered in the Memorandum

I recommend that three additional issues be covered in your address to the Nation:

Alaska Natural Gas

The financial incentives for synfuels and utilities contained in your program may reduce the private sector's willingness to undertake financing of the Alaska Natural Gas Pipeline project. To assure that financing problems do not delay this vital, near-term energy source, Presidential leadership will be required. I suggest that you support this project in your energy message by announcing that you will call project sponsors, industry representatives, and members of the financial community to the White House to firm up development and financing plans. This action could give the project a needed boost and ensure its development in the 1984-1985 period.

The Nuclear Option

Nuclear energy will be an important element of a balanced energy program. The other members at the Tokyo Summit have taken a strong position in favor of nuclear energy. Presidential leadership will be required however, if the nuclear option is to make a substantial contribution in this country. Draft language which addresses this issue is attached for the President's message.

Distillate Supplies

The Administration is committed to ensuring adequate supplies of home heating oil this winter and has set a target stock level of 240 million barrels of distillate by October. To assure attainment of the goal, DOE may be put in a position of increasing distillate production at the expense of gasoline production during the peak driving month of August and in September.

One way to add about 10 million barrels per day to distillate stocks over the next four months would be through temporary waivers of sulfur emission limits required by the Clean Air Act. Under this proposal, which is detailed in a separate memorandum, health based air quality standards would not be violated.

To deal with such situations in the future, some relatively minor statutory changes would also be required in the Clean Air Act. These changes would allow extension of variances if oil shortages continue and would provide a more flexible basis for granting temporary waivers under the Clean Air Act.

Attachment

Attachment

Nuclear energy is now making a significant, useful contribution to our energy economy. In many parts of the country nuclear energy offers substantial economic and environmental advantages over fossil fuels for electricity generation. This indigenous resource has the potential to become an even greater contributor in the future. But the extent to which this potential will be realized depends upon actions which we take now. The central features of the Administration's nuclear policy are:

- o expanded use of the light water reactor in a manner that assures the public health and safety;
- o effective and responsible management of nuclear waste materials;
- o continued attention to our nonproliferation goals to assure that civilian nuclear power is not the source of materials or technology for use in nuclear explosives; and
- o the effective research program aimed at providing essentially inexhaustible nuclear energy on a timely basis.

But policy is not action; and these goals cannot be achieved unilaterally by this Administration. It is essential that nuclear opponents and advocates alike end the intransigence that has thus far stalemated the progress which our Nation urgently needs. We must work together to assure the safety of the light water reactor. I look forward to the recommendations of the Kemeny Commission, which I chartered after the Three Mile Island accident to provide an independent assessment of the ways to do this. We must work together to assure the safe and environmentally acceptable disposal of nuclear waste materials; and we must continue our international leadership in the nonproliferation arena.

I am confident that this Nation possesses in abundance the technical and management skills to achieve these ends. What is needed is the alignment of our will with our abilities.