

9/8/79

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THE WHITE HOUSE

WASHINGTON

September 8, 1979

TO WATSON -
JC

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Proposed Telegrams to Major Oil Company Executives

Yesterday, Texaco Inc. announced a four point plan to provide emergency home heating oil assistance this winter by:

- Maximizing production of middle distillate;
- Holding the line on home heating oil prices;
- Providing emergency supplies of heating oil to needy households, whether or not they are regular Texaco customers; and
- Improving Texaco's credit terms to wholesalers, who, in turn, are asked to ease credit terms to retail customers.

Charles Duncan, Stu, Anne and Jody join me in recommending that you send the attached telegrams to the Chief Executive Officer of Texaco and CEO's of other selected major oil companies. If you approve, the text of the telegrams will be released to the press. They need to go out immediately. Charles Duncan will be working with other oil companies to follow up on your request that they take similar action. If possible, we would like you to be able to announce some progress in this effort in Hartford on Wednesday.

Approve sending and release of telegrams

Disapprove sending of telegrams

*on second telegram,
leave out repetitive
references to Texaco - use
it once*

TELEGRAM

The White House

Washington

September 8, 1979

FULL RATE
(STRAIGHT TELEGRAM)
NIGHT LETTER
MAILGRAM

ok
J

Mr. Maurice F. Granville
Chief Executive Officer
Texaco Inc.
135 East 42nd Street
New York, New York 10017

TO MAURICE GRANVILLE

I APPLAUD YOUR LEADERSHIP IN INITIATING TEXACO'S PROGRAM
TO ALLEVIATE HOME HEATING OIL PRICES AND SUPPLY HARDSHIPS
THIS WINTER.

MEMBERS OF MY STAFF HAVE ALREADY MET WITH TEXACO REPRESENTATIVES
TO ASSURE THAT FEDERAL AND LOCAL ACTIVITIES ARE COORDINATED
WITH TEXACO'S PROGRAM. IN ADDITION, I HAVE SENT A TELEGRAM
TO OTHER OIL COMPANIES ASKING THAT THEY TAKE SIMILAR ACTION.

SINCERELY,

JIMMY CARTER

**Electrostatic Copy Made
for Preservation Purposes**

J. Watson
APPROVED FOR DISPATCH

TELEGRAM

ok
J

The White House Washington

September 8, 1979

FULL RATE
(STRAIGHT TELEGRAM)
NIGHT LETTER
MAILGRAM

ONE OF THE MAJOR OIL COMPANIES

I commend to you the program (Texaco Inc.) announced yesterday on home heating oil prices, emergency supplies and credit terms. We are working ~~[with Texaco]~~ to maximize the assistance this plan can provide to consumers, particularly the low-income and the elderly.

This program
^Texaco is: (1) holding the line on home heating oil prices; (2) providing emergency supplies of heating oil to needy households, whether or not they are regular Texaco customers; and (3) improving ~~[Texaco's]~~ credit terms to wholesalers, who in turn are asked to ease credit terms to retail customers.

this
I applaud ~~Texaco's~~ initiative and urge you to take similar action to help keep heating oil prices stable and to assist in meeting emergency supply and credit needs. I assure you of my strong support in these efforts, and I will continue to work with Congress to make emergency funds available in time for this winter.

I have asked Secretary Duncan to work with you in every way possible to alleviate home heating oil price and supply hardships this winter.

Sincerely,

Jimmy Carter

J. Watson
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THE WHITE HOUSE

WASHINGTON

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APPROVED FOR DISPATCH

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NIGHT LETTER
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Washington

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Sincerely,

Jimmy Carter


APPROVED FOR DISPATCH

Phil had seen

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THE WHITE HOUSE
WASHINGTON

11:20
Sept 11

Mr. President:

Brenden Byrne, who is heading up a citizens' committee for windfall profits tax, is scheduled to be in the New Coalition meeting with you next week. Anne would like you to see him for 5 minutes before to thank him for his help on this and urge his strong action on this.

approve disapprove

Phil

THE WHITE HOUSE
WASHINGTON
9/8/79

Ev Small

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

Rick Hutcheson

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
FOR APPROPRIATE HANDLING
LAST DAY FOR ACTION

to in Small

ADMIN CONFID
CONFIDENTIAL
SECRET
EYES ONLY

ACTION
FYI

VICE PRESIDENT
JORDAN
CUTLER
DONOVAN
EIZENSTAT
MCDONALD
MOORE
POWELL
WATSON
WEDDINGTON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE
ANDRUS
ASKEW
BERGLAND
BROWN
CIVILETTI
DUNCAN
GOLDSCHMIDT
HARRIS
KREPS
LANDRIEU
MARSHALL

MILLER
VANCE
BUTLER
CAMPBELL
H. CARTER
CLOUGH
CRUIKSHANK
FIRST LADY
FRANCIS
HARDEN
HERTZBERG
HUTCHESON
KAHN
LINDER
MARTIN
MILLER
MOE
PETERSON
PRESS
SANDERS
SPETH
STRAUSS
TORRES
VOORDE
WISE

THE WHITE HOUSE
WASHINGTON

September 7, 1979

To: Susan Clough

Per the President's request, I
have attached Congressman Erdahl's
recent letter, with the enclosure.

Frank Riley
Congressional Liaison
OEOB Room 109
ext. 2755

*Thank you
J*

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COMMITTEES:
EDUCATION AND LABOR
SMALL BUSINESS
DISTRICT, MINNESOTA
COUNTIES:
KOTA RICE
EDGE STEELE
LLMORE WABASHA
ODDhue WASHINGTON
OUSTON WINONA
LMSTED

WASHINGTON OFFICE:
1017 LONGWORTH HOUSE OFFICE BUILDING
202-225-2271

DISTRICT OFFICES:
704 MARQUETTE BANK BUILDING
ROCHESTER, MINNESOTA 55901
507-288-2384
33 E. WENTWORTH AVENUE
WEST ST. PAUL, MINNESOTA 55118
612-725-7716

CONGRESSMAN ARLEN ERDAHL
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

August 27, 1979

Ack ~~by~~ by P
CONGRESSIONAL
LIAISON

SEP 5 1979

President Jimmy Carter
The White House
Washington, D.C. 20500

Dear President Carter:

Thanks for stopping and greeting our mutual constituents in Wabasha and Winona, Minnesota during your recent Mississippi River trip. I'm sure you found the people to be very warm and friendly and found the scenery to be most beautiful.

Enclosed is a special section from the August 23, 1979, Wabasha County Herald regarding your visit which I thought you might enjoy.

With best regards, I am

Sincerely,
Arden Erdahl
ARLEN ERDAHL
Member of Congress

AE:aw
Enc.

CS01
PEOG

THE WHITE HOUSE
WASHINGTON

9/8/79

Secretary Andrus
Adminstrator Costle
Chairman Speth

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

Rick Hutcheson

cc: Hamilton Jordan
Al McDonald

THE WHITE HOUSE

WASHINGTON

September 6, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN
ALONZO MCDONALD *AMC*

The attached memorandum from Secretary Andrus, Gus Speth, and Doug Costle urges you to reverse our position on the "Dingell versus Wirth" issue on the EMB. As you know, we are supporting Dingell in the House Commerce Committee even though his proposal goes farther than our position. We are doing so for four reasons: (1) his proposal is closer to ours; (2) Rep. Wirth earlier refused to offer the Administration bill as his amendment and rejects our demand for tight procedures; (3) we made and communicated our decision to support Dingell after a complete interagency review, including consideration of these dissenting opinions at that time; and (4) tactically, we need to come out of the House with a tougher bill so we will have bargaining room in conference, since we are likely to get a weak Senate version.

Unfortunately, somehow Congressman Wirth has been informed of the contents of the memo and will likely use it to our disadvantage in the Committee mark-ups beginning today. Worse yet, he apparently had the information even before the memorandum arrived at the White House.

This action by CEQ, Interior, and EPA clearly undercuts our strategy on the Hill. It also needlessly involves you personally and publicly again in a decision that admittedly carries political consequences, but has been taken after a thorough review including consideration of these minority opinions. After a decision is taken, the Administration must stand solidly behind that decision.

Such divisive behavior undercutting our Hill team cannot be tolerated and disciplinary action appears timely. Stu Eizenstat's and Frank Moore's offices agree with this assessment.

- President handles disciplinary discussion *see note*
- Authors handle disciplinary discussion expressing President's displeasure
- No action

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

September 5, 1979

MEMORANDUM

TO: The President

FROM: Cecil D. Andrus *Cecil D. Andrus*
Douglas M. Costle *Douglas M. Costle*
Gus Speth *Gus Speth*

SUBJECT: Administration Position on Wirth Amendment to Congressman
Dingell's Priority Energy Project ("Fast Track") Bill

*cc: To Cecil, Doug, Gus
Our ultimate goal is as
you describe. Our legislative
factors are well understood,
including a strong house bill.
This fact doesn't
set 6 weeks ago.
effort to change on the
help us on the hill*

*J
cc Ham*

As Congress reconvenes this week, the House Commerce Committee will continue its markup of Congressman Dingell's "Fast Track" energy bill establishing an Energy Mobilization Board to deal with priority energy projects. Congressman Wirth will be offering a key amendment concerning waivers of substantive law which goes to the heart of the bill.

In its current form the Dingell bill would authorize the Energy Mobilization Board to recommend Presidential waivers of Federal, State and local substantive laws that otherwise apply to proposed priority energy projects at any time after a project decision schedule has been set by the Board. The President then could waive Federal, State or local substantive laws subject to a one House veto within 60 days.

The Dingell bill is contrary to the Energy Mobilization Board you proposed on July 16 in two fundamental respects: (1) it authorizes full substantive waivers, and (2) it provides for a one House veto.

With one exception, the Administration proposed EMB would have authority to waive only Federal, State, and local procedural requirements. The exception concerns new substantive requirements enacted after a critical energy project is under construction. This position against waiver of all but one type of substantive statutory and regulatory requirement reflects a careful balancing of the many Executive Branch responsibilities. In your recent Environmental Message you reiterated this position. You said "With the exception of new requirements imposed when construction of a critical facility is underway, the Board could not waive substantive environmental standards". In the same message you also emphasized that the Federal Government must be

"a good neighbor" by "providing full opportunities for those affected by our management decisions to be involved in making them, with a special concern for the people and institutions of the Western States that are directly affected."

The Dingell bill violates both policy positions. First, it provides for waiver of all substantive requirements. Second, it not only does so in case of Federal decisions affecting State and local concerns but also substantive requirements solely within the authority of State and local governments. In the case of State and local government substantive statutory and regulatory requirements, the term "waive" is inappropriate. We have no authority to waive such requirements; instead under the Dingell bill, we would "preempt" them.

The Wirth amendment eliminates the substantive waiver and preemption authority and deletes the one House veto over EMB actions. Congressman Wirth seeks Administration support for his amendment. Thus far, however, Administration representatives have lobbied against the Wirth amendment and in favor of the Dingell bill even though the Wirth proposal is much closer to the Administration position. The apparent rationale given for the Administration action is that we need the strongest bill out of the Commerce Committee (Dingell's bill) since it may be watered down in the legislative process. This substantive waiver and preemption authority is, of course, strongly opposed by State and local governments and the environmental community.

We are greatly concerned that this posture undermines our credibility with all who look to the Administration to develop an energy policy which is environmentally responsible and which enjoys the cooperative support of State and local governments. We are particularly concerned that this posture will paint this Administration into a corner as an advocate for Federal authority to waive substantive environmental law and to preempt State and local law. This Administration not only has gained a well-deserved reputation of leadership in protecting environmental quality but also has invested a great deal of effort in developing cooperative ties with the States on energy matters. The recent visit of Secretary Duncan with the Western Governors and the innovative joint Federal-State decisionmaking mechanisms in the recently announced new Federal coal management program are only two examples of the effort to build good Federal-State relations in energy policy. Continued Administration opposition to the Wirth Amendment could seriously endanger the Administration's environmental and intergovernmental commitments. Such a posture is not only dangerous but unnecessary to achieve the "fast track" legislation you outlined in your July 16 Energy Program. In fact this strategy runs the risk of alienating a number of other committees in the Senate such as Governmental Affairs and Environment and Public Works which could lead to further delay in obtaining a bill.

We therefore urge that you direct Administration representatives to support the Wirth Amendment or at least make it clear that we are neutral on Wirth and still oppose full substantive waivers and preemptions.

B.D.L. Dine

THE WHITE HOUSE
WASHINGTON

9/8/79

Jack Watson

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please coordinate with all involved offices.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat

THE WHITE HOUSE
WASHINGTON

*Jack
J*

September 6, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
LARRY GILSON *LG*

SUBJECT: Presidential Non-Legislative Energy Action
Agenda for September 1979 to January 1980

This is in response to your request that I prepare an overall, non-legislative energy action agenda for immediate implementation. The following specific suggestions are based on discussions with Pat Caddell, Dave Freeman, Stu, Anne, Eliot and others. I am forwarding them to you for your review and approval.

Attached is a Wall Street Journal article which reports that various groups, ranging from business and labor leaders to environmentalists, are objecting to what they perceive as insufficient attention in our energy plan to quick-impact, low-cost energy actions.

What follows is a catalogue of non-legislative actions grouped under the following headings:

- Developing and promoting a conservation strategy for each major form of energy consumption;
- Increasing alternative energy supplies;
- Promoting innovations and inventions that conserve energy or enlarge energy supplies;
- Promoting competition and taking actions to identify with the consumer;
- Organizing outreach and public participation efforts;
- Anticipating and addressing unavoidable energy problems.

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Although many of the items involve existing budget and program authority, those items with significant new budget impact will have to be considered in the context of the existing FY 80 budget submission or as part of the FY 81 budget preparation process now underway.

In accordance with your, earlier instruction, I will follow through with White House staff to:

- Identify initiatives deserving Presidential attention;
- execute and publicize initiatives at the agency level; and
- insure there is government-wide coordination of this effort.

I. Developing and Promoting a Conservation Strategy for Each Major Form of Energy Consumption

The greatest users of energy now, and the most promising targets for conservation, are: space heating and cooling ^{our best bet} (residential, commercial and industrial buildings), industrial processes, automobiles and trucks. Concerted efforts should be made in each of these areas with the resulting clusters of action being described as elements of an overall energy efficiency program. Overall and categorical goals should be set for both the long term and short term -- for both the nation as a whole and for subgroups (geographically and by user group).

Business will initiate encouragement

Space Heating and Cooling (Energy Efficiency in Buildings)

It's working in Baltimore, I believe. Δ ok if needed

o Solve the major problems in the existing \$200 million DOE/CSA/DOL low income weatherization program by eliminating the necessity to use CETA workers as a labor force to conduct the work;

(IMPLEMENTING ACTION: Eizenstat)*

- o Open discussions with state/local officials and utility representatives on establishing a national program to train state/local building officials and utility employees to perform energy audits.

(IMPLEMENTING ACTION: ^{Watson,} Eizenstat with DOE and HUD)

*The persons and/or agencies listed for implementing action are the recommended leads to coordinate follow-up. No attempt has been made to list all the agencies that will necessarily be involved.

- o Finance a showcase program for weatherizing 500-1000 homes in target areas around the country -- arranging for local public television to air "how-to" programs based on the local showcase house;
+
(IMPLEMENTING ACTION: DOE)
- o Develop and institute major volunteer/community efforts to achieve a 20 percent reduction in residential energy use through low-cost, layman's actions;
+
(IMPLEMENTING ACTION: Watson)
- o Undertake major weatherization program for public housing and upgrade program for other Federal buildings;
+
(IMPLEMENTING ACTION: HUD for public housing; GSA for other Federal buildings)
- o Consider centralizing under EDA various Federal programs to finance the retrofiting of non-Federal public housings (shift administrative responsibility for the rehabilitation portion of the DOE Schools and Hospitals Program to EDA to be administered with their Public Works Improvement Program (PWIP));
+
(IMPLEMENTING ACTION: Watson with EDA and DOE)
- o Strengthen follow-up on your Executive Order to agencies setting specific energy conservation goals. Shift lead responsibility to GSA and OMB. DOE's report to you on this has been delayed by at least 6 weeks because of contradictory agency submissions and the transition in leadership at DOE. Federal energy consumption of petroleum based fuels may have actually increased in the last year;
+
(IMPLEMENTING ACTION: OMB, GSA, and DOE)
- o Promulgate the Building Energy Performance Standards (BEPS) indicating our intent to apply them to all Federally financed construction even if the Congress does not approve them for use with all new buildings.
+
(IMPLEMENTING ACTION: DOE, GSA, and OMB jointly, including HUD, USDA, and EDA regarding BEPS application to Federally financed construction)

Industrial Processes

- o Promote purchase of energy saving equipment and procedures through use of Federal loans, grants, and loan guarantees for which industry is eligible.
+ Tax credits?

- o Direct DOE to upgrade industrial reporting program.

(IMPLEMENTING ACTION: EDA lead with DOE; FmHA and others)

Automobiles

- + o Increase availability of alternatives to the automobile by: 1) increasing promotional efforts to encourage use of public transportation; 2) expanding efforts to encourage use of telecommunications as an alternative to travel; and 3) reviewing Federal practices and programs which have an impact on residential patterns and, thereby, on dependence on the automobile;

(IMPLEMENTING ACTION: DOT)

- + o Expedite implementation of the Electric and Hybrid Vehicle Research, Development and Demonstration Act of 1976 (amended in 1978) by increasing the number of electric cars and light trucks used by the Federal Government and the U.S. Postal Service;

(IMPLEMENTING ACTION: GSA with OMB and Postal Service, and DOD)

- + o Consider permitting automakers to count electric cars as operating at 100 miles per gallon when they compute their fleet averages pursuant to Federal fuel efficiency targets.

(IMPLEMENTING ACTION: Eizenstat with DOT)

- + o Encourage outside efforts such as driver training, ARCO driver fairs, etc.;

(IMPLEMENTING ACTION: Wexler)

- + o Enforce 55 mph speed limit (although encouraging observance of the speed limit should not be the constant refrain of our automotive energy conservation efforts);

(IMPLEMENTING ACTION: DOT)

- + o Immediate actions to reach an announced target of increased ridesharing, carpooling, and vanpooling, to include:

- aggressive Federal employee ridesharing program, with a Washington, D.C. area showcase
- GSA program to guarantee gasoline for certified ridesharing pools during period of shortage
- legislative package to provide tax incentives for ridesharing (e.g., extension of 10 percent investment tax credit to individual and third-party owned vans, expanding the coverage of current credit which now applies only to company owned and operated vanpools)
- ridesharing elements of DOT's Auto-Use Management Program
- making Federal surplus and sales/exchange vans available for rural ridesharing programs
- promotion of rural ridesharing through USDA Extension Service, Community Action Agencies, and Economic Development Districts
- arranging for waiver of tolls on congested bridges and roads for vanpools with Federal reimbursement of lost revenues
- joining with selected states and local governments in special showcase initiatives (e.g., Southern California Association of Governments)
- creation of a 16-20 member Council on Ridesharing (business and industry, public officials, labor, consumers, etc.) to help the Secretary of Transportation

(IMPLEMENTING ACTION: Watson with Eizenstat and Wexler)

Trucks

- o Promote trucking deregulation
- + (IMPLEMENTING ACTION: Eizenstat and DOT)
- o Implement and publicize actions agreed to as an outgrowth of the independent truckers strike, including:
 - + -- promotion of Administration's uniform weights and lengths legislation

- implementation of one-stop-per-trip licensing and fee payments
- permission for carriers of exempt commodities to back haul (ICC has initiated a proposed rulemaking)

(IMPLEMENTING ACTION: Watson and DOT)

- + o Review of recent EPA promulgated draft regulations regarding permissible emission standards for heavy equipment (including diesel truck engines) for 1983 to determine impact on fuel efficiency;

(IMPLEMENTING ACTION: Eizenstat)

- + o Promote electric-powered truck for deliveries and short hauls (consider creating a market for such trucks by phasing them in at U.S. Postal Service, and within the Armed Services);

(IMPLEMENTING ACTION: DOT, GSA, and Postal Service)

- + o Stepped up R&D program in DOT to develop fuel-efficient truck engines;

Mercedes 2-ton truck efficiency is 2x better than GM, Ford, etc.

(IMPLEMENTING ACTION: DOT)

- + o Expand and publicize the existing Voluntary Truck and Bus Program under which DOT, in cooperation with DOE and EPA, is working with 210 groups, including vehicle and engine manufacturers, motor carriers, trade associations and labor groups to promote fuel efficiency in the construction of new vehicles (using low rpm diesel engines and variable fan drives), in the retrofitting of existing vehicles with radial tires and wind deflectors, and in the operation and maintenance of vehicles.

(IMPLEMENTING ACTION: DOT)

Other Transportation Actions

Although 75 percent of transportation-related energy consumption is by automobiles and trucks, some other actions could have real and symbolic importance:

- + o Revise aircraft take-off and land procedures to reduce congestion and delay;

(IMPLEMENTING ACTION: DOT)

- o Expedite and highlight existing NASA research designed to develop more fuel-efficient aircraft and aircraft engines; set a specific fuel-efficiency goal for new aircraft by 1985; (DOT estimates that conservation in air travel could save 130,000 barrels per day by 1985);

(IMPLEMENTING ACTION: DOT and NASA)

- o Encourage innovative use of energy-conserving alternatives to conventional transit, such as dial-a-ride and jitneys;

(IMPLEMENTING ACTION: DOT with USDA and HEW)

- o Strengthen the joint Federal Highway Administration/UMTA regulations on transportation system management to induce state, metropolitan, and local agencies to be more energy-conscious in their transportation planning.

(IMPLEMENTING ACTION: DOT)

II. Increasing Alternative Energy Supplies

The long lag-time between the announcement of your synfuel program and the first commercial production make it difficult for the average person to identify with the program. On the other hand, there are several readily comprehensible, immediately available alternative sources which could be promoted now. Such an expanded effort would be popular, would backout significant amounts of energy before the synfuel plants are on-line, and would provide much needed tangible evidence of progress toward reduced dependence on oil. It would also demonstrate our willingness to take "a thousand small actions" to meet our energy goals, not just to hold out for the few major "solutions." In this context, immediate actions should be taken regarding hydro-electricity, solar power, wood, and coal.

Hydroelectricity

- o Quickly expand Federal efforts to build or repair hydroelectric turbines on existing Federal and non-Federal dams. Program elements would include:
 - Expansion of small-scale hydro initiative which you announced in Des Moines in May to permit more widescale actions at more sites than the 100 site-by-1981 goal announced at that time;

A few early publicized sites may be as good & more feasible

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- Preparation of legislation to permit the Corps of Engineers and the Bureau of Reclamation to construct hydro facilities on appropriate existing Federal dams without the protracted authorization process required for new water projects (you announced that you were directing the Corps to develop such a bill at one of the stops on the Mississippi River);
- X* -- Directing the Corps (and possibly others) to develop new, or promote existing, hydro technologies which require less of a stream flow; and
- press* ?
- Reducing the price of small-scale turbines by coordinating Federal purchases to meet government needs and programs, thereby creating a larger market for turbines and reducing the unit cost.
- X*

(IMPLEMENTING ACTION: DOE, Corps, BuREC, and OMB)

Wood

- o Expand efforts to permit and encourage people to use safe woodburning stoves as a heating source. Program elements would include:
 - X* -- Announcing the placement of six woodburning stoves in the White House and at Camp David;
 - Negotiating changes in HUD and FmHA regulations to permit wood stoves as a primary heating source for the first time in Federally-funded housing;
 - in appropriate locations* -- Dissemination of the findings of the Consumer's Report and Underwriters Lab studies regarding the safety and reliability of wood stoves;
 - Arranging for fire departments to be trained and available to inspect installation of woodburning stoves and to distribute safety literature;
 - Publicizing the tax credit for wood stoves;
 - Modifying Forest Service and Bureau of Land Management rules regarding collection, use, and resale of "junk" wood from Federal lands; and
 - Working with banking industry to develop credit program for purchasers of wood stoves.

(IMPLEMENTING ACTIONS: Wexler for announcement; Eizenstat with Forest Service and BLM for review of current forest practices)

Biomass has greater potential than this - Ga Tech has data

Solar Energy

- o Publicize the solar initiatives included in your solar message.
- * -- Emphasize the economical advantages of solar equipment whenever possible;
- Build public facilities with solar components;
- Overcome the temporary disinclination by many homeowners to install solar units until the tax credit was available by publicizing that it is now in force (Sales of solar equipment plummeted while people waited to be able to take advantage of the solar tax credit).

(IMPLEMENTING ACTION: HUD and DOE)

Coal

- o Adopt a tougher use-it-or-lose-it policy toward holders (and hoarders) of Federal coal leases; (Some have suggested that changes in certain Federal practices would make available promising sites for energy exploration -- for example the most geologically promising portion of the Destin Anticline in the Gulf of Mexico is off-limits to oil and gas exploration because it is used as an Air Force Testing Range).

Pursue Rockefeller report - w/ Ford, etc help

- o Direct Cecil Andrus to develop additional coal initiatives which are administratively actionable.

(IMPLEMENTING ACTION: Eizenstat and DOI)

- o Publicize the fact that a significant amount of switching by utilities from oil to coal has occurred in the past year. Give greater publicity to the Federal actions which are expediting this trend.

(IMPLEMENTING ACTIONS: Powell with DOE and EPA)

Other Alternate Energy Sources

- o Additional possibilities for low-cost, dispersed, environmentally-sound, community energy-generating initiatives include:

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- capture of natural gas from coalbeds and devonian shale for local community utilization through an expansion of the existing demonstration program conducted by the American Public Gas Association;
- promotion of co-generation through a redirection of Federal industrial loan and loan guarantee programs; and
- expansion of Federal gasohol programs.

(IMPLEMENTING ACTION: DOE with EDA and USDA)

III. Promoting Innovations and Inventions That Conserve Energy or Enlarge Energy Supply

Technological breakthroughs and inventions can dramatically modify our energy picture in the years ahead. Although there is not likely to be a "black box" that will solve all our problems, there should be a major, visible effort to find all good ideas. We have discussed this section at some length with Frank Press. Stu is preparing a Domestic Policy Review Memorandum with Frank and Jordan Baruch for you on Promoting Industrial Innovation. Many of the likely DPRM elements could be given an energy twist.

In addition, you could take a series of actions keyed specifically to promoting energy-related innovations and inventions by:

- o Setting a series of short-term research/innovation goals to supplement and encourage well-justified long-term research now being funded by the Federal government. New emphasis would be placed on:
 - short-term energy conserving products and equipment;
 - innovations in new techniques for saving energy;
 - "special problem" research addressing such immediate concerns as improving efficiency of oil burning furnaces (through changes to the furnace or the blend of fuel and additives) and increasing efficiency of utility power generation and transmission.

(IMPLEMENTING ACTION: Eizenstat with Press, DOE, Commerce)

**Electrostatic Copy Made
for Preservation Purposes**

*St Paul has
excellent model
program -
multi-faceted*

+

+

- o Directing the Patent Office to survey existing patented technology for energy conserving or producing ideas, then actively promoting them in collaboration with various units of the Commerce Department;
 †
 (IMPLEMENTING ACTION: Commerce)
- o Encouraging Control Data Corporation to expand its program of opening, staffing, and leasing "clean labs" for small businessmen by setting up a network of such laboratories nationwide, especially for energy research;
 †
 (IMPLEMENTING ACTION: Press)
- o Identifying a credible government or privately contracted entity (perhaps NBS) which would serve as a non-biased tester of energy inventions.
 †
 (IMPLEMENTING ACTION: Eizenstat and Press)
- o Strengthen existing Federal programs that create markets for innovative technologies through government procurement practices;
 †
 (IMPLEMENTING ACTION: GSA and DOE)
- o Pursuing more fuel efficient automobiles and aircraft as discussed above.
 †
 (IMPLEMENTING ACTION: DOT)

IV. Promoting Competition and Taking Actions to Identify with the Consumers

The opposite side of decontrol must be a vigorous effort to promote competition. Although we have taken some actions to promote competition, we should do more and we should package and publicize the actions we take. We recommend that Lloyd Cutler assume responsibility for reviewing efforts in this area, coordinating his efforts with Esther Peterson and DOJ. The kinds of issues that Lloyd will review and evaluate in this area include:

- o Promoting your existing position in opposition to certain categories of conglomerate mergers of oil companies [by inviting Senator Kennedy to have a private lunch with you on this subject,] then announcing a joint effort in this area.
 †

- o Give more visibility to the 200 auditors we have assigned to review oil company operations;
- o Publicize the fact that the Administration has sued for billions of dollars from the oil companies as a result of findings that the companies overcharged customers. Publicize that we will be using the recovered money in providing relief to those hardest hit by rising heating oil bills (with some other way of distributing a portion of the money to other consumers who do not have oil furnaces);
- o Review the list of legally mandated studies which the Justice Department Anti-Trust Division prepares to see which, if any, should receive more public and Presidential attention than they now get. These reports deal with the possible anti-competitive aspects of such energy-related issues as:
 - licenses of deep-water ports;
 - coal leasing;
 - nuclear power plant licensing;
 - petroleum leasing from Naval Petroleum Reserves;
 - outer continental shelf leasing;
 - certification of oil and gas pipelines;
- o Stay in touch with the Justice Department to learn about decisions to investigate additional energy-related activities or to become an active party to judicial or administrative proceedings.

Examples of recent administrative proceedings include:

- a rulemaking on the current method of valuating regulated petroleum pipelines which has the effect of permitting pipeline owners to extract monopoly rents;
- litigation regarding the validity of Alaska pipeline tariffs to ensure that they do not include monopoly rents;
- petitions before the ICC for elimination of motor carrier "Gateway" restrictions; such an action would have substantial energy-saving consequences.

Areas for investigation include:

- ownership of pipelines
- international uranium cartel (there have been Grand Jury investigations of this)
- possible price fixing and supply manipulation of intrastate natural gas sales in the Southwest
- possible price fixing and allocation manipulation in the marketing of wholesale electric power
- price fixing in retail gas marketing
- o upgrade the mandated anti-trust section of the Biennial National Energy Plan required as part of the Department of Energy Act;
- o insure that savings to utilities resulting from switching from oil to coal are passed on to consumers;
- + (IMPLEMENTING ACTION: Lloyd Cutler with Eizenstat, Watson, and Peterson)

V. Organizing Outreach and Public Participation Efforts

Once we have an integrated strategy for dealing with energy by non-legislative means, we must harness it to achieve at least three overall goals:

- o we must give people a clear idea of how and why they should participate in a national effort;
- o we must demonstrate the effectiveness of your personal leadership and vision; and
- o we must show the Administration effectively anticipating and dealing with the specific, consumer-oriented energy problems of immediate concern to people now and in the near future.

The TV advertising program can be most effective. Should expedite

Such a public posture will involve actions you and others in the Administration should take, as well as actions we want to encourage others to take. Our outreach effort must integrate the legislative and non-legislative strategies. Many of the actions suggested in this memorandum will provide "good news" items on which we can build support for our legislative program among various groups. Similarly, the section which follows on anticipating and addressing unavoidable energy problems should allow us to reduce some of

the causes of public skepticism and opposition to elements of your program. The following key items have a direct bearing on the rest of the program described in this memorandum. Many of these items are already being pursued by Anne Wexler.

- We're doing this - Cabinet & others should join in*
- o Create White House and out-of-town events to which community leaders and those involved in particular grassroots energy efficiency activities would be invited. You would ask them to take certain specific, pre-arranged actions in their communities and across the country in the areas listed above. A second objective of such sessions would be to develop support in the effort to get Congressional action on our legislative program. For example, a series of events on the four largest areas of energy consumption (autos, trucks, building, industrial processes) would give a sense of overall strategy and sustained effort.

(IMPLEMENTING ACTION: Wexler)

- + if well prepared*
- o Take advantage of the willingness of a wide range of organizations to be involved in energy conservation by reserving one or two fifteen minute blocks of time on your schedule each week for one on one sessions with the heads of national organizations. At each session you would ask that the group take specific measurable actions to further your conservation goals. You would ask for a report back on progress made within the first of 90-180 days. Groups invited would include:

- American Institute of Architects
- State and Local Public Interest Groups
- Common Cause
- Unions
- League of Women Voters
- National Council of Churches

(IMPLEMENTING ACTION: Wexler and Phil Wise)

- o Continue to work with groups including the Alliance to Save Energy (composed of a bipartisan group of public figures including Alan Cranston, Charles Percy, Carla Hills, Henry Kissinger, and others). The Alliance is ready to endorse your energy program and could serve as a credible outside group to promote

+ public involvement, showcase extra-ordinary energy saving ideas and contributions, and serve as a legitimizing force for what you are trying to do. You could meet with them, discuss the need for non-governmental leadership, and give them a White House forum from which to announce support for your program.

(IMPLEMENTING ACTION: Wexler)

- o Direct DOE to prepare a list of energy-saving actions we can all use in guiding our own behavior and promoting energy efficiency with others. At present there is a vast array of sometimes contradictory data, recommendations, equivalencies, etc.

(IMPLEMENTING ACTION: DOE)

- o Continue and expand effort to catalogue energy success stories, to be available to you, the First Lady and the Vice-President *of others.*

(IMPLEMENTING ACTION: Wexler and Peterson)

- o Follow-up on your challenge to mayors and county leaders to create local energy efficiency goal setting and implementation efforts for their communities.
 - Visit communities with outstanding local efforts;
 - Telephone governors, mayors and county leaders to show knowledge of local energy efficiency efforts and to express appreciation for the leadership being exercised (2-3 calls per week would seem justified);
 - Publicize and monitor implementation of the President's Clearinghouse on Community Energy Efficiency;

(IMPLEMENTING ACTION: Watson and Wise)

- o Make extensive use of the computerized mailing list we are maintaining of those who have written to you asking what they can do as individuals to conserve energy. The list can be used:
 - to invite people to energy town meetings who are from the area and have written to you;

- for follow-up mailings with suggestions or progress reports on energy matters of special concern to a particular region or interest group.

(IMPLEMENTING ACTION: Wexler)

- Expedite*
- o Assure that the paid television advertising campaign being considered by DOE (patterned after the Canadian Campaign) is integrated in timing and subject matter with the rest of the strategy described in this memorandum;

(IMPLEMENTING ACTION: Rafshoon, Wexler and DOE)

- +*
- o Enlist schools, local governments, labor unions, the media and service clubs in a coordinated effort to educate the public on specific energy actions they can take. Build around the fact that October is International Energy Conservation Month by conducting four weeks of actions, beginning with an overview, then a week on automobiles and trucks, next on energy efficiency in buildings, finally one on industrial processes and innovations. Non-federal actions could be scheduled to fit these "conservation weeks;"

(IMPLEMENTING ACTION: Wexler)

- +*
- o Coordinate the announcement by Governors, Mayors and County leaders of their intent to create community energy efficiency groups so that there are simultaneous announcements throughout the country on a given day during the "Conservation Week" described above;

(IMPLEMENTING ACTION: Watson)

- +*
- o Orchestrate a series of supportive actions (as opposed to just supportive statements) from opinion leaders and organizations across the country;
 - Encourage Governors to announce administrative actions parallel to your own actions regarding state office buildings, state vehicles, encouragement to local communities seeking to conserve, etc. A list of specific gubernatorial actions is being prepared;

(IMPLEMENTING ACTION: Watson and Wexler)

-- Corporations and Unions would be approached to:

- + Set up vanpools for their employees and members (we have negotiations underway now with GE, IBM, CONOCO, Travelers Insurance, and 3M);
- + develop expanded third party vanpooling divisions (negotiations are underway with Chrysler, Hertz, Avis and Van American, Inc.);
- + arrange for the major mutual insurance companies (through a consortium headed by Aetna) to finance homeowner weatherization expenses through capital investments in intermediate corporations;

(IMPLEMENTING ACTION: Watson and Wexler)

-- Arrange pledges by voluntary and service organizations to distribute materials, provide manpower for weatherization efforts this winter, contribute time and money to other community energy efficiency initiatives as appropriate;

(IMPLEMENTING ACTION: Eizenstat and Wexler)

-- Arrange labor union commitments of time and money (out of pension funds to be invested as described for insurance industry above) to support the weatherization initiatives. Union personnel to provide training and experienced supervision of community workforces.

(IMPLEMENTING ACTION: Eizenstat)

- o Modify White House notification process for Federal grants to place greater emphasis on, and get more credit for, the billions of dollars a year in discretionary grants, loans and loan guarantees to states, local governments, non-profit groups, and corporations for energy purposes.

(IMPLEMENTING ACTION: Watson and Frank Moore)

- o Ask Secretary Duncan to develop a better system for coordinating DOE grant review in Washington to avoid delays in disbursement at the state level and to obtain maximum Presidential credit from upcoming announcements;

(IMPLEMENTING ACTION: DOE)

*All 3 +
networks,
if possible*

o Arrange for Walter Cronkite to host a television program which would tell people in specific terms what is the potential impact of energy conservation (on the Nation and on their own lives) and what specific actions individuals can take emphasizing that many people have already begun to take action.

(IMPLEMENTING ACTION: Rafshoon and Powell)

VI. Anticipating and Addressing Unavoidable Energy Problems

Several other energy-related events are likely to occur in the months ahead which will have a dramatic impact on your ability to keep on track toward your energy goals -- and an equally dramatic impact on the politics of the next year. Of all the problems described below, none is as important or pressing as the supply and price of heating oil. In general, these problems can be grouped as follows:

- o Supply and price problems for refined product and crude oil;
- o Protests arising from energy price and supply problems;
- o Publication of energy-related reports and studies;
- o Policy conflicts among Federal agencies.
- o Rising price and uncertain supply of home heating oil

-- Many people in the Northeast are still understandably concerned that the supply of heating oil will not be sufficient to meet their needs this winter. You should personally make the announcement that we have reached our 240 million barrel goal in October. Similarly, you should be personally identified with any actions we take to moderate the impact of the increased price of heating oil on the consumer;

When we get the 240 mil, a major effort to cut prices by conservation (to increase competition) & cut costs by conservation

(IMPLEMENTING ACTION: Watson, Wise and DOE)

-- All possible actions to reduce the impact of the increased price of heating oil this winter should be considered, including:

- + Consideration of the \$2 billion proposal to help those hard-hit moderate income people whose incomes make them ineligible for the \$1.6 billion crisis intervention program for the low-income;

Be careful not to open a Pandora's box - another food stamp program or Medicaid program

(IMPLEMENTING ACTION: Eizenstat)

jawboning may help

- + Arrange for the extension of credit to the heating oil retail customer to cushion the extraordinary impact of higher prices (check out the assertion that Gulf Oil intends not to extend "normal" credit to dealers who in turn will not be able to extend credit to customers);

(IMPLEMENTING ACTION: Eizenstat and OMB)

Also shift homes from oil to gas

- + Explore special arrangement with the banks and S&Ls or others to provide special low-interest or interest-free repayment schedules for certain categories of home heating oil users. Should the Federal government guarantee such loans? Should we make the interest payments in lieu of the consumer?

(IMPLEMENTING ACTION: Eizenstat and OMB)

Be careful re uncontrollable costs -

- + Develop fallback plan for crisis intervention program in the event that Congress does not act in time to have the new program operating and disbursing checks by November;

(IMPLEMENTING ACTION: Eizenstat and Watson)

- + Even though it makes the Administration the bearer of bad tidings, actively seek to inform the public of the costs of heating oil for this winter so that they can begin to budget for the higher bills which will begin in a few months;

(IMPLEMENTING ACTION: Powell) DOE or other

- + Expand efforts to get suppliers to move existing stocks into the secondary markets and for consumers to top-off storage tanks now before there are further price increases (this must be done so as to avoid a panic-buying run on oil jobbers by consumers);

(IMPLEMENTING ACTION: DOE)

- + Work with SBA to develop special program to keep small jobbers and distributors in business and to encourage expected deliveries to secondary and tertiary markets;

(IMPLEMENTING ACTION: SBA)

- o Fuel for Fall Harvest and Agricultural Transport
 - + -- Closely monitor the DOE/USDA effort to assure adequate diesel fuel for the farmers in light of the suspension of Special Rule 9.

(IMPLEMENTING ACTION: Watson with USDA and DOE)

- o Potential for Abrupt Decline in Crude Oil Import
 - + -- Develop stand-by contingency plan for gasoline and middle distillate distribution;
 - Develop spot shortage response plan;

(IMPLEMENTING ACTION: Watson, with DOE, DOT, FEMA, DOD and Others)

Protests Arising from Energy Price and Supply Problems

- o Possible Truckers and/or Gasoline Station Operators Strikes

- + -- Develop contingency plans for responding to strike;
- Develop responses to substantive complaints of strikers;

(IMPLEMENTING ACTION: Watson with DOT and DOE)

Publication of Energy Related Reports and Studies

- o Kemeny Commission Report

- + -- Reach an understanding on the form of the final report and the method of its transmission to you and others; develop your response to it;
- Develop options on what your overall position should be on nuclear power;

(IMPLEMENTING ACTION: Eizenstat and Watson)

- o National Academy of Science Nuclear Waste Study

- + -- Develop plan for responding to forthcoming report and develop policy options for you on nuclear waste disposal.

(IMPLEMENTING ACTION: Eizenstat and Watson)

I suggest that Stu, Eliot, and I sit down with Charles Duncan and other appropriate cabinet members to go over the agenda as soon as we have your reactions to it.

ok - good list -
Whenever possible move implementation
out of White House and to state govt,
or to agencies & depts of fed. govt

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'Unholy Alliance' Ought to Fight Carter on Energy

By WILLIAM K. REILLY

The President's energy proposals should be opposed vigorously by both environmentalists and business leaders. This may seem an "unholy alliance" — unrealistic and unworkable. But I ask both the business and environmental communities to consider the following.

Suppose President Carter's energy program went exactly according to plan. There would be no significant impact on oil imports in the next five to seven years. (Imports might be reduced by a recession but not by this energy program.) Synthetic fuels might begin making a contribution by the late 1980s, if we are lucky. We would have the dubious distinction of buying heavily subsidized synthetic oil at a price higher than OPEC would likely charge for the natural product. We would certainly have lost ground on our environmental progress. The costs to our federal system of an Energy Mobilization Board riding roughshod over local and state governments would have been immense.

Suppose that instead of spending \$8 billion on synfuels, we spent \$10 billion on improving the energy efficiency of existing homes in a minimal way. Over the lifetime of those improvements, 3.5 billion barrels of oil would be saved, a saving that equals buying imported oil at less than \$2 a barrel. The savings to homeowners who pay the \$10 billion would be \$102 billion at today's oil prices.

Suppose we were to attack automobile fuel efficiency directly. Although federal standards now are set at 19 miles per gallon, cars perform much worse in the real world. For model year 1978, the average EPA mileage estimates for all automobiles was 19.6; but studies at the Department of Energy indicate the actual average was 16.4. (If we take into account the growth of sales of vans and light trucks, the fuel efficiency of the nation's passenger fleet would be much worse.) Automobiles use about 30% of our petroleum. Since both foreign and American manufacturers know how to build cars that conserve gas and perform well on the road, a tightening of standards — or strong economic incentives for drivers to buy fuel-efficient cars — could cut gasoline consumption in half.

Industry already has shown the way toward energy efficiency. According to the recent Harvard Business School energy report, Dow Chemical has cut its energy consumption per pound of product by 40%.

When oil is available in attics and underhoods and in industrial plants for prices ranging from 50 cents to a few dollars per barrel, it makes little sense to embark on a program that may produce only a limited quantity of oil by 1990 at prices far above alternative sources.

Thus, the plan is bad for the nation. But what are its effects on the environment and on business? Accept for a moment my organization's viewpoint that a massive synfuels program is bad for the environment, and let us concentrate on how it is bad for business and industry. The President has suggested a program that removes a vital part of the American economy from the normal controls of competitive free-market tests. Centralized decisionmaking, investments controlled by bureaucrats, tax dollars raised and spent without the discipline of ordinary congressional and judicial oversight. These are hardly the ingredients of a program to be supported by thoughtful business leaders.

How do we get from here to there on a path less marked by moon-shot dramatics and more characterized by careful attention to real opportunities for improved efficiency and meaningful increases in production? The first step is clearly decontrol of energy prices, including the price of gasoline; the timid steps taken by Congress and the White House need to be speeded up. Also, the problem of making public utility rates conform more to the replacement costs of electricity and natural gas needs to be faced.

* * *

It may come as a surprise to many in the business community to learn that environmentalists support this use of the market. In fact, the Sierra Club, League of Women Voters, Natural Resources Defense Council, and my own organization, to name a few, have been strong and consistent supporters of decontrol efforts. Such a call for pricing that reflects the full costs of energy consumed is fully consistent with environmentalists' view of the world: that we can have economic growth and improved productivity with fewer investments of natural resources.

In addition to the prodding force of the market — rewarding innovation, discouraging uneconomic practices and capital expenditures swiftly and impartially — we need a research and development program that is responsive to tests of economic viability, not to a single-minded policy decision made once-and-for-all by Congress and administered by a massive bureaucracy. In such an R&D program, synfuels might well play a part, but they would hardly be the centerpiece. Using the test of total cost to the nation, including environmental costs, we should plan to commercialize the inexpensive energy-saving and energy-producing technologies before we go on to the expensive ones; cost effectiveness is the test, not some predetermined "synfuels or bust" strategy.

It is clear that the program outlined above is one that can be supported by many in the environmental community and industry. But the President has gone in completely the opposite direction. He has proposed an enormous investment in unproven technology, directed and funded by government agencies outside even the usual minimal control exercised over such bureaucracies, and purposefully insulated from any marketplace tests at all. All this without a single short-term benefit to the country.

I believe it makes sense for important interests outside government to cooperate in confronting the energy peril. Of course, there is much that separates business and environmentalists. But cooperation is possible even without consensus on every detail of energy policy.

Mr. Reilly is president of the Conservation Foundation.

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THE SECRETARY OF THE TREASURY
WASHINGTON

SEP 2 1979

*Wait on
this -*

MEMORANDUM FOR THE PRESIDENT

FROM: *Bill* Miller, *Jim* McIntyre and Charlie Schultze *CLS*

Subject: Subsidies for Home Heating Oil

We urge you not to propose a new initiative to subsidize purchases of home heating oil by middle income families. Such a program has been suggested as a major political plus especially in New England. We believe that such a program has serious political risks as well as undesirable policy implications.

Substantive Problems

° Inequity

- In many areas of the country, income losses due to increases in gasoline prices are much larger than those due to increases in prices of home heating oil. Further, in most areas of the country heating with electricity is much more expensive than heating with oil.
- In the long run, people in the midwest who face growing natural gas bills will pay higher taxes to give money to New Englanders who heat with oil.

° Contradicts Energy Policy

- However carefully designed, tax credits or direct rebates would create disincentives that would adversely affect achievement of our energy goals. Even a flat payment unrelated to heating oil expenditures would discourage both conservation and conversion.

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-- Our energy program has as a central objective requiring American consumers to face realistic prices of energy, a commitment we have also made to our allies. We cannot afford to undo that effort.

50% &
70% blades rent

Decor → 10¢ inc

Arg farm
800-1100

131% inc c '76
Tax credit

Texaco, 82¢
Gasoline, Propane,
gas, elect, even

Food
In #2 B, why not
reimpose controls

Design Problems

-- Under any program, it will be almost impossible to design a mechanism that will provide adequate assistance to renters, and the relief for home heating oil users will be delayed for months or perhaps a year after the bills have been paid.

-- Two alternative designs have been mentioned. We believe there are major problems with either design. The Treasury takes strong exception to complicating the tax system with yet another credit that is self-audited. OMB and CEA believe the direct cash rebate system has equally serious deficiencies, for example the administrative problems of having DOE validate the customer lists of thousands of small heating oil dealers.

Budgetary Implications

-- Revenues from the windfall profits tax are already fully committed through the mid-1980's. This program would require either an increase in the proposed energy taxes or funding from already tight general revenues.

-- This program isn't free. It will absorb money that would be available for energy production or for tax cuts to promote productivity, etc.

Political Problems

Short term risks

-- The program is unlikely to aid in the passage of the energy program. Indeed, other regions will see the proposal as an awkward attempt to cater to New England which may create a negative reaction in other parts of the country.

-- There are also significant political risks to announcing a grand program that does not stand up to detailed examination. This Administration has

WPTB not
free

Payback > 4/15
Consist. \$400mil
loading asst - 24B

Weather \$400mil
Coal to stop
add-ons

been criticized before for making such announcements. If this proposal is presented to Congress and is torn apart there, we will once again be charged with being ineffectual.

° Pressures to Expand the Program

- Many Congressmen will want to broaden the heating oil credit as the Senate did in NEP I with credits for other fuels. The \$2 billion heating oil credit could very easily grow into a general tax credit "to offset higher energy costs," costing \$15 billion or more. This essentially would be, in another guise, the tax cut we have been opposing.

Recommendations

In Hartford on Wednesday we suggest that you emphasize current and already proposed Administration programs which benefit New England and other regions using home heating oil.

- Low-income energy assistance (\$2 billion) and the crisis assistance program (\$400 million), both of which favor home heating oil states in their formulas.
- Community development block grants which favor states with older housing stocks (like New England).
- Extension of the \$5 a barrel entitlement (subsidy) for imported heating oil.

In addition you can mention the low-income weatherization program (currently \$200 million) and the residential and commercial conservation program which will assist the middle class in installing energy-saving insulation in their homes.

PERSONAL AND ~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

September 8, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Middle Income Heating Oil Assistance

The accompanying decision memorandum, and separate comments from other advisors, asks you to decide whether to propose an (\$2 billion) initiative to alleviate the impact of sharp heating oil price increases on middle income families. I want to stress a few points.

First and most important is the fact that people and political leaders from the Northeast and Midwest believe that the Administration's energy policy, with crude decontrol as its centerpiece, unfairly burdens them. When you visit those states this winter, you must be able to point to a proposal like this one. Even if it fails (and we have a chance of success), it will be evidence of your sincere concern.

Second, there will be several such proposals before the Congress, and there is a fair chance the Senate will adopt something. It is unavoidable that you will be faced with a decision to support or oppose those Congressional initiatives. Opposing them will be politically costly in the extreme. In avoiding those costs, the only question is whether you lead the heating oil debate beginning now, or wait and follow other Democrats.

Third, I believe that offering this proposal will help build multi-regional support for the total energy package, by providing the Northeast delegation with an initiative which clearly addresses their needs.

Fourth, having taken the decontrol step, we should go the next step and recognize that OPEC has made the equity considerations vastly different now than they were in early spring. We cannot ignore the extraordinary short-term burden on the middle class.

The Treasury-OMB-CEA Memorandum

I would also like to comment on several points raised in the comments by Treasury, OMB and CEA.

Budget. There are far too many uncertainties to state that the Energy Security Fund is fully committed through the

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY Jay

DATE 2/14/91

mid-1980's. The size of the tax and the types of spending programs are in great doubt. The synthetics program is likely to be severely reduced in size. Furthermore, since most of tax and spending decisions will probably be made in the same legislative vehicle, there will be ample opportunities to adjust totals. This program is contingent on adequate revenues from the tax.

Design. There is no reason for you to decide the design questions before we have had detailed consultations, with your mandate. Secretary Duncan strongly agrees. No design will meet our ideal for equity and administrability, but it is simply wrong to say that the problems are "almost impossible" or to imply that some difficulties are insoluble -- particularly with a tax credit, which can be made quite simple.

Incentives. Anything that raises peoples incomes will reduce conservation incentives, simply because they have more money to spend. That applies whether it is a heating oil tax credit, an income tax cut, or a Christmas bonus. Linking the credit to heating oil may appear superficially to run contrary to our conservation and conversion policies, but this is largely a debater's point.

The \$200 in aid we propose is small in comparison with almost all household heating oil budgets. People using home heating oil already have a massive incentive to conserve. This relatively minor short-term assistance is hardly a disincentive given the 131% increase in prices over the last 3 years. Any reasonable program design will preserve the incentives at the margin to conserve; this is an income supplement, not a price subsidy. It certainly isolates no pledges at Tokyo. One could just as easily argue that the \$200 gives families money to use on weatherization projects. The asserted conflict with our basic energy policy is largely imagery and an exaggeration which we can address in a public education campaign.

Expansion. While there may be some efforts to broaden the program to include other energy uses, there is almost no threat it would reach anything like the \$15 billion level suggested in the Treasury, OMB, and CEA paper. Those who want an economic stimulus package will not have the Hill climate changed in their favor by our offering a heating oil initiative.

In summary, while I do not want to minimize the design issues and problems of political and public perception, several of the sharp criticisms offered by Treasury, OMB, and CEA seem to me overstated.

It should also be noted that absent such a program, there will be increased pressures for reimposition of controls on product.

THE WHITE HOUSE

WASHINGTON

September 8, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: MIDDLE INCOME HEATING OIL ASSISTANCE

Nearly 17 million households use heating oil, of which 13 million are in the Northeast, Mid-Atlantic and Midwest. DOE estimates that the prices of home heating oil this winter may be almost double what they were last winter, rising from an average 54 cents a gallon to between \$.88 and \$1.00. Assuming reasonable conservation efforts, this still means that the average oil heating bill will be approximately \$800-925 rather than the \$525 last year; for moderate income families in cold climates, the increase could easily be \$400 or more.

This memorandum asks you to decide whether to propose a \$2 billion program of assistance to heating oil users. Intensive Hill consultations could begin immediately on two general options:

- o A \$2 billion non-refundable tax credit for heating oil users, phasing out over the \$20-30,000 range.
- o A \$2 billion program of direct cash rebates, without income test, using fuel vendors to identify eligible households.

Any new program would be in addition to the Low Income Energy Assistance Program, and would be contingent on passage of a strong windfall profits tax.

I. Whether to Offer a Proposal

Background

The \$2.4 billion Low Income Energy Assistance Program will partially offset the loss in purchasing power experienced by the poverty population as a result of higher energy prices (assuming prompt Hill action). But for many families above the target poverty population, the increased home heating oil bills this winter will be a severe burden, posing both human and political problems.

Households using energy sources other than direct oil purchases will face significant but much less dramatic cost increases over last year: average residential retail prices will increase approximately 25% for natural gas and 8% for electricity. The natural gas increases come on top of a home heating expenditure base substantially less than for heating oil, while the modest electricity price rise is on a heating expenditure base somewhat higher than for oil. Over a longer time frame, the percentage price changes from 1976 to this winter are approximately 131% for heating oil, 72% for natural gas, and 16% for electricity. It is the recent and extraordinarily sharp oil price rises that suggest a program for heating oil only. Total expenditure levels or longer term predictable price trends do not justify a heating oil focus.

*reaches
electricity &
other sources*

Under current revenue and expenditure assumptions the Energy Security Fund is fully committed. These assumptions are, however, under review. Funding for any middle income program would have to be contingent either on improved revenue forecasts, a stronger tax, or smaller near-term spending levels in our other energy spending proposals. (For example, it is virtually certain that our major expenditure program, the synfuels measure, will be significantly reduced.) Expressly limiting the program to 1 year would underscore the argument that the need for it is extraordinary and temporary, occasioned by sharp price hikes.

*If so, we
can permit
some shift of \$
to HHO Subj.*

The Northeast and Midwest congressional delegations are very interested in some kind of middle income initiative but there is no consensus on program size or structure. We expect Ways and Means to consider the matter when they mark up Low Income Energy Assistance later this month, although legislation is far from certain.

*Graino
strongly
opposed*

Arguments in Favor of a New Proposal

- o These extraordinary home heating oil price increases are too severe to ignore for middle income families who must contend with continuing inflation in strapped family budgets. Proposing nothing will fuel existing resentment and frustration. There are clear distinctions between home heating oil cost increases and those of other fuels. These increases will have devastating impacts.

- o A middle income proposal will leverage support for a substantial tax and for other elements of our energy program. Politically, members of Congress will need something in the energy package that benefits their key constituents directly and immediately. For an important block of congressmen, this program would serve that purpose in a way that a poverty-targeted program cannot.
- o Proposing a heating oil initiative will substantially soften opposition from the Northeast, the Midwest, and their congressional delegations to our policy of crude oil decontrol, which they consider unduly burdensome to their regions. While decontrol itself is no longer a legislative issue, our basic energy policy would greatly benefit from a broadened base of Democratic support.

Having taken the step to decontrol, we should try to offset its worst impacts. It is very important for Northeast and Midwest political leaders to be able to argue that there is an element of equity in the Administration's Energy Plan of particular benefit to their region -- and this is important even if opposition from other regions leads to the eventual defeat of this heating oil proposal. On the other hand it could be argued that its defeat (on grounds of inequity and administrative difficulty) will further weaken the energy package and the confidence of the public in the Administration's ability to cope with the energy crisis.

- o Some congressional sources (e.g. Bobby Shapiro, Chief Counsel of the Joint Committee on Taxation) think Congress will move on its own initiative and may well pass a similar program (although it will probably be extended to cover kerosene and propane) regardless of what we do. Thus, we will either be reactive or opposed to a popular piece of legislation.

Arguments Against A New Proposal

- o There are better uses for the \$2 billion, including balancing the budget. (Although the revenues would come from the windfall profits tax.) This is especially true since the most critical need will be addressed by the \$2.4 billion Low Income Assistance Program.
- o The program will be criticized as a politically-inspired band-aid -- an expensive effort to "buy" New England. Average benefits to home oil users would be under \$200, or roughly half of the increase over last year's typical fuel bill.

- o The proposed program is inequitable because (a) it only helps the 17 million (22%) households using fuel oil, ignoring other households and other consequences of higher energy prices; and (b) even among these, the "rough justice" used to set benefit levels simplifies program administration but bears little relationship to relative need.
- o Any income transfer will be viewed as inconsistent with the Administration program to limit oil imports, encourage conversions to other fuels, and encourage conservation. It may be considered contrary to the spirit of our commitment to our allies in Tokyo to reduce oil consumption. (As a technical matter, however, the assistance could be designed to preserve incentives at the margin to conserve. This fine distinction will be lost to the general public.)
- o The \$2 billion figure is justifiable solely on loose perceptions of what is the least expensive program which would provide enough aid to make a difference. There will be strong pressure on that dollar figure, on the limitation to heating oil alone, and on the duration of the program.
- o This measure is a form of inflation-proofing, which is acceptable public policy for the poor, but not for the general population.

II. Program Design

If you decide to offer a proposal there are two major design options we would explore in intensive Hill consultations, aiming for final decisions in time for committee consideration in late September.

Tax Credit Option

A non-refundable tax credit with a maximum of \$200 could be given to users of heating oil, with a phase-out at \$30,000 of adjusted gross income for joint filers. Depending on how the credit is designed to handle renters, 10-13 million filing units would claim all or a portion of the credit. Eligibility would be based on a self-certification scheme, subject to audit, as with other tax provisions.

Although we would begin consultations with a very simple program design, we can expect considerable interest in several refinements, including: scaling the amount of the credit to regional heating needs, family size, type of housing, or household energy use; adding some formal certification procedure involving fuel vendors and landlords; raising the income phase-out; and adding a similar but smaller credit for less inflationary fuels. At this stage, there is some support within the Administration only for some varying of the credit with heating expenditures.

Direct Cash Rebate Option

Alternatively, we could begin consultations using a version of the rebate proposed in 1977 for revenues from the Crude Oil Equalization Tax, and adopted by the House during deliberations on the National Energy Act. The rebate would be administered separately from the tax system. Fuel oil vendors would submit customer lists to DOE, and DOE would mail checks directly to oil users. There would be no income eligibility test, thus avoiding a major new means-tested program structure. The rebate would be taxable to improve progressivity. As with the credit, there may be pressure from the Hill and interest groups to complicate the program by basing the rebate on regional heating needs, household heating expenditures, and other factors.

Since the rebate would not depend on having net tax liability, on filing a return, or on meeting an income test, the population served would be larger than under the tax credit option. Average benefits would be roughly \$150.

The role of fuel vendors would make the rebate more difficult to administer, and somewhat harder to implement this winter.

III. Recommendations and Decisions

Treasury, CEA, and OMB oppose any heating oil initiatives for the reasons summarized here and in their separate memorandum to you. DOE, DPS, Anne Wexler, Jack Watson, Frank Moore and the Vice President favor an initiative. DPS and Wexler further recommend that on ~~Tuesday~~ ^{Wednesday} in Hartford you announce that:

- o The final details of the Low Income Energy Assistance Proposal are being submitted to the Congress for its prompt action to stave off crises this winter;
- o you have decided to offer a \$2 billion program contingent on a strong windfall profits tax, to help middle income heating oil users. Consultations on the specific design of that proposal will begin immediately with the following instructions:
 - o Preserve conservation incentives to the greatest extent possible;
 - o Minimize administrative complexity;
 - o Assure coordination with other energy initiatives, such as low income assistance and weatherization.

Decision

Announce intention, after consultations, to propose such a program, contingent on revenues from the Windfall Profits Tax

(Recommended by DOE*, DPS, Wexler, Watson, Moore,
and the Vice President) _____

No new proposal

(Recommended by CEA, Treasury, and OMB) _____

*Secretary Duncan prefers the tax credit and feels it should be a flat amount unrelated to household consumption. He would like to limit the credit to two years, and make the amount of the credit in the second year reflect household conservation efforts. We can resolve these design issues during consultations, if you decide to offer a proposal.

CL COMMENT



THE WHITE HOUSE

WASHINGTON

September 8, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE
BILL CABLE
DAN TATE
JIM FREE

SUBJECT: Consultations - Home Heating Oil Rebate

We have completed a series of consultations with the Hill on a Home Heating Oil Rebate program. We had only one day to consult, so our calls were limited to key Congressman and Senators. Our conclusions are as follows:

1. Those who favor a rebate, and even some who oppose it, believe it is in your best interest to submit the rebate plan whether it will pass or not.

2. If submitted, chances are better than even for Senate passage, but only if Chairman Long attaches a heating oil plan to his version of the windfall profits tax in order to gain Northeastern support for the tax bill.

3. Chances for passage in the House seem reasonably favorable. The opposition of Chairman Giaimo will be a factor, but the leadership is strongly in favor of the proposal and sunbelt leaders are not unified in opposition. Following is a summary of the calls:

Speaker O'Neill

It should be submitted, even if it does not pass. It has been proposed once, so it is now expected.

Congressman Brademas

Such a measure is politically necessary. If it comes out of Ways and Means as part of a "uses package", there will not be a problem on the floor.

Congressman Rostenkowski

He will work with the Ways and Means Committee to help get a heating oil program enacted. The Speaker will take care of the Rules Committee and it will not be a big problem on the floor.

Congressman Neal Smith

This is a bad program. It contradicts your push for alternative fuels.

Congressman Giaimo

He strongly opposes the program and will work against it in the Budget Committee.

Congressman Dingell

His initial reaction is negative, but he wants to consider it over the weekend.

Congressman Corman

The program is necessary and will work. He did not say he would support it.

Congressman Phil Burton

He will support the program and thinks the State of California would, too. He suggests we call on Labor and the PIG's to draft the plan correctly.

Congressman Pepper

Would support the proposal. He thinks it helps poor people.

Senator Muskie

We spoke with his aide, Leon Billings, who predicted that Muskie would support a house heating oil program and would work within the Budget Committee to make room for the expenditures.

Senator Long

In a conversation with Stu, the Chairman said he thinks you have to submit a program. He anticipates the New Englanders will push for rebates whether we move or not. The program should be designed so that people get checks, this year.

Senator Bentsen

He will strongly oppose any heating oil program. He thinks such a program is a subsidy of Northeast heating costs by his constituents.

Senator Jackson

Jackson is at his brother's funeral in Seattle, but we talked to his chief staff member, Mike Harvey. He stated Jackson will enthusiastically support some form of relief from high costs of heating oil.

We have talked to a number of key House and Senate staff, as well.

WATSON COMMENT

THE WHITE HOUSE

WASHINGTON

September 8, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Home Heating Oil Rebate - Middle Income Assistance

As you make your decision on the Middle Income Heating Oil Assistance proposal, I urge you to consider the following points:

- We will get relatively little credit for having met the supply goal if we do nothing to mitigate the worst effects of the price problem;
- The price shift in the Northeast and Midwest (almost 100% increase in some cases) is so dramatic as to require a response by the Administration in much the same way as we respond to emergencies that strike any area of the country;
- The dramatic price increases, without a response from the Administration, will be characterized by many as "proof" that your energy policies are discriminatory against the Northeast and Midwest.

No governor or other political leader in the Northeast with whom I talk these days ever fails to mention the price problem. It has overtaken the supply issue as public concern number one, and it is virtually impossible to overstate the political importance and implications of the issue for us.

As you know, some of the governors in the Northeast are among your strongest, most visible and most effective supporters (e.g., Ella Grasso, Brendan Byrne, Hugh Gallen). They are finding it increasingly difficult to stay with you on your energy program because of this issue and will have no option but to support the legislative proposals for assistance in this area that will inevitably be put forward by Senators Kennedy, Muskie, Durkin, and others.

All of the arguments against the recommended action fail to rebut the overwhelming and, to me, valid humanitarian and political need to soften the effects of the sudden price increases in home heating oil. Based on Gene's and my conversations with Governors and other political leaders in the South and other parts of the country, I am convinced that this proposed relief will not subject you to any serious political reaction in those other areas of the country that will not benefit from the rebate. Moreover, no potential rival in early political tests is likely to oppose this proposal.

In sum, I believe it would be a serious mistake not to recommend action that will alleviate the problem.

WEXLER COMMENT

C

THE WHITE HOUSE

WASHINGTON

September 8, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: ANNE WEXLER *Anne*

SUBJECT: HOME HEATING OIL ASSISTANCE

I believe it is essential that we propose a home heating oil assistance program. Most of the groups and individuals with whom we have worked have urged us to do this and, among some groups in the Northeast, failure to do so could diminish their efforts on behalf of the windfall profits tax. Conversely, proposing such a program should enhance support for the windfall profits tax. It is interesting to note that in our meeting yesterday, representatives of Texaco urged us to provide assistance to lower-middle income families and indicated that they would support such an effort although they would suggest funding it out of the "increased" income tax revenues generated by decontrol rather than from a windfall profits tax.

Your speech on Wednesday in Hartford is a good opportunity to show that you are in control of the situation and are responsive. You can show that stocks have been built up to the necessary levels, that we are prepared to take care of contingencies in the delivery system, that some of the major oil companies (Texaco) have been responsive to assure that needs are met, that you are moving ahead on low income assistance, that you have a program for lower-middle income families and that the windfall profits profits tax is the key to accomplishing all of this.