

**11/8/77 [2]**

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	From Mondale to The President (2 pp.) re: Energy Speech <i>Opened 10/16/91</i>	11/8/77	A
draft	President's Draft of Energy Address (17 pp.) <i>Opened 10/16/91</i>	11/4/77	A
memo w/ att.	From Eizenstat to The President (27 pp.) re: Energy Speech <i>Opened 10/16/91</i>	11/5/77	A
memo w/	From Schultze to The President (36 pp.) re: Nominees for the Federal Reserve Chairmanship	11/8/77	C
draft	Fallows edited draft of Carter Speech 13pp (not included on original list) <i>Opened 10/16/91</i>	11/4/77	A

FILE LOCATION

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THE VICE PRESIDENT  
WASHINGTON

November 8, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: THE VICE PRESIDENT  
SUBJECT: ENERGY SPEECH

I don't have many changes in the draft speech, but I do have a few suggestions you might want to consider:

o On page two, I would drop the paragraph suggesting that many Americans still don't understand the issue. I think there is the risk that this would be perceived as an assessment that much of the general public is ignorant. This paragraph does not seem necessary to the thrust of the argument: that the energy crisis is serious and growing worse. ✓

o On page four, I would change severe inflationary pressures, to serious inflationary pressures. I think we should resist ourselves painting the picture that there exists today a terrible inflation problem. ✓

o On page four, I would make the next paragraph conditional, arguing, "If this trend continues, (t)he excessive purchase of foreign oil could make the very security of our nation increasingly dependent on uncertain energy supplies." Again, I believe the point you want to make is that our security could be threatened, rather than that it is now endangered, especially, since -- as I understand it -- our plan and the bill which is likely to emerge from the Congress, would leave us dependent in the future upon approximately the same level of foreign oil as we currently import. ✓

o On page five, where the speech breaks, I would insert a strong upbeat paragraph, in essence stating the preceding points about economic strength and national security in the reverse. You might say:

"DETERMINED TO BE AN ADMINISTRATIVE MARKING  
CANCELLED PER E.O. SEC. 1.3 AND  
ARCHIVIST'S MEMO OF MARCH 19, 1983"

Memorandum for the President  
November 8, 1977  
Page Two

"We must take the actions needed to ensure America's economic strength. We must preserve our blessed independence and safeguard our vital security. We must show that we can exercise leadership not only on behalf of our democracy, but on behalf of democratic governments throughout the world."

"Perhaps as never before in peacetime, our nation is being tested. There is only one way to meet that test, and that is by passing America's first comprehensive national energy plan."

"We are now on the eve of decision."

o On page five, I would follow this point with a compliment to the Congress, before going into the detailed issues that remain to be decided. I would recommend a paragraph which says:

"The Congress has shown a recognition of the urgency of this problem, great tenacity in coming to grips with many of the most complex and difficult decisions a legislative body has ever been asked to make, and a high degree of responsibility in its commitment to resolve these issues before the current session adjourns."

o I would then continue with the paragraph at the bottom of page five, and slightly revise the transitional paragraph at the top of page six as follows:

"As one of the world's largest producers of coal and oil and gas, why do we have this problem with energy, and why is it so difficult to solve?"

REMARKS BY  
JAMES R. SCHLESINGER  
SECRETARY OF ENERGY  
TO  
THE NATIONAL CONVENTION  
OF  
THE AMERICAN LEGION  
DENVER, COLORADO  
AUGUST 23, 1977

Legionnaires,

Today our Nation faces a troublesome passage -- requiring dramatic changes in our sources of energy. It is a passage both difficult and potentially perilous. Nonetheless, it is one through which -- with foresight and with dedication -- we can triumphantly come. The President of the United States has sounded a clarion call -- of warning and of challenge. To that summons Legionnaires, along with other Americans, will respond. It calls us to a different type of battlefield -- one that requires less raw courage than it does persistence and patient effort.

If we, as a people, respond -- as we have done before -- then we shall, with relative ease, move through a difficult transition of prospective oil stringency into a new future in which our energy supplies will be provided by new sources and new technologies achieved through American imagination and ingenuity. If we fail to respond, we shall face a growing menace to our economy and to our political and social stability. Consequently, we cannot afford to fail.

President Carter has called for the moral equivalent of war. This does not -- happily -- mean that the Nation need go on a wartime footing or resort to wartime measures. But, it does mean that we must achieve the cohesion and that sense of national purpose normally achieved only in time of war.

In itself the energy crisis provides no clear, unequivocal signal of national danger such as that represented by Pearl Harbor. Instead, the danger is more subtle, more complex. It can be grasped only through analysis and countered only through vision. Yet the signs and the portents have continued to grow. Indeed, one might describe the brief embargo of 1973-1974 as an undiscerned Pearl Harbor.

Only lately have we begun to grasp the magnitude of the energy problem. And our awareness is yet imperfect. Recent polls have disclosed that some 50 percent of the American people do not know that the United States imports any oil at all. This is disturbing when our import dependency has already reached almost 50 percent. Thus, altogether too many Americans apparently believe that we are self-sustaining and possess energy invulnerability. They cannot, therefore, appreciate the constraints that continuing economic growth and growing dependency would impose on our foreign and defense policies -- or anticipate the even greater vulnerability that we will face as oil production worldwide reaches the point that it can grow no further. >

How did we get where we are today? Let us examine the background.

Time was that our energy problems, like our security problems to which they are intimately related, were easily borne. In the wake of World War II, and down into the Vietnam war, the preeminence of American power remained unquestioned. The expansion of the international economy and the maintenance of security took place under the protection of that American power. In that era, we also were totally secure in our energy supplies. Indeed, our capacity was so great, relative to demand, that we could not only satisfy our domestic requirements, but could also take care of our allies in a period of emergency. In the Suez crisis of 1956, for example, the shut-in production capacity of the United States was by itself sufficient that we could tide Europe through a period of cut-off.

In the subsequent twenty years vast changes have taken place. American oil consumption has grown to so great an extent that even with enlarged production, we accommodate little more than half of our domestic requirements. And, of course, there is precious little spare capacity to tide other nations over in a time of trouble.

Just as political security has been affected by a world grown more fractious, just as our military position has been challenged by the steadily growing power of the Soviet Union, so has our overall position been further weakened by

the new fact of substantial energy dependency. Energy supply and security have always gone hand in hand. But the United States has been blessed with abundant resources, so that the connection between energy and security could be accepted without being explicitly recognized.

Yet, as the world has become more interdependent, and as our own dependency has grown, our ability to protect our vital interests has come under a new and different challenge.

Moreover, there is still a more fundamental and underlying issue that goes beyond the ordinary considerations of security policy. It is a problem that we share, with all other nations, of prospective worldwide shortage. It is the prospect that within a decade oil production worldwide will have reached a limit beyond which it will not be possible significantly to increase production. Sometime in the early 1990's oil production worldwide will peak out and begin its long slide downward. But even before then we shall approach a production ceiling such that output cannot accommodate further increases in demand. Consequently, expanding supplies of oil -- the world's fuel of choice -- will not supply the additional energy to sustain further economic growth and rising standards of living. This brief period, a century, in which oil has become the principal motive force of worldwide economic expansion will be at an end. We, along with all other nations, shall have to turn to alternative sources of supply and, in the period of grace allowed to us, seek out those alternative sources.

There are, of course, always Pollyannas who will believe that nothing that they wish not to occur, can possibly occur. They will suggest that, of course, there must be more oil out there to accommodate our ever-expanding appetite. Be not deceived! Our voracious demand for oil -- doubling every decade, increasing thirty fold in half a century -- is beginning to encroach not only on potential production limits but on potential long-term supply. In this decade alone the world will consume not only one-third of its proven reserves, but will also consume one-tenth of all the oil that the geologists in their wildest dreams ever expected might exist worldwide -- and might be found and recovered.

Thus, we, along with other nations, face an altered and potentially distressing future. Let us gather our courage and determination and face up to it.

We must not imitate the grasshopper in Aesop's fable. We must avoid a policy of drift until the moment of acute crisis is upon us. If we have the appropriate vision and foresight, we shall take advantage of the time that is available to us and act now.

We should begin now -- while we still have time and before the era of restricted oil and gas availability is upon us -- to alter the capital equipment that sustains and will sustain the American standard of living -- our factories, our homes, our automobiles. Our factories and power plants should increasingly burn coal or uranium, which these stationary facilities, unlike our transportation, can utilize at small penalty. We must, if we are prudent, take care to avoid increased dependence of our capital assets on oil and gas when we already know that the future supplies will be limited. And, we must achieve a higher degree of fuel efficiency. We must learn to conserve.

These are the things that we must do. And these are the things that President Carter's energy plan is intended to accomplish. The measures are numerous and intricate, but the underlying design is quite simple. Put briefly, the program is intended, first, to attain a higher degree of fuel efficiency to reduce waste and to conserve. Second, it is intended to wean us away from oil and gas and gradually to substitute further our more abundant fuel resources, solar energy, coal and uranium.

A major goal of the plan is to reduce the annual growth of energy consumption in the United States from approximately 4 percent to less than 2 percent per year. This can be achieved by making our homes better insulated, our automobiles more fuel-efficient, and by providing incentives for greater efficiency in our industrial processes. It can be achieved with no sacrifice in our prospective living standards.

The President has called for sacrifice, but the sacrifice for which he calls is less of a material nature than of a change in attitude and assumptions -- of all sacrifices the hardest for men to make. We shall have to give up our careless, spendthrift, ways in energy use. We shall have to learn anew such homespun wisdom as "willful waste makes willful want."

Nonetheless, it is axiomatic in the President's plan that enough energy shall be available to permit the continued growth of the economy and the expansion of productivity, output and the number of jobs. The pace is gradual and the use of energy will continue to grow. We are not interested in self-punishment through conservation.

The major element is equally simple: To avoid a growing dependence on oil and gas and to make better use of our more abundant fuel resources.

It was only after World War II that we emerged from a period in which coal had been our principal fuel. Increasingly, we shall return to it. Facilities-in-place can, in most cases, readily utilize coal. In that way, we can reserve a larger share of the dwindling supply of fuel liquids for our transportation sector in which there is no such readily available substitute. Our new factories and power plants should use coal or uranium. In that way we can avoid having our new capital plant and equipment become dependent on a type of fuel which is likely to be unavailable during the last fifteen or twenty years service of that plant.

If we are prepared to act now, we can make this transition relatively smoothly and painlessly. If we fail to act now, the consequences will be far more dire: In the middle 1980's rising unemployment, much more rapid inflation, and severe balance of payments difficulties. Such developments would shake the political and social foundations of the United States in a way that they have not been shaken since the 1930's. Much has been said about the economic consequences, relatively light, of the National Energy Plan. It is far wiser if we take into account not the consequences of our decision to act, but the economic and political consequences of our failure to act, for those could prove devastating.

But what of the longer term? What happens when we run short, as we inevitably must, of fossil fuel? Will these short-term sacrifices, which we now contemplate, make things better for our children and grandchildren in the future, or, will they merely postpone a day of reckoning? Some people these days have become so disquieted by future shock that they have lost faith in our long-run ability to cope. Will there be a happy ending?

The answer is unequivocally, yes. We face the future, not merely with hope, but with confidence. We shall devote our technical resources to the development of new sources of supply, be they techniques for the more efficient use of available energy, biomass, solar energy more narrowly defined, or fusion or fission power. Our researchers and our scientists have not yet failed the United States. Once we recognize the problem and apply to it the time-honored inventiveness and resolution of the American people, we can have unbounded confidence in our ability to solve it.

Yet, the Nation does face a formidable challenge.

Let us resolve to master it.

The President has presented an ambitious plan. Its development has been guided by the precept: Make no small plans; they have no magic to stir the souls of men.

The challenge is sufficiently great that this is no time for politics as usual, looking no further than the next election. It is no time for business as usual, looking no further than the next profit and loss statement.

The President has called on all of us: in every State, municipality and hamlet; in business and in unions, and, in voluntary organizations. Let us all respond to that call. We shall need the help of every man and woman in America.

"The summer patriot and the sunshine soldier will in this crisis shrink from the service of his country."

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SPECIAL INSTRUCTIONS:

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Pg. 1 [End of paragraph 2-] How many barrels -- imported since April -

Pg. 2 "At stake" instead of "what is at stake"

Pg. 2 Line 9 after "resolve" add "often enormous"

Pg. 2 Line 12 end of paragraph

"It is our last best chance to develop an energy policy that can avert a serious crisis in the future"

Pg. 2 Between paragraph 2 and 3.

There it shall be determined whether at long last America will have a real energy policy or once again half-hearted, ineffective measures.

This historic moment commands the attention of us all. The Congress, the President, the American people stand to be judged on the success or failure of this moment. Not only will we pass verdict ourselves but our action will be watched by our allies and adversaries around the world who question the firmness of our resolve.

Most important, we stand in the docket of history -- answerable to those yet unborn whose future will be enhanced or endangered by our action. They are the true constituents of this effort. Voiceless, they ultimately will judge whether this generation met the test faced by every other generation, of responsibility to the future. They will ask: Did we pass to the future a country strong and vibrant or a country weak and vulnerable?

Pg. 2 Line 13 add - "That is why I want to talk....."

Pg. 3 - Between paragraph 2 and 3

Hour by hour, day by day, the gauge that measures the increasing flow of imported oil records the slow but steady weakening of the United States overseas and at home.

Hour by hour, day by day, the national security of the U.S. is threatened by our dependence on imported oil.

Hour by hour, day by day, our ability to act as a nation in conducting our foreign affairs is being endangered.

Hour by hour, day by day, our economic strength is being sapped.

Hour by hour, day by day, our continued ability to provide a decent life for all our people becomes more and more questionable.

Pg. 5 Line 13 beginning of paragraph 3 "At home, even while the..."

Pg. 6 Last paragraph -

"Each year we lose 200,000 more American jobs because of rising imports oil oil. We lose almost 25 jobs an hour, almost 550 jobs a day! Each year we lost \$10 billion in national output, which works out to more than a million dollars an hour, \$27 and 1/2 million a day, almost 200 million dollars a week! We are sending jobs...

Pg. 7 After line 6 - beginning of paragraph 3 add:  
"Most important vast amount of American wealth no longer stay in the United States but go overseas to enrich other nations." 

Pg. 7 After line 11 add "Rather than becoming weaker our dollar would be growing stronger."

Pg. 11 After paragraph 2

In April I asked sacrifice of every segment of our nation, consumer and producer alike. Many consumers and producers have answered that call. A number of oil and gas companies have been statesmanlike in helping us balance their true needs against the needs of our entire society. They are to be commended for putting the national interest first.

But others have not been so patriotic. They and their allies have sought to turn this plan into a bonanza at the expense of every American. Yes, we will have to all pay more for energy but if they have their way the burden, on every American, already heavy would become crushing. As President, I have the responsibility to try to balance the needs for production incentives against the costs that can be borne by ordinary Americans, and as President, I will not accept a plan that would strike a staggering blow at every American family in order to enrich a few. 

Pg. 11 - First word paragraph 3 - Change "the" to "these two questions"

Pg. 12 - at the end of line 2 add:

*Put now says  
this should  
not be included*  
"During the campaign I favored deregulation of natural gas. In the long-term I am expecting that we will see deregulation. However the impact of total deregulation now would be devastating to the American people."

Pg. 12 - Line 7 after "invest" In the last four years the price of natural gas has risen X% and would rise in our plan Y% more. Gas producers...."

Pg. 13 - after line 2:

"Every American must be concerned over the outcome of these two price issues before the Conference Committee."

Pg. 15 - Line 1 after "House"

"House; although frankly our plan and the House plan are more compatible"

Pg. 15 - after paragraph four - listing the third test.

Although I am fully confident that it will not happen, should the bill that emerges from the Conference Committee fail these tests I will not hesitate to veto it. On January 20 before you and almighty God I took an oath to "faithfully execute the office of President of the United States". If I were to sign a bill that I did not truly believe to be effective, just to have a bill, then I would have betrayed my oath. You have my solemn promise that I will sign a bill that I feel establishes an effective energy policy.

No President can have all of the answers to this problem or any problem. That's why our forefathers set forth both a Congress and a President to work together.

Nonetheless, a President has a singular responsibility. he is elected by the entire nation not by a single district or a single state. It is in this office that all the interests, demands and needs must be weighed and to some extent arbitrated. It is here that our requirements at home must be meshed with our requirements abroad. Every level of government plays a key role in shaping our country to our visions and to our problems.

I have learned many things since I became President that I

did not know. No one who does not have this responsibility can appreciate the true burden of this office.

One of those burdens is to decide what must first be addressed on our national agenda. I firmly believe that for our domestic prosperity and our national security the passage of an effective energy policy is paramount. Our ability to answer other problems to and sense future dreams hinges on that endeavor. Therefore, I will devote all the time I have available to attend that need. While it is the Conference Committee of the Senate and House that must produce a plan, as President I have an obligation to be here ready and able to provide help, guidance, and if necessary criticism.

As you know, I had planned to undertake a monumental trip abroad later this month. It was a trip designed to reaffirm America's commitment to partnership with our allies and to the newly developing world, a trip contributing to peace in the world. When we planned this trip I mistakenly felt that the energy plan would have become law.

America overseas is only as strong as America at home. It is now unlikely that the Conference Committee will finish its work and the Congress pass an energy package before the date of this trip. As great as this trip's potential, having a strong U.S. Energy Policy is of first importance both at home and abroad. My place at this critical moment is here. Therefore I am \_\_\_\_\_ my trip. This has been a difficult decision.

Pg. 16 After first paragraph ending "road."

This effort will buy us time. It will allow us to harness an unique American ingenuity and technological ability for the development of new sources of energy, synthetic fuels, solar, geothermal, and fusion power. The national effort that made America the Arsenal of Democracy in World War II and put a man on the moon can lead us to new and solve energy frontiers. Our success can lead to greater economic prosperity, more jobs and a brighter future for all of our people.

Pg. 17 Line 2 "With distant and often unpopular challenges, like..."

Pg. 18 After line 9 new paragraph between last sign off

"Ours is a great nation. We stand on the brink, I believe, of new greatness. I am confident that America today will meet the challenge before us as we have met other challenges at other times. And that we will once again prove that this is the greatest nation on earth. (Or something uplifting.)"

(12)

More than six months ago, in April, I spoke with you about the need for a comprehensive national energy policy, to deal with our present and future energy problems.

(A) →

In those six months our energy problems have grown worse. This summer we used more oil and gasoline than ever before in <sup>our</sup> history. Since <sup>last</sup> April we have our oil imports from foreign countries have cost \$23 billion - about \$400 worth of oil for every family in the United States!

Future  
Pages

ROUGH  
PRESIDENT CARTER, DRAFT, 11/4/77

~~CONFIDENTIAL~~  
For Tues night

cc: Schlesinger, Stu, Schultze  
Jody, Fallows  
Do not make copies -  
Submit suggestions  
Saturday -

J.C.

More than six months ago, in April, I spoke with you about the need to establish a new and comprehensive national energy policy in order to <sup>deal</sup> help with solve] our present and future energy problems.

The Congress has been hard at work and a great deal of progress has been made, but in the meantime the energy situation has grown worse.

This summer, we used more oil and gasoline than ever before in history. About 8 million barrels a day was produced in America, but since April our oil imports from foreign countries have cost \$23 billion -- about <sup>\$350</sup> [\$500] worth of oil for every family in the United States!

(A) { I want to talk to you, at this crucial time, to emphasize why it is so important that we have a national energy plan, and what we will risk if we are timid, or reluctant to face this challenge.

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~~[We know that]~~ Our farmers are the greatest agricultural exporters the world has ever seen, but it takes two years of farm exports to pay for one year's imports of oil -- about \$45 billion! This excessive importing of <sup>foreign</sup> oil is a tremendous and rapidly increasing drain on our national economy.

every \$5 billion in extra oil imports costs us <sup>American jobs</sup> about 200,000 ~~[a year]~~

- # It costs us business investments. ←
- # It increases federal budget deficits.
- # It creates record trade deficits -- this year more than \$25 ~~[about \$30]~~ billion. ~~We would have a trade surplus and more jobs at home if~~ <sup>could threaten the strength of</sup> It ~~[weakens]~~ the dollar in world markets, unless we act without delay.
- It ~~[tends to]~~ <sup>as</sup> push up the international price of oil ~~[with too much]~~ <sup>as</sup> demand ~~[for limited supplies]~~ <sup>begins to outstrip our</sup> ability to produce it.
- It ~~[creates]~~ <sup>feeds</sup> severe inflationary pressures.

Vast amounts of American wealth no longer stay in the United States, but go overseas to enrich other nations.

Our national security depends on more than our armed forces. It also rests on <sup>3</sup> the strength of our economy, on our national will, and <sup>on</sup> our independence and freedom to act in international relations and trade as an independent nation.

It makes the very security of our nation increasingly dependent on uncertain foreign oil

supplies. ✓ The Secretary of Defense said recently,

"The present deficiency of assured energy sources is

the single surest threat . . . to our security and that

of our allies."

\* \* \*

(A) →

~~Although~~ The price of all energy is going up <sup>both</sup> and because

because of its increasing scarcity, there is no free

market system in setting the price of oil. ~~In all~~

~~producing countries the governments set the price of~~

~~domestic oil, and~~ The world price is set arbitrarily <sup>a foreign cartel --</sup>

by the governments of the OPEC nations. The world

price is now <sup>almost five</sup> times as great as it was in 1973.

Move to page 4

As one of the world's largest producers of energy,

why do we have this problem?

(A)

Perhaps as never before in  
peacetime, our nation is being tested.

We are now on the eve of decision,

when we will decide what the outcome

of that test will be. Just week

the Senate completed its work on

the \$ energy plan and sent it

to a Conference Committee, whose members

of the House and Senate will now

resolve differences between the bills

they have passed. There, in the next

few weeks, the strength and courage

of our political system must be

proven.

~~Now~~ We simply use too much -- and waste too much -- energy. Although all countries <sup>could be more efficient,</sup> ~~are involved~~ we are the worst offender. Since the great price rise in 1973, the Japanese have cut their oil imports. The Germans, the French, the British, <sup>the Canadians</sup> and the Italians have all cut their oil imports. Meanwhile, we in the United States have increased our imports of oil more than 40 percent!

This ~~is a recent~~ problem <sup>has ~~not~~ come upon us suddenly.</sup> Just 10 years we imported 2 1/2 million barrels of oil a day - about 20% of what we used. ~~ago we were a net exporter of oil.~~ By 1972 we were

about 30% importing ~~more than 20~~ percent. ~~In 1973 we imported more than one-third~~ This year we will import <sup>from foreign countries</sup> 8 1/2 million barrels a day, almost

about one-half of all the oil we use! <sup>Unless we act quickly,</sup> imports will continue to go up, ~~the price will~~ and all the problems I have described will grow even worse.

to avoid the danger: There are three things we must do <sup>to avoid the danger:</sup> ~~do~~ cut back

on consumption; shift away from oil and gas to other

sources of energy; and encourage production<sup>of energy</sup> in the United States. These are the purposes of the new energy legislation.

In order to conserve energy, the Congress ~~has~~ <sup>is now</sup> acting to make our ~~moved boldly~~ <sup>to increase the efficiency of</sup> automobiles, homes and other buildings, <sup>and</sup> appliances, <sup>and</sup> more efficient, and to encourage industry to save both usable heat and electricity.

~~The Congressional Conference Committee~~  
~~In a joint House and Senate Conference the~~  
~~Congress~~ is now considering ~~mandatory~~ <sup>how</sup> changes in ~~setting~~ <sup>are set,</sup> electric power rates in order to discourage waste, to reward those who use ~~lower amounts of~~ <sup>less</sup> energy, and to encourage <sup>a change in</sup> the use of electricity <sup>to</sup> ~~during~~ hours when <sup>demand is low.</sup> ~~it is most readily available~~ Another important question ~~now being resolved by~~ <sup>before</sup> Congress is how to let the market price for domestic oil ~~move up to~~ <sup>reflect the</sup> cost of replacing it, while ~~approximately its replacement value with maximum~~

protecting  
[fairness to] consumers and ~~(the least damage to)~~ our  
economy.

The new energy legislation will also encourage  
Conversion <sup>from oil and gas</sup> to coal, wind, and geothermal,

shale oil, methane and other energy supplies. ~~will~~  
~~also be encouraged by the new legislation.~~ <sup>We will use</sup> Research  
and development projects, tax incentives and penalties,  
and regulatory authority ~~[will be used]~~ <sup>hasten the</sup> to shift away  
from unnecessary use of increasingly scarce oil and  
natural gas.

We have also proposed and Congress is acting on  
incentives to encourage production of oil and gas  
in our own country. This is where <sup>another</sup> ~~the~~ major  
controversy arises.

It is important that <sup>we encourage</sup> new oil and gas  
discoveries and increased production ~~[be encouraged]~~

with adequate prices to the producers. We have recommended that new natural gas be priced each year the same as the average price of domestic oil <sup>that would</sup> ~~needed~~ to produce <sup>the same</sup> ~~[an equal]~~ amount of energy. <sup>With</sup> ~~this price,~~ <sup>with this price,</sup> would give the gas producers <sup>would get</sup> ~~[an average increase of]~~ about \$2 billion per year, <sup>more than at</sup> ~~above~~ the present price level.

New oil prices would rise in three years to the present world price, with an annual addition to be added for inflation. This would be the highest price <sup>paid</sup> <sup>any</sup> to oil producers in the world. This would ~~[in~~ ~~my opinion]~~ provide adequate incentives for exploration and production of domestic oil and gas.

~~Some producers are helping to evaluate this pricing~~  
But some of the oil companies want much more -- tens of billions of dollars more. They want greatly increased prices for "old" oil and gas -- energy supplies

which have been already discovered and are being produced. They want

[earlier and] higher prices for "new" gas and oil, and they want them sooner; they want lower taxes on their profits, and government funding for energy production from a tax-financed energy trust fund.

The political pressures are great because the stakes are so high. ~~We cannot overly reward the oil companies who discover and produce new oil and gas, but we must not give them huge windfall profits on their existing wells at the expense of the American people.~~ *We should reward individuals and companies at the expense of the American people.*

The energy proposal I made to Congress last April <sup>has</sup> had three basic elements:

First, it <sup>is</sup> ~~was~~ fair <sup>to</sup> ~~to~~ the American consumers and to the energy producers, and <sup>it would disrupt</sup> ~~provided a minimum~~ disturbance <sup>as little as possible;</sup> ~~to~~ our national economy.

Second, it <sup>is</sup> ~~was~~ designed to meet ~~ten~~ <sup>our</sup> important goals for energy conservation, to promote a shift to more plentiful and permanent energy supplies, and to encourage increased production of energy in the United States; and

Third, it protected our federal budget from any heavy financial burden.

<sup>three qualities</sup>  
All of these ~~[basic elements]~~ are very important. I will ~~[decide whether to]~~ sign an energy bill if it meets <sup>these</sup> conditions. I will not approve energy legislation which is unfair to the American consumer.

During the next few weeks the Congress will make a judgment on this important legislation. I will be working closely with them, and you - the American people - are also deeply involved in these decisions.

This is not a test of strength between the President and the Congress, nor between the House and the Senate. What is being tested is the strength and will of our nation -- whether we can acknowledge a threat and meet a serious challenge together.

I believe that this country can meet any challenge, but this is an exceptionally difficult one because the threat is not easy to see -- and the <sup>solution</sup> ~~subject~~ is neither simple nor politically popular.

I said six months ago that no one would be completely satisfied with this national energy plan. <sup>That prediction has</sup> ~~I have~~ turned out to be right. There is some part of this complex legislation to which every region and every interest group can object. But a common

national sacrifice to meet this serious problem

should be shared by everyone -- a proof that the

plan is fair. Many groups have risen to the challenge, but there are still those who seek personal gain over the national interest.

It is especially difficult to deal with

distant challenges. A President is elected for

just four years, a Representative for two, and a

Senator for six. It has always been easier to wait

until the next year or the next term of office -- to

avoid political risk.

But you did not choose <sup>your elected officials</sup> ~~me nor the members of~~

~~the House or Senate~~ simply to fill an office. The

Congress is <sup>facing very difficult decisions,</sup> ~~acting courageously and well,~~ and we

have formed a good partnership.

This energy plan is a good insurance policy for the future, in which relatively small premiums we pay now will protect us in the years ahead. *If we fail to act boldly now, then we will soon face a greater series of crises.*

This is an effort which ~~[will]~~ requires vision and cooperation from all of us. I hope that each of you will show your concern by taking steps in your own private life to conserve our precious energy, but ~~[also by making sure that]~~ <sup>joining with</sup> your elected officials at all levels of government ~~[know that you want them~~ <sup>us</sup> ~~to act -- along with you --]~~ to meet this serious test of our nation's will.

(B)



The focus now is on the Congress, but the test of our courage and commitment will continue, in different forms and places, in the months and

years ahead. It need not be unpleasant for any of us to make a patriotic sacrifice for the well-being and security of our nation.

<sup>ROUGH</sup>  
PRESIDENT CARTER DRAFT, 11/4/77

~~CONFIDENTIAL~~  
For Tues night

cc: Schlesinger, Stu, Schultz,  
Jody, Fallows  
Do not make copies  
Submit suggestions  
Saturday -

J.C.

More than six months ago, in April, I spoke  
with you about the need <sup>for</sup> ~~[to establish]~~ a new ~~[and]~~  
comprehensive national energy policy, ~~[in order]~~ to help  
solve our present and future energy problems.

Since then,

The Congress has been hard at work <sup>and</sup> a great  
deal of progress has been made, <sup>with each passing month,</sup> But ~~[in the meantime]~~  
the energy situation has grown worse.

Suggest  
inserts  
A, B, C, D

This summer, we used more oil and gasoline  
than ever before in <sup>our</sup> history. ~~[About]~~ <sup>Even though we produce about</sup> 8 million barrels  
<sup>of oil each</sup> ~~per~~ day ~~[was produced]~~ in America, ~~[but]~~ since April our  
oil imports from foreign countries have cost  
\$23 billion -- about \$500 worth of oil for every  
family in the United States!

Fallows  
edited  
Draft of Carter speech

[We know that] our farmers are the greatest agricultural exporters the world has ever seen, but it takes two years of farm exports to pay for one year's imports of oil -- about \$45 billion! This excessive importing of oil is a tremendous and rapidly increasing drain on our national economy.

It costs us jobs -- about 200,000 a year.

*weakens our (or reduces our)*  
It [costs us] business investments.

It creates record trade deficits -- this year about \$30 billion.

It weakens the dollar in world markets.

It tends to push up the international price of oil, *because* [with] too much demand *is chasing too few* [for limited] supplies.

It creates severe [inflationary] pressure *for inflation*.

Our national security depends on more than our armed forces. It also rests on the strength of our economy and our leadership in international relations and trade.

It makes the very security of our nation increasingly dependent on uncertain foreign oil supplies. The Secretary of Defense said recently,

"The present deficiency of assured energy sources is the single surest threat . . . to our security and that of our allies."

Although the price of all energy is going up because of its increasing scarcity there is no free market system in setting the price of oil. In all producing countries, the governments set the price of domestic oil, and the world price is set arbitrarily by the governments of the OPEC nations. The world price is now \_\_\_\_\_ times as great as it was in 1973.

is not set by the free market system.

Move to page 7

As one of the world's largest producers of energy, why do we have this problem?

The reason is

[Now] we simply use <sup>that</sup> [too much] -- and waste <sup>--</sup> too

much ~~an~~ energy. [Although all countries are involved], Every country could be more efficient, but

we are the worst offender. Since the great price rise

in 1973, the Japanese have cut their oil imports.

The Germans, the French, the British, and the Italians

have all cut their oil imports. Meanwhile, we in the

United States have increased our imports of oil more

than \_\_\_\_\_ percent!

has come upon us suddenly.

This [is a recent] problem. Just \_\_\_\_\_ years

ago we were a net exporter of oil. By 1972 we were

importing more than 20 percent. In 1973 we imported

more than one-third. This year we will import

about one-half of all the oil we use.

to avoid the danger:

There are three things we must do: cut back

on consumption; shift away from oil and gas to other

Unless we act quickly, imports will keep going up, the price will continue to rise, and we will sacrifice more and more of our economic strength and our international security to the need to import oil.

(Comparison with West Germany + Sweden?)

<sup>forms</sup> of many sources of energy  
[sources] of energy; and encourage production in the  
United States. These are the purposes of the new  
energy legislation.

<sup>meet the first goal,</sup>  
In order to <sup>action</sup> conserve energy, the Congress has  
moved boldly to <sup>make our</sup> [increase the efficiency of] automobiles,  
homes <sup>and</sup> [and other] buildings, <sup>more efficient,</sup> appliances and to encourage  
industry to save both usable heat and electricity.

<sup>A conference committee of members of the Senate and</sup>  
[In a joint House and Senate Conference the <sup>the House</sup>  
Congress] is now considering [mandatory] changes <sup>ing/</sup> [in setting <sup>the way/</sup>  
<sup>are set,</sup>  
electric power rates] in order to discourage waste,  
[to] reward those who use <sup>less</sup> [lower amounts of] energy, and  
[to] encourage the use of electricity during hours when  
<sup>demand is low.</sup> [it is most readily available]. <sup>The Congress is now resolving</sup>  
Another important  
question, <sup>which</sup> [now being resolved by Congress] is how to  
let the market price for domestic oil [move up to  
approximately its replacement value with maximum]  
<sup>reflect the cost of replacing it,</sup>

While protecting  
[fairness to] consumers and [the least damage to] our  
economy.

The new legislation will also help achieve the second goal,  
conversion to coal, wind and geothermal power,  
from oil + gas  
shale oil, methane, and other energy supplies. [will  
also be encouraged by the new legislation]. [we will use  
research  
and development projects, tax incentives and penalties,  
to this end.  
and regulatory authority [will be used to shift away  
from unnecessary use of increasingly scarce oil and  
natural gas.]

We have also proposed and Congress is acting on  
incentives to encourage production of oil and gas  
in our own country, <sup>our third goal.</sup> This is where the major  
controversy arises.

[It is important that new oil and gas  
discoveries and increased production be encouraged]  
Oil and gas producers need a fair price  
for their products, so they will have an incentive to find  
and pump more. That price—like all energy prices—  
will be higher than it used to be, because energy is becoming scarcer.

~~THIS IS THE~~  
~~PROPOSAL~~

[with adequate prices to the producers.] [We have]  
 Our proposal for a fair price is this: when  
 [recommended that] new natural gas, [be priced each year]  
 is discovered, its ~~price~~ <sup>cost</sup> should  
 the same as the <sup>amount of</sup> [average price of] domestic oil [needed  
 that would] to produce [an equal] <sup>the same</sup> amount of energy. <sup>With</sup> This price, [would  
 give] the gas producers <sup>would get</sup> [an average increase of] about  
 \$2 billion per year <sup>more than they do now</sup> [above the present price level].

→ ¶ Insert  
from page 3

New oil prices would rise in three years to the  
 present world price, with an annual addition to be  
 added for inflation. [This would be the] highest  
 price <sup>here as anywhere</sup> [to oil producers] in the world. This <sup>is all the</sup> [would, in]  
 [my opinion, provide adequate] incentives <sup>for anyone needs</sup> [for]  
 to exploration and production ~~tion~~ of domestic oil and gas.

<sup>But</sup>  
^ The oil companies want much more -- tens of

billions of dollars more. [They want greatly increased  
 prices for "old" oil and gas -- energy supplies]

They don't just want incentives to discover new  
supplies - they want higher prices for oil and  
gas they discovered years ago.

[already discovered and being produced]. They want

[earlier and] higher prices for "new" gas and oil, and they want them sooner;

they want lower taxes on their profits, and government funding

for energy production from a tax-financed energy

trust fund.

they are exerting is

The political pressures are great because the

It is pressure we must resist  
stakes are so high. We cannot ~~overly~~ reward the oil  
unfairly

companies at the expense of the American people.

The energy proposal I made to Congress last

April ~~had~~ <sup>has</sup> three basic <sup>qualities</sup> [elements]:

First, it ~~was~~ <sup>is</sup> fair <sup>both</sup> to the American consumers

and to the energy producers, and <sup>it disrupted</sup> [provided] minimum

disturbance to] our national economy;

[as little as possible;

too many  
numbers  
↓

Second, it ~~was~~<sup>is</sup> designed to meet [ten] *our*  
important goals for energy conservation, to promote  
a shift to more plentiful and permanent energy  
supplies, and to encourage increased production of  
energy in the United States; and

Third, it protected our federal budget from any  
heavy financial burden.

*qualities*  
All of these [basic elements] are very important.

During the next few weeks the Congress will  
make a judgment on this [important] legislation. I  
will be working closely with them, [and you — the  
American people — are also deeply involved in] *The results of*  
these  
decisions — *will affect all of you directly;*  
*I hope you will involve yourselves in the*  
*choices that soon will be made.*

This is not a test of strength between the President and the Congress, nor between the House and the Senate. What is being tested is the strength and will of our nation -- whether we can acknowledge a threat and meet a serious challenge together.

I believe that this country can meet any challenge, but this is an exceptionally difficult one because the threat is not easy to see -- and the <sup>solution</sup> [subject] is neither simple nor politically popular.

I said six months ago that no one would be completely satisfied with this national energy plan. I have turned out to be right. There is some part of this complex legislation to which every region and every interest group can object. But a common

national sacrifice to meet this serious problem should be shared by everyone -- a proof that the plan is fair.

It is especially difficult to deal with distant challenges. A President is elected for just four years, a Representative for two, and a Senator for six. It has always been easier to wait until the next year or the next term of office -- to avoid political risk.

But you did not choose me nor the members of the House or Senate simply to fill an office. The Congress is acting courageously and well, and we have formed a good partnership.

This energy plan is a good insurance policy for the future, in which relatively small premiums we pay now will protect us in the years ahead.

This is an effort which will require vision and cooperation from all of us. I hope that each of you will show your concern by taking steps in your own private life to conserve our precious energy, but also by making sure that your elected officials at all levels of government know that you want <sup>us</sup> ~~them~~ to act -- along with you -- to meet this serious test of our nation's will.

The focus now is on the Congress, but the test of our courage and commitment will continue, in different forms and places, in the months and

years ahead. It need not be unpleasant for any of us to make a patriotic sacrifice for the well-being and security of our nation.

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More than six months ago, in April, I spoke to you about the need for a national policy to deal with our present and future energy problems, and the next day I sent my proposals to the Congress.

The Congress has recognized the urgency of this problem, and has come to grips with some of the most complex and difficult decisions a legislative body has

ever been asked to make. *Working with Congress we have now formed a new Department of Energy, headed by Secretary James Schlesinger.*

Congressional work on the national energy plan

*now* has reached the final stage.

Last week the Senate sent its version of the legislation to the ~~Congressional~~ conference committees, where members of the House and Senate will now resolve differences between the bills they have passed. There,

*We now have the ability to implement the energy legislation and*

This excessive importing of foreign oil is a tremendous and rapidly increasing drain on our national economy. It hurts every American family.

It causes unemployment. Every \$5 billion in extra oil imports costs us about 200,000 American jobs.

It costs us business investments. Vast amounts of American wealth no longer stay in the United States, <sup>7</sup> to build our factories and give us a better life, but ~~go~~ overseas to enrich other nations.

*this wealth goes  
makes it harder for us to balance  
finance pay for <sup>needed</sup> programs for our people.*  
It ~~increases~~ our federal budget ~~deficits~~ and to

It unbalances our nation's trade with other countries. This year, primarily because of oil, our imports will be at least \$25 billion more than all the American goods we sell overseas.

*eventually*  
It could <sup>eventually</sup> threaten the [future] strength of the dollar in world markets unless we act to stop this

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drain on our nation's wealth.

It pushes up international energy prices <sup>because</sup> ~~as~~ excessive importing of oil by the United States makes ~~demand begins to outstrip the world's ability to~~ it easier for foreign producers to raise their prices ~~produce oil~~.

It feeds <sup>Serious</sup> ~~severe~~ inflationary pressures in our own economy.

If this trend continues, the excessive purchase of foreign oil <sup>could</sup> ~~also~~ <sup>make</sup> ~~makes~~ the very security of our nation increasingly dependent on uncertain energy supplies. Our national security depends on more than our armed forces. It also rests on the strength of our economy, on our national will, and on the ability of the United States to carry out our foreign policy as a free and independent nation. America overseas is only as strong as America at home.

The Secretary of Defense said recently, "The present deficiency of assured energy sources is the single surest threat . . . to our security and that of our allies."

*Yesterday, after careful consideration, I announced the postponement of a major overseas trip until after*  
I have postponed my

Christmas because of the paramount importance of

developing an effective energy plan this year.

*I have no doubt that this is the right decision, because the other nations of the world -- allies and adversaries alike -- await our energy decisions with great interest and concern.*

\* \* \*

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*to  
p 1*

\* \* \*

As one of the world's largest producers of coal and oil and gas, why do we have this problem with energy, and why is it so difficult to solve?

One problem is that ~~First of all,~~ the price of all energy is going up

both because of its increasing scarcity and because

~~[there is no free market system in setting]~~ the price is not set in a free and competitive market of oil. ~~[With oil, the free enterprise system does~~

~~not work.]~~ The world price is set ~~[arbitrarily]~~ by a foreign cartel -- the governments of the so-called

OPEC nations. ~~[The world]~~ <sup>That</sup> price is now almost five times as great as it was in 1973.

Our biggest problem, however, is that

~~we~~ simply use too much -- and waste too much -- energy. Our demand for oil is doubling every <sup>15 or 20</sup> ~~ten~~ years.

Although all countries could be more efficient, we are

the worst offender. Since the great price rise in 1973, the Japanese have cut their oil imports. The Germans, the French, the British, the Canadians, and the Italians have all cut their oil imports. Meanwhile, although we have large petroleum supplies of our own, we in the United States have increased our imports of oil more than 40 percent!

This problem has come upon us suddenly. ~~Just~~ *Ten* years ago, when foreign oil was very cheap, we imported just 2½ million barrels of oil a day -- about 20 percent of what we used. By 1972 we were importing about 30 percent. This year, when foreign oil is very expensive, we are importing <sup>nearly 9</sup> ~~8~~ million barrels a day -- almost one-half of all the oil we use! Unless we act quickly, imports will continue to go up, and all the problems I have just described will grow even worse.

~~[The other nations of the world await our decisions with  
great interest and concern.]~~

There are three things we must do to avoid the danger: first, cut back on consumption; second, shift away from oil and gas to other sources of energy; and, third, encourage production of energy in the United States. These are the purposes of the new energy legislation.

In order to conserve energy, the Congress is now acting to make our automobiles, homes, and appliances more efficient, and to encourage industry to save both ~~usable~~ heat and electricity.

The Congressional conference committees ~~is~~<sup>are</sup> now considering changes in how electric power rates are ~~to be~~ set in order to discourage waste, to reward those who

use less energy, and to encourage a change in the use of electricity [~~during each day~~] to hours <sup>of the day</sup>, when demand is low. Another important question before Congress is how to let the market price for domestic oil go up to reflect the cost of replacing it, while at the same time protecting American consumers and our economy.

c



We will use research and development projects, tax incentives and penalties, and regulatory authority to hasten the shift from oil and gas to coal, wind, <sup>and solar power,</sup> geothermal, <sup>solar power,</sup> [~~shale oil~~] methane and other energy sources.

We have also proposed and Congress is acting on incentives to encourage production of oil and gas here in our own country. This is where another major controversy arises.

INSERT C

P

We must face an unpleasant fact about energy prices. They are going up, whether we pass an energy program or not, as fuel becomes scarcer and more expensive to produce.

The question is who should benefit from those rising prices, for oil already discovered.

~~The proposals in] Our energy plan [captures the rising prices]~~  
Captures the rising prices and returns them  
and returns <sup>more</sup> them to the public, where they can stimulate  
<sup>save energy,</sup>  
the economy and create new jobs.

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It is important that we promote new oil and gas discoveries and increased production with adequate prices to the producers.

We have recommended that the price of new natural gas be raised each year to the average price of domestic oil that would produce the same amount of energy.

With this new policy, the gross income of gas producers would average about \$2 billion per year more than at the present price level.

New oil prices would also rise in three years to the present world level <sup>and then be increased</sup> ~~with an additional price~~ to keep up with ~~increase to be added each year for~~ inflation. This <sup>incentive for new oil production would be the highest</sup> ~~would be the highest price paid to any oil producers~~

in the world.

These proposals would provide adequate incentives for exploration and production of domestic oil and gas, but some of the oil companies want much more -- tens of billions of dollars more. They want greatly increased prices for "old" oil and gas -- energy supplies which have already been discovered and are being produced. They want even higher prices than those we have proposed for "new" gas and oil, and they want the high prices sooner; they want lower taxes on their profits, and they want government financing or loans for energy production from a tax-supported energy trust fund.

These are controversial questions, and the Congressional debates are intense. The political pressures are great because the stakes are so high.

We should reward individuals and companies who discover

*They want immediate and permanent deregulation of gas prices, which would cost consumers \$70 billion or more between now and 1985.*

and produce new oil and gas, but we must not give them huge windfall profits on their existing wells at the expense of the American people.

The energy proposal I made to Congress last April has three basic elements to insure that it is well balanced.

First, it is fair both to the American consumers and to the energy producers, and it will disrupt our national economy as little as possible;

Second, it is designed to meet our important goals for energy conservation, promote a shift to more plentiful and permanent energy supplies, and encourage increased production of energy in the United States; and

Third, it protects our federal budget from any  
*unreasonable*  
~~heavy~~ financial burden.

*These are the three standards by which the*  
~~All of these three qualities are very important.~~  
*final legislation will be judged. I will sign the*  
~~I look forward to signing energy legislation if it~~  
*energy bills only if they meet these tests.*  
~~meets these conditions.~~

During the next few weeks the Congress will  
make a judgment on these vital questions. I will be  
working closely with them. You -- the American  
people -- are also deeply involved in these decisions.

This is not a contest of strength between the  
President and the Congress, nor between the House and  
the Senate. What is being measured is the strength  
and will of our nation -- whether we can acknowledge  
a threat and meet a serious challenge together.

Third, it protects our federal budget from any  
*unreasonable*  
~~heavy~~ financial burden.

*These are the three standards by which the*  
~~All of these three qualities are very important.~~  
*final legislation will be judged. I will sign the*  
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This is not a contest of strength between the  
President and the Congress, nor between the House and  
the Senate. What is being measured is the strength  
and will of our nation -- whether we can acknowledge  
a threat and meet a serious challenge together.

I am convinced that we can have enough energy to permit the continued growth of our economy, the expansion of production and jobs, and to protect the security of the United States - *if we act wisely.*

I believe that this country can meet any challenge, but this is an exceptionally difficult one because the threat is not easy to see -- and the solution is neither simple nor politically popular.

I said six months ago that no one would be completely satisfied with this national energy plan. That prediction has turned out to be right. There is some part of this complex legislation to which every region and every interest group can object. But a common national sacrifice to meet this serious problem should be shared by everyone -- a proof that the plan is fair. Many groups have risen to the

challenge, but <sup>unfortunately</sup> there are still some who seek personal gain over the national interest.

It is also especially difficult to deal with long range future challenges. A President is elected for just four years, a Senator for six, and ~~our~~ Representatives in Congress [~~serves~~] for only two years. It has always been easier to wait until the next year or the next term of office -- to avoid political risk.

But you do not choose your elected officials simply to fill an office. The Congress is facing very difficult decisions, and we have formed a good partnership. All of us <sup>in government</sup> need your help.

\* \* \*

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Move  
to P17  
#

This energy plan is a good insurance policy for the future, in which relatively small premiums we pay today will protect us in the years ahead. If we fail to act boldly <sup>today</sup> [now], then we will <sup>surely</sup> ~~soon~~ face a

greater series of crises, <sup>tomorrow -</sup> energy shortages, <sup>ever more</sup> environmental damage, <sup>massive</sup> government bureaucracy and regulations, and ill considered crash programs.

This is an effort which requires vision and cooperation from all Americans. I hope that each of you will take steps to conserve our precious energy, and also join with your elected officials at all levels of government to meet this [~~great~~] test of our nation's judgment and will.

These are serious problems, and this has been a serious talk. But our energy plan also reflects the optimism I feel about our ability to deal with these problems. The story of the human race is one of adapting to changing circumstances. The history of our nation is one of meeting challenges, and overcoming

them. This <sup>major legislation</sup> ~~energy plan~~ is a necessary first step  
on that long road.

#



I hope that perhaps one hundred years from  
now the change to permanent energy sources will have  
been made, and our nation's concern about energy will  
be over. But we can make that transition smoothly --  
for our country and for our children and grandchildren --  
only if we take careful steps now to prepare ourselves  
for the future.

During the next few weeks attention will be  
focused on the Congress, but the proving of our  
courage and commitment will continue, in different  
forms and places, in the months and years and  
generations ahead. ~~[If we work together, it need not be  
very unpleasant for any of us to make a continuing]~~

More than six months ago, in April, I spoke to you about the need for a national policy to deal with our present and future energy problems, and the next day I sent my proposals to the Congress.

Perhaps as never before in peacetime, our nation is being tested. We are now on the eve of decision, when we will discover what the outcome of that test will be.

Congressional work on the national energy plan has reached the final stage.

Last week the Senate sent its version of the legislation to the Congressional conference committees, where members of the House and Senate will now resolve differences between the bills they have passed. There,

THE WHITE HOUSE  
WASHINGTON

The Congress has recognized  
the urgency of this problem,  
and has come to grips  
with some of the most  
complex and difficult  
decisions a legislative  
body has ever been  
asked to make.

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PRESIDENT CARTER, 3rd ROUGH DRAFT 11/8/77

To Jim, Charlie,  
Sta, Tody. Return  
before noon. No  
copies -

J. C .

More than six months ago, in April, I spoke  
to you about the need for a national policy to deal  
with our present and future energy problems, and the  
next day I sent my proposals to the Congress.

\*  
From  
Page 5 →  
[Handwritten signature]

Tonight, at this crucial time, I want to  
emphasize why it is so important that we have an  
energy plan, and what we will risk as a nation if we  
are timid, or reluctant to face this challenge.  
It is crucial that you understand how serious this  
challenge is.

With every passing month, our energy problems  
have grown worse. [~~More American drivers are breaking  
the speed limit.~~] This summer we used more oil and  
gasoline than ever before in our history. More of  
our oil is coming from foreign countries. Just since

11/8/77

*(Handwritten initials)*  
*(P2)*

*★*  
*P2*  
*insert*

A few weeks ago in Detroit an unemployed steelworker told me something that may reflect the feelings of many of you. "Mr. President," he said, "I don't feel much like talking about energy and foreign policy. I am concerned about how I am going to live. . . . I can't be too concerned about other things when I have a <sup>10 year old</sup> daughter to raise and I don't have a job, and I am 56 years old "

The choices facing the Congress are not easy. For them to pass an effective and fair plan, they will need your support and understanding -- your support to resist pressures <sup>from a few for</sup> ~~[to include in the plan]~~ special favors ~~[for a few]~~ at the expense of the rest of us and your understanding that there can be no effective plan without some sacrifice from all of us.

~~the problems of energy~~

What we do about energy now will determine in a major way whether there are enough jobs for our people and whether <sup>food, clothing and housing are available at reasonable prices</sup> ~~prices are reasonable~~ for the remainder of this century.

\* \* \*

Perhaps as never before in peacetime, our nation is being tested. We are now on the eve of decision, when we will discover what the outcome of that test will be.

*Congressional work on the national energy plan has reached the final stage.*

Last week the Senate ~~completed its work on the legislation~~ *its version of the legislation to the energy plan* and sent ~~it to a~~ Congressional conference committee, where members of the House and Senate will now resolve differences between the bills they have passed. There, in the next few weeks, the strength and courage of our political system will be proven.

\* \* \*

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PS

\*  
move  
up to  
P1

T. J.

April our oil imports have cost us \$23 billion --  
*almost*  
~~about~~ \$400 worth of foreign oil for every family in  
the United States.



[Many Americans still do not understand the  
problem. Recent polls show that about half of our  
people do not even know that we import any oil at  
all!]

*Refined*

*describe*  
Let me try to ~~measure~~ the size and effect of  
the problem: our farmers are the greatest agricultural  
exporters the world has ever known, but it now takes  
all the food ~~and feed~~ and fiber that we can export in  
two years to pay for just one year <sup>*of imported*</sup> ~~(s imports of)~~ oil --  
about \$45 billion!

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THE WHITE HOUSE  
WASHINGTON

November 5, 1977

Memo for the President

From Jim Fallows *JL*

*Predict  
"bad  
aftertaste"  
OCS - part of  
energy bills*

With respect, I have to say that I liked this better before. It seems to me that, as the speech has been condensed, it has become too abrupt and has lost some of the narrative pace. I have talked with Jody about this and he agrees. The place where I feel that most acutely is in the first two or three pages. In this latest version, they do not answer the listener's most important question--why you are talking to the people now. I am afraid that, as people hear the first third of this speech, they will think it's just the same old stuff all over again. I hope you will consider replacing the second and third paragraphs on page one of this draft with the sections I have marked A, B, C, and D from pages 1-3 of the previous draft. They would add little in length, but would make these points:

- things are getting worse;
- Congress is about to make its choice;
- I'm going to talk to you about that choice, and about the stakes that are involved for all of us.

You may not like the language from the previous draft; my point is simply that you have to tell the audience why, for the first time since April, you're coming on the air now.

I have marked stylistic suggestions on the text. Apart from them, there are two other general comments I would like to make:

first, it seems to me that the section about the free-market system is out of place where it now appears, on page 3. Don't we really want to use that point to bolster our argument about how far oil and gas prices should rise? (That is: the prices are not set by the market, governments everywhere take control of them, our government has a responsibility to do that too, in our people's interest.) I realize there is one drawback to moving it to page 7, as I have marked. If we are saying that the world price is arbitrarily set, people may wonder why we're letting domestic oil rise to that level. But I think that the general tone of that paragraph--about giving them decent incentives--overcomes that awkwardness.

second, I think we have to offer people a ray of hope somewhere on the horizon. We have had the moral equivalent of war without the moral equivalent of the hope of victory.

The reason I put the paragraph marked E on page 16 ~~of~~ <sup>into</sup> the previous draft was my personal belief that this, too, will pass. When we have to solve it, we will, as our ancestors solved problems before. I don't mean to suggest that we should advertise an easy technical solution; but if the argument we're making is only that people should suffer now so they'll suffer a little bit less later on, some people will wonder why they should bother. There is a proud tradition in our country of coping, of devising new solutions, of thinking of things that had not been considered before, and I wish we could appeal to that more than we've been doing so far.

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11/2/77  
DRAFT

Energy Address

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Good evening.

More than six months ago, in April, I spoke with you about the need to solve our nation's energy problems.

In those six months, our energy problems have grown worse. This summer, we used more oil and gasoline than ever before in our history. Since last April, we have spent \$23 billion for imported oil -- nearly \$500<sup>for every</sup> <sub>per family</sub> in *the United States*

But we have also moved closer to a solution in the last six months. The Congress has been working on the National Energy Plan which I proposed. <sup>TP</sup> Some people have described their debate as a test of strength between me and the Congress, or a contest between the Senate and the House of Representatives. >

But that is not what the energy debate is about. What is being tested is our <sup>strength and</sup> ~~common~~ will as a people, and the ability of our democracy to meet a challenge before it *becomes a crisis and*

overwhelms us. What is at stake is our continued ability to act independently as a nation -- in conducting our foreign affairs, in maintaining the strength of our economy, in providing a decent life for all our people.

We are now on the eve of decision, when we will discover what the outcome of that test will be. This <sup>past</sup> week the Senate completed its work on the energy plan and sent it to the Conference Committee, where members from both the Senate and the House of Representatives will resolve differences between the bills they have passed. There, in the next few weeks, the <sup>effectiveness</sup> [strength and courage] of our political institutions will be put to the test.

I want to talk with you, at this crucial point, to emphasize why it is so important that we have the national energy plan, and what we will risk if we are timid in our response.

-3-

Our most obvious energy problem is that we are using scarce fuels, <sup>and particularly</sup> [such as] oil and natural gas, faster than we can possibly find them. <sup>P</sup> At current rates of consumption, the earth's supplies of petroleum may run out within a few decades.

That is a danger -- a very real one -- for the future.

<sup>P</sup> But there is an equally serious problem that affects us now. That is the damage our dependence on imported oil is doing, every day, to our economy, our national security, and our relations with our allies.

Ten years ago we wouldn't have had to worry about paying for imported oil. But by 1972 we were importing more than a fifth of our oil. In 1973, we imported more than a third. This year we are importing nearly half the oil we use -- \_\_\_\_\_ barrels each day, \_\_\_\_\_ each year.

These heavy imports affect our national security and our freedom of action in international affairs, since they

could easily be interrupted during a dispute or war --  
even a war in which we were not involved. <sup>The interruption</sup> ~~Oil~~ <sup>of oil supplies</sup> could be  
used as a political blackjack against this country and its  
friends. That has already happened once, in 1973. We  
can't let it happen again.

In time of emergency, not even our military forces  
could guarantee that we would continue to receive our  
shipments of oil. Suddenly cutting off millions of barrels  
of imports would wrench our society more severely than  
anything we have experienced in a generation. The gasoline  
lines of 1973 would seem mild by comparison, because now  
we depend more heavily on foreign oil.

Our military forces depend on oil, and their security  
is threatened because we do not have an adequate strategic  
reserve of oil. But our national security depends on more  
than our armed forces. It also rests on our economic strength,

and our leadership in facing international problems -- both of which are hurt by our dependence on foreign oil. That is why the Secretary of Defense said last week that "the present deficiency of assured energy sources is the single surest threat ... to our security and that of our allies."

Most of our allies have begun to act. Between 1973 and 1976, when our imports went up by 50 per cent, Italy, Germany, France, Great Britain, and Japan all cut their imports. They are looking to us to do our part -- and the oil producers are too, because they do not want to see their resources used up in a few decades.

Even while the supplies are available, they cost more than our economy can afford. The sudden rise in oil prices in 1973 was the main cause of the worst recession since the Great Depression -- a recession that has cost every person in our country \$2000 in lost economic output.

This year we will spend \$45 billion to buy imported oil. That is 25 per cent more than last year, and it comes to nearly \$1000 for a family of four. Unless we act quickly, we will spend even more next year, and more the year after that. We could be spending more than twice as much -- \$100 billion -- for imported oil by 1985, unless we act now.

Every part of the American economy suffers when we send so much money overseas for oil.

It is money we can't spend for new clothing, better housing, education for our children. You know what I mean each time you see your utility bills.

It is money we can't spend here, to stimulate our economy and create new jobs for our people. (Each year we lose 200,000 more American jobs, and \$10 billion in national output, because of rising imports of oil.) We are sending jobs abroad each time we buy another barrel of foreign oil.

It is money our businessmen can't invest, to produce new goods and provide more jobs.

It makes both of our major economic problems -- inflation and unemployment -- far more difficult to solve, and if it continues it may threaten the strength of the dollar.

We have had record trade deficits in the last few months. The main reason is our rising demand for oil. We will have a \$15 billion balance of payments deficit this year; but if we were only spending as much this year for oil as we did in 1973, we'd have a \$20 billion surplus instead. Our farmers are the greatest agricultural exporters the world has ever seen. But it takes two years of farm exports to pay for one year's imports of oil.

As long as our demand for oil keeps rising, the most basic decisions about our economic health will be taken out of our hands. We will sacrifice our economic sovereignty

as a nation. This is not something we have to worry about in our children's time, or our grandchildren's. It is a danger we face right now.

And it is one of many dangers that will grow worse the longer we put off dealing with it.

I said last April that we face a choice -- between taking balanced gradual steps now, while our energy problems are in a relatively early stage -- or waiting until later, when we are forced to act in an atmosphere of crisis.

We have put off facing this problem for many years. We could put it off a little longer. But I want to tell you what that choice would mean.

Without a plan that makes energy supplies dependable, at a predictable price, businessmen will delay investments. That will mean fewer jobs, lower output, and greater pressure for inflation.

Our oil imports would continue to rise, and each year more and more of our money and our jobs would be drained off overseas.

Our heavy imports would push the price of oil up and up.

Ten years from now, we would not be able to avoid the problem any longer. World oil supplies would become tight, and we would be the only country not prepared for it.

Prices would soar, as everyone scrambled for scarce supplies.

In the rush to produce more energy, we would feel great pressure to throw aside every environmental safeguard on the production and use of coal, nuclear power, and other energy sources.

In a crisis atmosphere, the government would be forced  
( to take crisis steps -- massive regulation, new bureaucracies,

interference in decisions that should be private.

Plants and industries would not be prepared to operate with less energy, or to shift to new sources. They would shut down and lay off their workers, rather than keeping people on the job.

We would survive that crisis. But the transition would be much more painful than if we take limited, balanced steps -- beginning now.

In the next few days, the Congress will decide whether we will begin. They will decide when they vote on five of the most important parts of our energy plan.

The first two are the pricing provisions for oil and natural gas. Their purpose is to make the price of fuel reflect its true scarcity.

| The price of energy is going up. There is nothing any of us can do about that. And we are only cheating ourselves

if we make scarce resources artificially cheap and use more than we can afford.

But we have to face a special fact about oil and gas prices, and oil and gas companies. They are not part of the free market system. Their prices rise and fall not because of competition, but because foreign governments set them. Our government has a responsibility to use its influence too, to protect the people of our nation.

The two questions about price are whether the rise can be moderated, and where that money should go -- to the producers, as windfall profits, or back to consumers. Our oil pricing provision has a system for returning most of the money to consumers, where it can stimulate the economy and create new jobs.

As for natural gas, our plan sets a price that gives producers a fair incentive. But it does not offer windfall

profits for them, either -- which is what they would get if we took all controls off the price of natural gas.

Right now, even without the incentives in our energy plan, the profit level in exploration and production of natural gas is <sup>about</sup> 30 per cent. There are not many other businesses where investors can earn 30 cents on each dollar they invest. Gas producers are so eager to drill wells now that there is an eight-month waiting list for drilling rigs. Our plan gives the industry all the incentives it needs.

The Conference Committee is now making its choice, between our plan, and taking controls off gas prices altogether. There's very little difference in how much gas the two plans would produce. The difference is that total deregulation would cost consumers an extra \$70 billion

by 19 \_\_\_\_ -- that is \$ \_\_\_\_\_ for every family in our nation.

The third issue Congress must decide is whether we will save our oil and natural gas for the uses where they are most valuable -- for use by farmers, in trucks and railroads, for heating our homes.

When factories and utilities can burn coal -- which is abundant -- instead of scarce oil and natural gas, they should switch to coal -- and our plan encourages them to do that, in an environmentally-safe way. The Conference Committee is now making its choice, between the Senate's proposal, which would conserve modest amounts of oil and natural gas, and the proposal from the House, which would save 70 per cent more.

The fourth and fifth issues the Congress is deciding are designed to prevent waste. When countries like Germany

and Sweden can maintain standards of living equivalent to ours, while using a little more than half as much energy per person, that is a sign that we can do more to conserve in every part of our lives.

One way to conserve is a tax on gas-guzzling cars. Those who choose to drive these unnecessarily wasteful cars should pay for the privilege.

The other is a reform of our utility rates system, so that families and small users of electricity do not subsidize large, wasteful users. Again, the Conference Committee is now making its choice on these two issues -- between the Senate proposals, which would reduce imports by 200,000 barrels a day, and the proposals from the House, which would save nearly twice as much oil.

There are elements I like, and don't like, in the versions of our energy plan passed by the Senate and the

House. There are three tests I will apply to the final version, now being decided on in the Conference Committee, to determine whether it is in our best national interest -- and whether I should sign it.

First, it must protect our consumers, giving producers fair incentives but no windfall profits.

Second, it must come close to meeting our conservation goals, especially in reducing imports.

Third, it must not place a heavy burden on the federal budget. I am deeply concerned that the tax credits proposed by the Senate would cost \$34 billion more than the version proposed by the House of Representatives.

These are serious problems, and this has been a serious talk. But our energy plan also reflects the optimism I feel about our ability to deal with our problems. The story of the human race is of adapting to changed circum-

stances. The story of our nation is the story of meeting challenges, and overcoming them. This plan is a first step on that road.

I hope that, one hundred years from now, when the transition to permanent energy sources has been made, our concerns about energy will seem exaggerated. But we can make that transition smoothly only if we take careful steps to prepare ourselves now, such as the ones the Congress is now deciding on in our plan.

I said six months ago that no one would be completely satisfied with this plan. I have turned out to be right. There is some part of the plan which every region, every interest group, every business in our country can object to. But if we are afraid of asking sacrifices from any interest group, we simply cannot have an effective policy.

Many times in our history, people have said that our government is incapable of dealing with distant challenges, like that which energy presents now. A President is elected for only four years; a Representative for two; a Senator for six. If all they cared out was winning the next election, they would resist facing solutions that meant small sacrifices in the short run, and large benefits later on.

But I think it is too pessimistic to conclude that our government cannot look ahead. You did not choose me, and you did not choose the members of the House and Senate, simply to fill an office. We ran because we wanted to plan for our future as a people. That is the choice the Congress will now make. Our energy plan is an insurance policy for our national future, in which the premiums we pay now will protect us in the years ahead.

This is an effort which will require cooperation, sacrifice, and most of all vision from all of us. I hope every one of you will show your concern -- not only by taking steps, in your private lives, to conserve our precious energy, but also by making sure your representatives at every level of government know you want them to act. The focus is now on the Congress -- but the test of our courage and foresight will continue, in different forms and places, in the months and years ahead.

I promise you my best efforts, and I thank you for yours.

# # #

11/2/77  
DRAFT

Energy Address

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Good evening.

More than six months ago, in April, I spoke with you about the need to solve our nation's energy problems.

(A) In those six months, our energy problems have grown worse. This summer, we used more oil and gasoline than ever before in our history. Since last April, we have spent \$23 billion for imported oil -- nearly <sup>6400</sup>\$500 per family.

But we have also moved closer to a solution in the last six months. The Congress has been working on the National Energy Plan which I proposed. Some people have described their debate as a test of strength between me and the Congress, or a contest between the Senate and the House of Representatives.

But that is not what the energy debate is about. What is being tested is our common will as a people, and the ability of our democracy to meet a challenge before it

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overwhelms us. What is at stake is our continued ability to act independently as a nation -- in conducting our foreign affairs, in maintaining the strength of our economy, in providing a decent life for all our people.

(B) We are now on the eve of decision, when we will discover what the outcome of that test will be. <sup>Let</sup> ~~This~~ week the Senate completed its work on the energy plan and sent it to the Conference Committee, where members from both the Senate and the House of Representatives will resolve differences between the bills they have passed. There, in the next few weeks, the strength and courage of our political institutions will be put to the test.

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C [ Our most obvious energy problem is that we are using scarce fuels, such as oil and natural gas, faster than we can possibly find them. ~~At current rates of consumption,~~ the earth's supplies of petroleum may run out within a few decades.

~~That is a danger -- a very real one -- for the future.~~

(D) [ But there is an equally serious problem that affects us now. That is the damage our dependence on imported oil is doing, every day, to our economy, our national security, and our relations with our allies.

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These heavy imports affect our national security and our freedom of action in international affairs, since they

could easily be interrupted during a dispute or war -- even a war in which we were not involved. Oil could be used as a political blackjack against this country and its friends. That has already happened once, in 1973. We can't let it happen again.

In time of emergency, not even our military forces could guarantee that we would continue to receive our shipments of oil. Suddenly cutting off millions of barrels of imports would wrench our society more severely than anything we have experienced in a generation. The gasoline lines of 1973 would seem mild by comparison, because now we depend more heavily on foreign oil.

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and our leadership in facing international problems -- both of which are hurt by our dependence on foreign oil. That is why the Secretary of Defense said last week that "the present deficiency of assured energy sources is the single surest threat ... to our security and that of our allies."

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In a crisis atmosphere, the government would be forced to take crisis steps -- massive regulation, new bureaucracies,

interference in decisions that should be private.

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*perhaps*  
~~I~~ I hope that, <sup>perhaps</sup> one hundred years from now, when the transition to permanent energy sources has been made, our concerns about energy will seem exaggerated. But we can make that transition smoothly only if we take careful steps to prepare ourselves now, ~~such as the ones the Congress is now deciding on in our plan.~~

(E)

I said six months ago that no one would be completely satisfied with this plan. I have turned out to be right. There is some part of the plan which every region, every interest group, every business in our country can object to. But if we are afraid of asking sacrifices from any interest group, we simply cannot have an effective policy.

Many times in our history, people have said that our government is incapable of dealing with distant challenges, like that which energy presents now. A President is elected for only four years; a Representative for two; a Senator for six. If all they cared out was winning the next election, they would resist facing solutions that meant small sacrifices in the short run, and large benefits later on.

But I think it is too pessimistic to conclude that our government cannot look ahead. You did not choose me, and you did not choose the members of the House and Senate, simply to fill an office. We ran because we wanted to plan for our future as a people. That is the choice the Congress will now make. Our energy plan is an insurance policy for our national future, in which the premiums we pay now will protect us in the years ahead.

This is an effort which will require cooperation, sacrifice, and most of all vision from all of us. I hope every one of you will show your concern -- not only by taking steps, in your private lives, to conserve our precious energy, but also by making sure your representatives at every level of government know you want them to act. The focus is now on the Congress -- but the test of our courage and foresight will continue, in different forms and places, in the months and years ahead.

I promise you my best efforts, and I thank you for yours.

# # #

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS

Date: 11/5/77

To: The President

From: CHARLES L. SCHULTZE

CLS

Attached are some suggestions for your energy speech. On Monday morning we will carefully check all the factual references.

Checks over items indicate that figures have been verified and/or noted.... per Peter Gould of CEA. *sk*

*ROUGH*  
PRESIDENT CARTER DRAFT, 11/4/77

CONFIDENTIAL  
*For Tues night*

cc: Schlesinger, Stu *(Schultz)*  
Jody, Fallows  
Do not make copies -  
Submit suggestions  
Saturday -

J.C.

More than six months ago, in April, I spoke  
with you about the need to establish a new and  
comprehensive national energy policy in order to <sup>deal</sup> help  
~~with~~ <sup>with</sup> solve our present and future energy problems.

The Congress has been hard at work and a great  
deal of progress has been made, but in the meantime  
the energy situation has grown worse.

This summer, we used more oil and gasoline  
than ever before in history. About 8 million barrels  
a day was produced in America, but since April our  
oil imports from foreign countries have cost  
\$23 billion -- <sup>nearly \$350</sup> ~~about \$500~~ worth of oil for every  
family in the United States!

OK  
Bureau of  
Mines

T. Hall  
Statistics  
CPS

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for Preservation Purposes

We know that our farmers are the greatest agricultural exporters the world has ever seen, but it takes two years of farm exports to pay for one year's imports of oil -- about \$45 billion! This excessive importing of oil is a tremendous and rapidly increasing drain on our national economy.

★ It costs us jobs -- ~~about 200,000 a year.~~ <sup>every \$5 billion in extra oil imports costs about 200,000 jobs</sup>

It costs us business investments.

~~It~~ increases federal budget deficits.

It creates record trade deficits -- this year

<sup>over \$25</sup>  
~~about \$30~~ billion.

Trade Statistics

It weakens the dollar in world markets.

It tends to push up the international price of oil with too much demand for limited supplies.

It creates severe inflationary pressures.

★ We can't estimate the job loss from our Total oil imports. We can make a stab at estimating the loss from an additional amount of imports.

It makes the very security of our nation increasingly dependent on uncertain foreign oil supplies. The Secretary of Defense said recently, "The present deficiency of assured energy sources is the single surest threat . . . to our security and that of our allies."

Although the price of all energy is going up because of its increasing scarcity, there is no free market system in setting the price of oil. In all producing countries the governments set the price of domestic oil, and the world price is set arbitrarily by the governments of the OPEC nations. The world price is now <sup>almost five</sup> ~~1~~ times as great as it was in 1973.

As one of the world's largest producers of energy, why do we have this problem?

Now, we simply use too much -- and waste too much -- energy. Although all countries are involved, we are the worst offender. Since the great price rise in 1973, the Japanese have cut their oil imports. The Germans, the French, the British, <sup>the Canadians</sup> and the Italians have all cut their oil imports. Meanwhile, we in the United States have increased our imports of oil more than <sup>40</sup>~~17~~ percent!

CIA statistics

★ This is a recent problem. Just ~~\_\_\_\_\_~~ years ago we were a net exporter of oil. <sup>In 1968</sup> By 1972 we were importing <sup>ed only</sup> ~~more than~~ <sup>(20)</sup> 20 percent of our oil needs. In 1973 we imported more than one-third. This year we will import about one-half of all the oil we use.

}}

Less 1/2 is 200  
ago

Bureau of Mines  
data

There are three things we must do: cut back on consumption; shift away from oil and gas to other

★ We have not been net exporters since at least 1950. We limited domestic production and allowed some imports under quotas.

Another important question now being resolved by Congress is what to do about the price of oil. We are the only country in the world that keeps the price of petroleum below what it costs us to import oil or to find new domestic resources. And so we subsidize wasteful uses. You pay less for a gallon of gas or heating oil than it costs the nation to replace what you have used.

So I proposed to Congress that domestic oil prices be raised to equal replacement costs. For every barrel of oil newly discovered, the oil producer gets the higher price, as an incentive for discovery. But on old oil, from wells already in existence, that money will flow to the U.S. Treasury, through a wellhead tax. And so we get the price of oil up to its replacement value to encourage conservation; we give producers ample incentives to find new oil; but we avoid handing a huge windfall to those who own oil wells already drilled. Conservation; production incentives; and fairness are the objectives we tried to reach.

sources of energy; and encourage production in the United States. These are the purposes of the new energy legislation.

In order to conserve energy, the Congress has moved boldly to increase the efficiency of automobiles, homes and other buildings, appliances, and to encourage industry to save both usable heat and electricity.

In a joint House and Senate Conference the Congress is now considering mandatory changes in setting electric power rates in order to discourage waste, to reward those who use lower amounts of energy, and to encourage the use of electricity during hours when

it is most readily available. Another important

*T. Street*  
~~question now being resolved by Congress is how to let the market price for domestic oil move up to approximately its replacement value with maximum~~

fairness to consumers and the least damage to our economy.

Conversion to coal, wind and geothermal, shale oil, methane and other energy supplies will also be encouraged by the new legislation. Research and development projects, tax incentives and penalties, and regulatory authority will be used to shift away from unnecessary use of increasingly scarce oil and natural gas.

We have also proposed and Congress is acting on incentives to encourage production of oil and gas in our own country. This is where the major controversy arises.

It is important that new oil and gas discoveries and increased production be encouraged

with adequate prices to the producers. We have recommended that new natural gas be priced each year the same as the average price of domestic oil needed to produce an equal amount of energy. This price would give the gas producers an average increase of about \$2 billion per year above the present price level.

DOE  
should  
check

New oil prices would rise in three years to the present world price, with an annual addition to be added for inflation. This would be the highest price to oil producers in the world. This would, in my opinion, provide adequate incentives for exploration and production of domestic oil and gas.

The oil companies want much more -- tens of billions of dollars more. They want greatly increased prices for "old" oil and gas -- energy supplies

We must reward individuals and companies handsomely for discouraging and producing new oil and gas. But we must <sup>not</sup> give them huge windfalls on their existing wells at the expense of the American people.

already discovered and being produced. They want earlier and higher prices for "new" gas and oil, lower taxes on their profits, and government funding for energy production from a tax-financed energy trust fund.

The political pressures are great because the stakes are so high. ~~We cannot overly reward the oil companies at the expense of the American people.~~

Insect

The energy proposal I made to Congress last April <sup>has</sup> ~~had~~ three basic elements:

First, it <sup>is</sup> ~~was~~ fair to the American consumers and to the energy producers, and provided a minimum disturbance to our national economy;

Second, it <sup>is</sup> ~~was~~ designed to meet ten important goals for energy conservation, to promote a shift to more plentiful and permanent energy supplies, and to encourage increased production of energy in the United States; and

Third, it protected our federal budget from any heavy financial burden.

All of these basic elements are very important.

During the next few weeks the Congress will make a judgment on this important legislation. I will be working closely with them, and you—~~The~~ American people—are also deeply involved in these decisions.

This is not a test of strength between the President and the Congress, nor between the House and the Senate. What is being tested is the strength and will of our nation -- whether we can acknowledge a threat and meet a serious challenge together.

I believe that this country can meet any challenge, but this is an exceptionally difficult one because the threat is not easy to see -- and the subject is neither simple nor politically popular.

I said six months ago that no one would be completely satisfied with this national energy plan. I have turned out to be right. There is some part of this complex legislation to which every region and every interest group can object. But a common

national sacrifice to meet this serious problem should be shared by everyone -- a proof that the plan is fair.

It is especially difficult to deal with distant challenges. A President is elected for just four years, a Representative for two, and a Senator for six. It has always been easier to wait until the next year or the next term of office -- to avoid political risk.

But you did not choose me nor the members of the House or Senate simply to fill an office. The Congress is acting courageously and well, and we have formed a good partnership.

*deficit  
veto*

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This energy plan is a good insurance policy for the future, in which relatively small premiums we pay now will protect us in the years ahead.

This is an effort which will require vision and cooperation from all of us. I hope that each of you will show your concern by taking steps in your own private life to conserve our precious energy, but also by making sure that your elected officials at all levels of government know that you want <sup>us</sup> ~~them~~ to act -- along with you -- to meet this serious test of our nation's will.

The focus now is on the Congress, but the test of our courage and commitment will continue, in different forms and places, in the months and

years ahead. It need not be unpleasant for any of us to make a patriotic sacrifice for the well-being and security of our nation.

October 28, 1977

To Patsy and Farris Gray

I enjoyed meeting with you and the others at the Diehl's last week.

Thanks for sharing your concerns with me. I am forwarding your list of issues to Bob Bergland.

Sincerely,

JERRY

Mr. and Mrs. Farris Gray  
Route 3, Box 51  
Bedford, Iowa 50833

cc The Honorable Bob Bergland (w/incoming)  
(by Special Referral)

JC/mf/jmc/cbs

NOTE: THROUGH SUSAN CLOUGH FOR SIGNATURE

THE WHITE HOUSE  
WASHINGTON

joyce--

please do brief presidential  
response...thanking for  
sharing concerns....enjoyed  
meeting with them and other  
~~white-in-Des-Moines~~ farmers  
at the Diehl's in Iowa last  
week.....forwarding list of  
issues to bob bergland, etc.

and return to me for signature

thanks -- susan

---

*[Faint handwritten notes and signatures, possibly including the name "Susan" and a date "11/11/77"]*

Dear President Carter:

FARM ISSUES IN WHICH WE HAVE CONCERN

*Susan  
3. of reply  
J*

1. Cost price squeeze, cost of everything we buy is getting higher, and our products are getting cheaper. We need a reasonable profit for our production, as profit is what we use to pay our indebtedness and family living. Something needs to be done to control the drastic fluctuating of grain and livestock prices. Import quotes on meat should be based on the domestic supply and not on the previous year.
2. Farm land prices are above the price farmers can afford to pay and get a return on their investment. This has made it nearly impossible for a young farmer to acquire land. The biggest contributory factor to our being able to outproduce any country in the world ( on the average, an American Farmer feeds 57 people; a Soviet Farmer feeds 7) is the structure of the family farming system, which has been a hallmark of our country since its inception. In a few decades of harvesting, if no limit is assigned, foreign investment in U.S. farmland could eclipse American ownership. Then the nations single greatest source of power would pass from the hands of American Citizens.
3. Conservation of land should be given a higher priority, and applied at a faster rate. Conservation practices funded by State or Federal funds should have to be maintained or improved by present or future land owners. Land is ONE OF THE FEW SOURCES OF NEW WEALTH.
4. We are in favor of target prices, grain loans, and grain reserve if the grain is stored on the farm, with the prices based on the parity formula.
5. Gasohol, could be a source of energy. At present prices it is economically feasible. It would use some of the surplus grain, help on the balance of payments to foreign countries, control pollution, and lower our dependence on foreign oil.
6. We should look for alternate sources of energy at the fastest rate possible. With the technology we have today and the ability of developing new technology WE BELIEVE we can find other sources than petroleum or fossil fuels.

Sincerely yours,

*Farris Gray  
Patsy Gray*

Farris & Patsy Gray

# 3 Box 51

Bedford, Iowa 50833

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for Preservation Purposes**