4/18/77 [5]

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THE WHITE HOUSE
WASHINGTON

ACTION	FYI	
	X	MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
	X	MOORE
		POWELL
		WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

		ARAGON
		BOURNE
	X	BRZEZINSKI
		BUTLER
		CARP
		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HOYT
		HUTCHESON
		JAGODA
		KING

		KRAFT
		LANCE
		LINDER
		MITCHELL
		POSTON
		PRESS
		B. RAINWATER
		SCHLESINGER
		SCHNEIDERS
		SCHULTZE
		SIEGEL
		SMITH
		STRAUSS
		WELLS
		VOORDE

THE WHITE HOUSE
WASHINGTON

April 18, 1977

Frank Moore -

The attached was returned in the President's outbox and is forwarded to you for appropriate action. Please note we have not dated the letter to Senator Humphrey.

Rick Hutcheson

Re: Administration Strategy on Human Rights Amendments to IFI Legislation

cc Rick Moe for VP.
cc NSC

MEMORANDUM THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 16, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI
FRANK MOORE

SUBJECT: Administration Strategy on Human Rights Amendments to IFI Legislation

The Administration must make a major effort in the Senate to ensure passage of the Humphrey language. Secretary Vance has sent you a memorandum (Tab A) proposing that you

-- send a letter to Senator Humphrey (Tab B) which represents a coordinated interagency policy statement on your behalf. For maximum effectiveness, Humphrey should receive the letter Monday morning.

-- present your views at the Leadership Breakfast. Attached at Tab C are additional arguments, prepared by Treasury, for the Humphrey language and against the Badillo Amendment.

Recommendation

That you send the letter at Tab B to Senator Humphrey, with copies to the Members of the Senate Foreign Relations Committee.

Approve ✓ Disapprove_____

That you present your views at the Leadership Breakfast.

Approve ✓ Disapprove_____

7702217

THE SECRETARY OF STATE

WASHINGTON

done

April 15, 1977

MEMORANDUM FOR: THE PRESIDENT

From: Cyrus Vance CRV

Subject: International Financial Institutions Authorization Bill

SUMMARY

The Senate Foreign Relations Committee will mark-up the international financial institutions ("IFI's") authorization bill on April 19. The issue for your decision is whether we should (a) vigorously support the human rights language reported by Senator Humphrey's Subcommittee on Foreign Assistance and (b) oppose the Badillo Amendment which requires the U.S. to vote against any loan to countries where human rights are violated. I recommend that we do so, and make your views known through a letter to Humphrey (draft at Tab 1). The recommended approach has been approved by Humphrey.

BACKGROUND

On April 2, 1977, you wrote Congressman Henry Reuss a letter applauding his Committee's action in adding a human rights title to legislation authorizing U.S. participation in the IFI's. As you will recall, the Reuss approach provided broader discretion than the restrictive Harkin Amendment. On April 4 the House adopted two Badillo Amendments (Tab 2) to the Committee language. The first (Section 601 (e)) severely restricts U.S. discretion by requiring that we vote against any loan to a country where human rights are violated unless such assistance is directed specifically to programs which serve the basic human needs of the citizens of the country in question. A second, and potentially useful, Badillo Amendment (Section 602) requires the Secretaries of State and Treasury to initiate international consultations

"to develop a viable standard for meeting basic human needs and the protection of human rights," and a mechanism to reward those who seek to achieve those standards.

Meanwhile, on the Senate side, Humphrey's Subcommittee has reported Reuss-type language (Tab 3) to the full Senate Foreign Relations Committee which will mark-up on April 19. Our latest indication is that Humphrey will go all out for passage of this language, provided the Administration supports him. The full Committee is likely to adopt Humphrey's language. Prospects on the floor are uncertain, however. There is a substantial possibility that a coalition of liberals and anti-IFI conservatives will succeed in attaching Badillo-type language to the bill.

I think the Humphrey language represents a positive approach which permits us to maximize our influence for human rights within the banks and with the recipient governments. By contrast, I believe the Badillo language represents too wooden an approach to the problems it addresses and that the Administration should not support it. Although the Badillo Amendment contains an exception for assistance specifically directed to basic human needs, we believe that the practical difficulties of interpreting and applying that exception on a case-by-case basis would be enormous and the exception would ultimately prove counter-productive. An elaboration of the arguments against the Badillo Amendment is set forth in a Treasury paper under Tab 4.

Your strong support of Humphrey's language and explicit opposition to Badillo-type amendments will not necessarily guarantee success on the Senate floor. However, I think that this is the right position and that, even if we fight and lose, our human rights commitment will look stronger than if we stand aside.

I believe that endorsement of the second Badillo Amendment providing for consultation may improve the prospects of winning, and I so recommend. Senator Humphrey agrees, and this point is incorporated in the draft letter to him.

I think the most effective means of presenting your position will be a letter to Senator Humphrey, copies of which will go to the full Committee. I also urge that your position be presented to the leadership at breakfast on Tuesday, April 19.

RECOMMENDATION

That you send to Senator Humphrey the letter attached under Tab 1, copies of which would be sent to all the members of the Senate Foreign Relations Committee as well as to the Speaker.

APPROVE_____

DISAPPROVE_____

That you state your position at the leadership breakfast next Tuesday.

APPROVE_____

DISAPPROVE_____

Attachments:

Tab 1 - Proposed letter to Senator Humphrey.
Tab 2 - Badillo Amendments.
Tab 3 - Humphrey Amendment.
Tab 4 - Arguments against first Badillo Amendment.

B

THE WHITE HOUSE

WASHINGTON

April 18, 1977

To Senator Hubert Humphrey

The international financial institutions authorization which your subcommittee has reported to the Foreign Relations Committee contains the first major human rights provision to come before the Senate since I took office. This provision, authored by you and Senator Case, would require that the United States use its voice and its vote to advance the cause of human rights in all operations of the international financial institutions in which we participate.

I support that human rights provision. I urge, in addition, that you adopt Section 602 of H.R. 5262, Congressman Badillo's amendment calling for U.S. leadership in an international effort to identify standards for meeting human needs and promoting human rights. The Humphrey-Case provision, along with the Badillo amendment, constitute a positive approach which will effectively reinforce our public and private diplomatic efforts to advance the cause of human rights. The world now knows we are serious about these efforts, and I believe they have the strong support of the American people.

At the same time I want to make it clear that I oppose the provision of Section 601(e), H.R. 5262, which would require us to vote against any loan to a country where human rights are violated. I oppose it because it will prove weak and ineffective. It would handicap our efforts to encourage human rights improvement in other countries. For example, there may well be times when we can bargain with prospective borrowers to release prisoners or stop other offensive practices if we have our vote as leverage. We need this flexibility if we expect to influence borrower countries or the overall programs of the banks.

Moreover, if we want other bank members to vote with us, we must be able to work with them and vote with them -- not just automatically vote "no" at the outset. Except in the soft-loan operations of the Inter-American Development Bank, where the

U.S. has a veto, we cannot stop any loan with our vote alone. We need the help of others, or loan after loan will be approved over our objection, without any benefit to the cause of human rights.

While I appreciate and share the spirit in which this House amendment was offered, I strongly believe it represents too rigid an approach to the problem. The automatic "no" vote will frustrate our human rights policy and damage these valuable international institutions in the eyes of the American people.

The Congress has made clear its commitment to human rights over many years. I share that commitment. It is a commitment I urge the Senate to re-affirm by ratifying the Genocide Convention and other human rights conventions which I shall soon submit. The issue is not whose commitment is greater -- the force of our joint commitment is unprecedented -- but how to put that commitment into practice. Now I ask that we work together to adopt realistic, effective legislation which will enable us to achieve our shared objective.

Sincerely,

Jimmy Carter

The Honorable Hubert H. Humphrey
United States Senate
Washington, D. C. 20510

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WASHINGTON

April 18, 1977

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Sincerely,

Jimmy Carter

The Honorable Hubert H. Humphrey
United States Senate
Washington, D. C. 20510

THE WHITE HOUSE
WASHINGTON

rick....

found this in one of my "stacks"....assume everything has been taken care of.

do you want for file?

-- susan

THE WHITE HOUSE
WASHINGTON

Mr. President --

Basically, yes....you signed the letter to Sen. Humphrey.

However, Frank and Mr. Lipshutz have held it, checking out some conflict or change (don't know which)...and plan to have that resolved today.

See attached memo from Mr. Lipshutz.

Susan - Bring me the letter

Copy attached....
Dan Tate accidentally hand-delivered this morning.

J

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7702217

THE SECRETARY OF STATE

WASHINGTON

April 15, 1977

done

Susan - why was this not done? G

MEMORANDUM FOR: THE PRESIDENT

From: Cyrus Vance CRV

Subject: International Financial Institutions Authorization Bill

SUMMARY

The Senate Foreign Relations Committee will mark-up the international financial institutions ("IFI's") authorization bill on April 19. The issue for your decision is whether we should (a) vigorously support the human rights language reported by Senator Humphrey's Subcommittee on Foreign Assistance and (b) oppose the Badillo Amendment which requires the U.S. to vote against any loan to countries where human rights are violated. I recommend that we do so, and make your views known through a letter to Humphrey (draft at Tab 1). The recommended approach has been approved by Humphrey.

BACKGROUND

On April 2, 1977, you wrote Congressman Henry Reuss a letter applauding his Committee's action in adding a human rights title to legislation authorizing U.S. participation in the IFI's. As you will recall, the Reuss approach provided broader discretion than the restrictive Harkin Amendment. On April 4 the House adopted two Badillo Amendments (Tab 2) to the Committee language. The first (Section 601 (e)) severely restricts U.S. discretion by requiring that we vote against any loan to a country where human rights are violated unless such assistance is directed specifically to programs which serve the basic human needs of the citizens of the country in question. A second, and potentially useful, Badillo Amendment (Section 602) requires the Secretaries of State and Treasury to initiate international consultations

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"to develop a viable standard for meeting basic human needs and the protection of human rights," and a mechanism to reward those who seek to achieve those standards.

Meanwhile, on the Senate side, Humphrey's Subcommittee has reported Reuss-type language (Tab 3) to the full Senate Foreign Relations Committee which will mark-up on April 19. Our latest indication is that Humphrey will go all out for passage of this language, provided the Administration supports him. The full Committee is likely to adopt Humphrey's language. Prospects on the floor are uncertain, however. There is a substantial possibility that a coalition of liberals and anti-IFI conservatives will succeed in attaching Badillo-type language to the bill.

I think the Humphrey language represents a positive approach which permits us to maximize our influence for human rights within the banks and with the recipient governments. By contrast, I believe the Badillo language represents too wooden an approach to the problems it addresses and that the Administration should not support it. Although the Badillo Amendment contains an exception for assistance specifically directed to basic human needs, we believe that the practical difficulties of interpreting and applying that exception on a case-by-case basis would be enormous and the exception would ultimately prove counter-productive. An elaboration of the arguments against the Badillo Amendment is set forth in a Treasury paper under Tab 4.

Your strong support of Humphrey's language and explicit opposition to Badillo-type amendments will not necessarily guarantee success on the Senate floor. However, I think that this is the right position and that, even if we fight and lose, our human rights commitment will look stronger than if we stand aside.

I believe that endorsement of the second Badillo Amendment providing for consultation may improve the prospects of winning, and I so recommend. Senator Humphrey agrees, and this point is incorporated in the draft letter to him.

I think the most effective means of presenting your position will be a letter to Senator Humphrey, copies of which will go to the full Committee. I also urge that your position be presented to the leadership at breakfast on Tuesday, April 19.

RECOMMENDATION

That you send to Senator Humphrey the letter attached under Tab 1, copies of which would be sent to all the members of the Senate Foreign Relations Committee as well as to the Speaker.

APPROVE_____

DISAPPROVE_____

That you state your position at the leadership breakfast next Tuesday.

APPROVE_____

DISAPPROVE_____

Attachments:

Tab 1 - Proposed letter to Senator Humphrey.
Tab 2 - Badillo Amendments.
Tab 3 - Humphrey Amendment.
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Dear Senator Humphrey:

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I support that human rights provision. I urge, in addition, that you adopt Section 602 of H.R. 5262, Congressman Badillo's amendment calling for U.S. leadership in an international effort to identify standards for meeting human needs and promoting human rights. The Humphrey-Case provision plus this Badillo amendment constitute a positive approach which will effectively reinforce our public and private diplomatic efforts to advance the cause of human rights. The world now knows we are serious about these efforts, and I believe they have the strong support of the American people.

At the same time I want to make it clear that I oppose the provision of Section 601 (e) H.R. 5262 which would require that we automatically vote against any loan to a country where human rights are violated. I oppose it because it will prove weak and ineffective. It would handicap our efforts to encourage human rights improvement in other countries. For example, there may well be times when we can bargain with prospective borrowers to release prisoners or stop other offensive practices if we have our vote as leverage. If we expect to influence borrower countries or the overall programs of the banks, we cannot play our trump before the bidding starts.

Moreover, if we want other bank members to vote with us, we must be able to work with them and vote with them -- not just automatically vote "no" at the outset. Except in the soft-loan operations of the Inter-American Development Bank, where the U.S. has a veto, we cannot stop any loan with our vote alone. We need the help of others, or loan after loan will be approved over our objection, without any benefit to the cause of human rights.

While I appreciate and share the spirit in which this House amendment was offered, I strongly believe it represents too wooden an approach to the problem it addresses. The automatic "no" vote will frustrate our human rights policy and damage these valuable international institutions in the eyes of the American people.

The Congress, over many years, has made clear its commitment to human rights. I share that commitment. It is a commitment I urge the Senate to re-affirm by ratifying the Genocide Convention and other human rights conventions which I shall soon submit. The issue is not whose commitment is greater -- the force of our joint commitment is unprecedented -- but how to put that commitment into practice. Now I ask that we work together to adopt realistic, effective legislation which will enable us to achieve our shared objective.

Sincerely,

Jimmy Carter

Copies to all members of the
Senate Foreign Relations Committee

hand-delivered
4/18

THE WHITE HOUSE

WASHINGTON

4/18/77

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Sincerely,

Jimmy Carter

The Honorable Hubert H. Humphrey
United States Senate
Washington, D. C. 20510

THE WHITE HOUSE
WASHINGTON

Copies given to
the Vice President,
Budg B., ~~State~~
~~B.~~ T., and Treasury.

RJL

THE WHITE HOUSE

WASHINGTON

April 17, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT J. LIPSHUTZ

SUBJECT: International Financial Institutions Authorization Bill

Reference is made to the April 15 memorandum from Cyrus Vance to you regarding this matter. I recommend strongly that you withhold action on his two proposals until you have reviewed observations which both Frank Moore and I wish to make. Further, I suggest that you meet with representatives from Treasury, State and NSC, along with Frank, myself, (perhaps) Senator Humphrey, and such others as you deem advisable; at such a meeting all points of view can be fully aired and debated.

I personally wish to present a perspective in this matter which, in several ways, is different from that presented heretofore. I believe that Frank Moore will emphasize other factors of importance.

1. Should we oppose the substance of the "Harkin Amendment," (i.e., mandatory action on our part based upon carefully described conditions and according to properly established procedures) we well might undermine much of our credibility in our espousal of Human Rights as a fundamental cornerstone of our foreign policy.

   As I understand the situation, we have only a few means of implementing this policy: speaking out consistently (which we certainly are doing); diplomatic actions (which I understand we also are doing); overt physical actions (which we properly have discarded); and financial leverage (which is the subject of this pending legislation).

   I was concerned to note in staff memos prepared for Zbigniew and forwarded to you, a statement

that ". . . . we do not like any of the amendments . . . ." (Harkin, Badillo, Humphrey, Reuss). The perception which I received from this was that we should give only lip service and diplomatic efforts to the goal of Human Rights.

2. We can support the substance of the Harkin Amendment -- mandatory action -- and still retain:

   a. A clear definition of what constitutes a consistent pattern of deprivation of these rights (torture; inhumane or degrading treatment or punishment; prolonged detention without charge; flagrant denial of the Right to Life, Liberty, and the Security of Person; and providing refuge to individuals committing international acts of terrorism.)

   b. An established and fair procedure for ascertaining facts, for rebuttal, and for removing valid charges against a proposed borrower, all in advance of voting against a loan application.

   c. Adequate flexibility to protect our national interests and further our foreign policy goals. The Harkin Amendment still would have a "needy peoples" exception available for the President to use at his option. Bilateral agreements would be available. And of course in "important" or "urgent" matters, Congressional-Presidential action always is available.

3. A number of statements made in memoranda advocating opposition to the Harkin Amendment are presented as though they were unquestionable conclusions of fact. Actually, several of them are no more than arguable opinions and should be considered as such. Examples are:

a. Treasury memo of April 14: ". . . . no real economic pressure since other governments will not vote with us and most loans will be approved . . . ." (except IDB FSO, which is subject to U.S.A. veto).

" . . . . . automatic 'no' votes would eliminate any negotiating flexibility on our part, reducing any incentive . . . . . to work with us on improving human rights situations . . . . . sterile, ineffective position . . . . . isolating ourselves from other governments . . . ."

[But, note: Zbig refers to "our voice and vote" as a major bargaining chip.]

b. Same Treasury memo: " . . . . . (such human rights violations considerations) are inconsistent with the IFI charter requirements that lending decisions shall be made only on the basis of economic considerations . . . ."

[Note: If this is accurate, then presumably the U.S.A. could <u>never</u> consider Human Rights violations relative to a loan application -- whether our vote was mandatory or discretionary under our law.]

c. Same Treasury memo: "Badillo approach . . . . undesirable . . it undermines integrity of the institutions . . . . . would represent unilateral amendment of the bank charters. Our major policy interest in enhancing the role of the banks would be set back severely . . . . ."

[Note: the foregoing statement contains three "conclusions" stated as "facts": " . . . . it undermines integrity . . . ."; " . . . . unilateral amendment . . . ."; and, "our major policy interest . . . ."]

4. Finally, the Treasury memo points out what percentage of loans in the past would not have been approved had there been such a law on the books. Its representatives pointed out that Congress would be sorely tempted to reduce appropriations to these banks if we eliminated a significant number of borrowers who "consistently deprived their people of basic human rights."

   This argument seemed to suggest that not only was the past practices of the banks inviolate, but also that the reduction of their budget was inconceivable.

Summarizing, I again urge that these observations, along with those of Frank Moore, et al., be considered prior to your final decision.

THE WHITE HOUSE
WASHINGTON

April 18, 1977

Frank Moore -

The attached was returned in the President's outbox and is forwarded to you for appropriate action. Please note we have not dated the letter to Senator Humphrey.

Rick Hutcheson

Re: Administration Strategy on Human Rights Amendments to IFI Legislation

MEMORANDUM THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 16, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI
FRANK MOORE

SUBJECT: Administration Strategy on Human Rights Amendments to IFI Legislation

The Administration must make a major effort in the Senate to ensure passage of the Humphrey language. Secretary Vance has sent you a memorandum (Tab A) proposing that you

-- send a letter to Senator Humphrey (Tab B) which represents a coordinated interagency policy statement on your behalf. For maximum effectiveness, Humphrey should receive the letter Monday morning.

-- present your views at the Leadership Breakfast. Attached at Tab C are additional arguments, prepared by Treasury, for the Humphrey language and against the Badillo Amendment.

Recommendation

That you send the letter at Tab B to Senator Humphrey, with copies to the Members of the Senate Foreign Relations Committee.

Approve ✓ Disapprove_____

That you present your views at the Leadership Breakfast.

Approve ✓ Disapprove_____

4/18/77
8:30 a.m.

Good evening.

Tonight I want to have an unpleasant talk with you about a problem unprecedented in our history. With the exception of preventing war, this is the greatest challenge our country will face during our lifetimes. The energy crisis has not yet overwhelmed us, but it will if we do not act quickly.

It is a problem we will not solve in the next few years, and it is likely to get progressively worse through the rest of this century.

We must not be selfish or ~~cowardly~~ timid if we hope to have a decent world for [~~my Amy and for~~ our ~~your~~] children and grandchildren.

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We simply must balance our demand for energy with our rapidly shrinking supply. By acting now we can control our future instead of letting the future control us.

Two days from now, I will present my energy proposals to the Congress. Its members will be my partners and they have already given me a great deal of valuable advice.

Many of these proposals will be unpopular. Some will cause you to put up with inconveniences and to make sacrifices.

The most important thing about these proposals is that the alternative may be a national catastrophe. Further delay can affect our strength and our power as a nation.

Our decision about energy will test the character of the American people and the ability of the President and the Congress to govern. This difficult effort will be the "moral equivalent of war" -- except that we will be uniting our efforts to build and not destroy.

I know that some of you may doubt that we face real energy shortages. The 1973 gasoline lines are gone, and our homes are warm again.

But our energy problem is worse tonight than it was in 1973 or a few weeks ago in the dead of winter. It is worse because more waste has occurred, and more time has passed by without our planning for the future.

And it will get worse every day until we act.

The oil and natural gas we rely on for 75 per cent of our energy are running out. In spite of increased effort, domestic production is dropping steadily at about 6 per cent a year. Imports have doubled in the last five years. Our nation's economic and political independence is becoming increasingly vulnerable. Unless profound changes are made to lower oil consumption, we now believe that early in the 1980s the world will be demanding more oil than it can produce. The world now uses about 60 million barrels of oil a day, and demand increases each year about 5 per cent. This means that just to stay even we need the production of a new Texas every year, an Alaskan North Slope every nine months, or a new Saudi Arabia every three years. Obviously this cannot continue.

We must look back into history to understand our energy problem.

Twice in the last several hundred years there has been a transition in the way people use energy.

The first was about 200 years ago, away from wood -- which had provided about 90 percent of all fuel -- to coal, which was more efficient. This change became the basis of the Industrial Revolution.

The second change took place in this century, with the growing use of oil and natural gas. They were more convenient and cheaper than coal, and the supply seemed to be almost without limit. They made possible the age of automobile and airplane travel. Nearly everyone who is alive today grew up during this age and we have never known anything different.

Because we are now running out of gas and oil, we must prepare quickly for a third change,

to strict conservation and to the use of coal and permanent renewable energy sources, like solar power.

The world has not prepared for the future. During the 1950s, people used twice as much oil as during the 1940s. During the 1960s, we used twice as much as during the 1950s.

And in each of those decades, more oil was consumed than in all of mankind's previous history.

World consumption of oil is still going up. If it were possible to keep it rising during the 1970s and 1980s by 5 per cent a year as it has in the past, we could use up all the proven reserves of oil in the entire world by the end of the next decade.

~~(CHART HERE)~~

I know that many of you have suspected that some supplies of oil and gas are being withheld.

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You may be right, but suspicions about the oil companies cannot change the fact that we are running out of petroleum.

All of us have heard about the large oil fields on Alaska's North Slope. In a few years when the North Slope is producing fully, its total output will be just about equal to ~~one~~ two years' increase in our nation's energy demand.

Each new inventory of ~~all~~ world oil reserves has been more disturbing than the last. World oil production can probably keep going up for another six or eight years. But sometime in the 1980s it can't go up much more.

Demand will overtake production. We have no choice about that.

But we do have a choice about how we will spend the next few years. Each American uses the energy equivalent of 60 barrels of oil per person each year. Ours is the most wasteful nation on earth. We waste more energy than we import. ~~If the rest of the world consumed oil at the same rate, all the world's reserves would be gone in 15 years.~~ With about the same standard of living, we use twice as much energy per person as do other countries like Germany, Japan and Sweden.

One choice is to continue doing what we have been doing before. We ~~could~~ can drift along for a few more years.

Our consumption of oil ~~would~~ would keep going up every year. Our cars ~~would~~ would continue to be too large and inefficient. Three-quarters of them

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would
~~would~~ continue to carry only one person -- the driver --

while our public transportation system ~~would~~ continues

to decline. We ~~would not insulate~~ can delay insulating our houses, and

they will
they ~~would~~ continue to lose about 50 per cent of

their heat in waste.

Can
We ~~would~~ continue using scarce oil and natural

gas to generate electricity, and continue wasting

two-thirds of their fuel value in the process.

If we do not act, then
By 1985, we will
~~would~~ be using 33 per cent more

energy than we do today.

We can't substantially increase our domestic

production, so we would need to import twice as

much oil as we do now. Supplies will be uncertain.

The cost will keep going up. Six years ago,

we paid $3.7 billion for imported oil. Last

year we spent $36 billion -- nearly ten times as

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much -- and this year we may spend $45 billion.

Unless we act, we will spend more than ~~Between now and 1985 we would~~ spend ~~in foreign countries by the most conservative estimate,~~ $550 by 1985 billion for imported oil -- more than $2500 for every man, woman, and child in America. Along with that money we ~~are~~ will continue losing American jobs and becoming increasingly vulnerable to supply interruptions.

Now we have a choice.

But if we wait, we will live in fear of embargoes. We could ~~lose~~ endanger our freedom as a sovereign nation to act in foreign affairs.

Within ten years we would not be able to import enough oil -- from any country, at any acceptable price.

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If we wait, and do not act, then our factories will not be able to keep our people on the job with reduced supplies of fuel.

(6) Too many of our utilities will not have switched to coal, our most abundant energy source.

We will not be ready to keep our transportation system running with smaller, more efficient cars and a better network of busses, trains, and public transportation.

We will feel mounting pressure to plunder the environment. We'll have a crash program to build more nuclear plants, strip-mine and burn more coal, and drill more off-shore wells than we'll need if we begin to conserve now.

Inflation will soar, production will go down, people will lose their jobs.

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Intense competition ~~would~~ will build up among nations, and among the different regions within our own country.

If we fail to act soon, we will face an economic, social and political crisis that will threaten our free institutions.

But we still have another choice. We can begin to prepare right now. We can decide to act while there is time.

That is the concept of the energy policy we will present on Wednesday.

Our national energy plan is based on ten fundamental principles.

The first principle is that we can have an effective and comprehensive energy policy only if the government takes responsibility for it and if the people understand the seriousness of the challenge and are willing to make sacrifices

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The second principle is that healthy economic growth must continue. Only by saving energy can we maintain our standard of living and keep our people at work. An effective conservation program will create hundreds of thousands of new jobs.

The third principle is that we must protect the environment. Our energy problems have the same cause as our environmental problems -- wasteful use of resources. Conservation helps us solve both at once.

The fourth principle is that we must reduce our vulnerability to potentially devastating embargoes. We can protect ourselves from uncertain supplies by reducing our demand for oil, making the most of our abundant resources such as coal, and developing a strategic petroleum reserve.

The fifth principle is that we must be fair. Our solutions must ask equal sacrifices from every region, every class of people, every interest group. Industry will have to do its part to conserve, just as consumers will. The energy producers deserve fair treatment, but we will not let the oil companies profiteer.

The sixth principle, and the cornerstone of our policy, is to reduce demand through conservation. Our emphasis on conservation is a clear difference between this plan and ~~those~~ others ~~of earlier administrations~~, which purely encouraged crash production efforts. Conservation is the quickest, cheapest, most practical source of energy. Conservation is the only way we can buy a barrel of oil for about ~~$2~~ a few dollars. It costs about $13 to waste it.

The seventh principle is that prices should generally reflect the true replacement cost of energy. We are only cheating ourselves if we make energy artificially cheap and use more than we can really afford.

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The eighth principle is that government policies must be predictable and certain. Both consumers and producers need policies they can count on so they can plan ahead. This is one reason I am working with the Congress to create a new Department of Energy, to replace more than 50 different agencies that now have some control over energy.

The ninth principle is that we must conserve the fuels that are scarcest and make the most of those that are more plentiful. We can't continue to use oil and gas for 75 per cent of our consumption when they make up only 7 per cent of our domestic reserves. We need to shift to plentiful coal while taking care to protect the environment, and to apply stricter safety standards to nuclear energy.

The tenth principle is that we must start now to develop the new, unconventional sources of energy we will rely on in the next century.

These ten principles have guided the development of the policy I will describe to you and the Congress on Wednesday.

Our energy plan will also include a number of specific goals, to measure our progress toward a stable energy system.

These are the goals we set for 1985:

-- Reduce the annual growth rate in our energy demand to less than 2 per cent.

-- Reduce gasoline consumption by 10 per cent below its current level.

-- Cut in half the portion of U.S. oil which is imported -- from a potential level of 16 million barrels to 6 million barrels a day.

-- Establish a strategic petroleum reserve of one billion barrels, more than six-months' supply.

-- Increase our coal production by about two thirds to more than 1 billion tons a year.

-- Insulate 90 per cent of American homes and all new buildings.

-- Use solar energy in more than two and one-half million houses.

We will monitor our progress toward these goals year by year. Our plan will call for stricter conservation measures if we fall behind.

I can't tell you that these measures will be easy, nor will they be popular. But I think most of you realize that a policy which does not ask for changes or sacrifices would not be an effective policy.

This plan is essential to protect our jobs, our environment, our standard of living, and our future.

Whether this plan truly makes a difference will be decided not here in Washington, but in every town and every factory, in every home and on every highway and every farm.

I believe this can be a positive challenge. There is something especially American in the kinds of changes we have to make. We have been proud, through our history, of being efficient people.

We have been proud of our ingenuity, our skill at answering questions. We need efficiency and ingenuity more than ever.

We have been proud of our leadership in the world. Now we have a chance again to give the world a positive example.

And we have been proud of our vision of the future. We have always wanted to give our children and grandchildren a world richer in possibilities than we've had. They are the ones we must provide for now. They are the ones who will suffer most if we don't act.

I've given you some of the principles of the plan.

I am sure each of you will find something you don't like about the specifics of our proposal. It will demand that we make sacrifices and changes in our lives. To some degree the sacrifices will be painful -- but so is any meaningful sacrifice. It will lead to some higher costs, and to some greater inconveniences for everyone.

But the sacrifices will be gradual, realistic, and necessary. Above all, they will be fair. No one will

gain an unfair advantage through this plan. No one will be asked to bear an unfair burden. We will ~~insist on getting accurate~~ monitor the accuracy of data from the oil and natural gas companies, so that we will know their true production, supplies, reserves, and profits. ~~We will be able to judge whether they really are re-investing their profits in new exploration and production.~~

Those citizens who insist on driving large, unncessarily powerful cars must expect to pay more for that luxury.

We can be sure that all the special interest groups in the country will attack the part of this plan that affects them directly. They will say that sacrifice is fine, as long as other people do it, but that <u>their</u> sacrifice is unreasonable, or unfair, or harmful to the country. If they succeed,

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~~But if we were afraid of asking~~ sacrifices from ~~any interest group--automobile company, oil company, coal company, gas company, or consumer group--we simply could not have an effective plan.~~ then the ~~The~~ burden on the ordinary citizen, who is not organized into an interest group, would be crushing.

There should be only one test for this program--whether it will help our country. ~~Tonight in a spirit of patriotism and selflessness I ask every individual American to support this energy effort. In the same spirit, I ask every group affected to put the interest of our country first before their own.~~

Other generations of Americans have faced and mastered great challenges. I have faith that meeting this challenge will make our own lives even richer.

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If you will join me so that we can work together with patriotism and courage, we will again prove that our great nation can lead the world into an age of peace, independence, and freedom.

# # #

THE WHITE HOUSE
WASHINGTON

Rick -- for you?

(ssc)

GOOD EVENING.

TONIGHT I WANT TO HAVE AN UNPLEASANT TALK WITH YOU ABOUT A PROBLEM UNPRECEDENTED IN OUR HISTORY. WITH THE EXCEPTION OF PREVENTING WAR, THIS IS THE GREATEST CHALLENGE OUR COUNTRY WILL FACE DURING OUR LIFETIMES. THE ENERGY CRISIS HAS

NOT YET OVERWHELMED US, BUT IT WILL IF WE DO NOT ACT QUICKLY.

IT IS A PROBLEM WE WILL NOT SOLVE IN THE NEXT FEW YEARS, AND IT IS LIKELY TO GET PROGRESSIVELY WORSE THROUGH THE REST OF THIS CENTURY.

WE MUST NOT BE SELFISH OR TIMID IF WE HOPE TO HAVE A DECENT WORLD FOR OUR CHILDREN AND GRANDCHILDREN.

WE SIMPLY MUST BALANCE OUR DEMAND FOR ENERGY WITH OUR RAPIDLY

SHRINKING RESOURCES. BY ACTING NOW WE CAN CONTROL OUR FUTURE INSTEAD OF LETTING THE FUTURE CONTROL US.

TWO DAYS FROM NOW, I WILL PRESENT MY ENERGY PROPOSALS TO THE CONGRESS. ITS MEMBERS WILL BE MY PARTNERS, AND THEY HAVE ALREADY GIVEN ME A GREAT DEAL OF VALUABLE ADVICE.

MANY OF THESE PROPOSALS WILL BE UNPOPULAR. SOME WILL CAUSE YOU TO PUT UP WITH INCONVENIENCES AND TO MAKE SACRIFICES.

THE MOST IMPORTANT THING ABOUT THESE PROPOSALS IS THAT THE ALTERNATIVE

MAY BE A NATIONAL CATASTROPHE. FURTHER DELAY CAN AFFECT OUR STRENGTH AND OUR POWER AS A NATION.

OUR DECISION ABOUT ENERGY WILL TEST THE CHARACTER OF THE AMERICAN PEOPLE AND THE ABILITY OF THE PRESIDENT AND THE CONGRESS TO GOVERN. THIS DIFFICULT EFFORT WILL BE THE ''MORAL EQUIVALENT OF WAR'' -- EXCEPT THAT WE WILL BE UNITING OUR EFFORTS TO BUILD AND NOT DESTROY.

I KNOW THAT SOME OF YOU MAY DOUBT THAT WE FACE REAL ENERGY

SHORTAGES. THE 1973 GASOLINE LINES ARE GONE, AND OUR HOMES ARE WARM AGAIN.

BUT OUR ENERGY PROBLEM IS WORSE TONIGHT THAN IT WAS IN 1973 OR A FEW WEEKS AGO IN THE DEAD OF WINTER. IT IS WORSE BECAUSE MORE WASTE HAS OCCURRED, AND MORE TIME HAS PASSED BY WITHOUT OUR PLANNING FOR THE FUTURE.

AND IT WILL GET WORSE EVERY DAY UNTIL WE ACT.

THE OIL AND NATURAL GAS WE RELY ON FOR 75 PER CENT OF OUR ENERGY

ARE RUNNING OUT. IN SPITE OF INCREASED EFFORT, DOMESTIC PRODUCTION HAS BEEN DROPPING STEADILY AT ABOUT 6 PER CENT A YEAR. IMPORTS HAVE DOUBLED IN THE LAST FIVE YEARS. OUR NATION'S ECONOMIC AND POLITICAL INDEPENDENCE IS BECOMING INCREASINGLY CONSTRAINED. UNLESS PROFOUND CHANGES ARE MADE TO LOWER OIL CONSUMPTION, WE NOW BELIEVE THAT EARLY IN THE 1980'S THE WORLD WILL BE DEMANDING MORE OIL THAN IT CAN PRODUCE. THE WORLD NOW USES ABOUT 60 MILLION BARRELS OF OIL A DAY, AND DEMAND INCREASES EACH YEAR ABOUT 5 PER CENT. THIS MEANS

THAT JUST TO STAY EVEN WE NEED THE PRODUCTION OF A NEW TEXAS EVERY YEAR, AN ALASKAN NORTH SLOPE EVERY NINE MONTHS, OR A NEW SAUDI ARABIA EVERY THREE YEARS. OBVIOUSLY THIS CANNOT CONTINUE.

WE MUST LOOK BACK INTO HISTORY TO UNDERSTAND OUR ENERGY PROBLEM.

TWICE IN THE LAST SEVERAL HUNDRED YEARS THERE HAS BEEN A TRANSITION IN THE WAY PEOPLE USE ENERGY.

THE FIRST WAS ABOUT 200 YEARS AGO, AWAY FROM WOOD -- WHICH HAD

PROVIDED ABOUT 90 PER CENT OF ALL FUEL -- TO COAL, WHICH WAS MORE EFFICIENT. THIS CHANGE BECAME THE BASIS OF THE INDUSTRIAL REVOLUTION.

THE SECOND CHANGE TOOK PLACE IN THIS CENTURY, WITH THE GROWING USE OF OIL AND NATURAL GAS. THEY WERE MORE CONVENIENT AND CHEAPER THAN COAL, AND THE SUPPLY SEEMED TO BE ALMOST WITHOUT LIMIT. THEY MADE POSSIBLE THE AGE OF AUTOMOBILE AND AIRPLANE TRAVEL. NEARLY EVERYONE WHO IS ALIVE TODAY GREW UP DURING THIS AGE, AND WE HAVE NEVER KNOWN ANYTHING DIFFERENT.

BECAUSE WE ARE NOW RUNNING OUT OF GAS AND OIL, WE MUST PREPARE QUICKLY FOR A THIRD CHANGE, TO STRICT CONSERVATION AND TO THE USE OF COAL AND PERMANENT RENEWABLE ENERGY SOURCES, LIKE SOLAR POWER.

THE WORLD HAS NOT PREPARED FOR THE FUTURE. DURING THE 1950'S, PEOPLE USED TWICE AS MUCH OIL AS DURING THE 1940'S. DURING THE 1960'S, WE USED TWICE AS MUCH AS DURING THE 1950'S.

AND IN EACH OF THOSE DECADES, MORE OIL WAS CONSUMED THAN IN ALL OF MANKIND'S PREVIOUS HISTORY.

WORLD CONSUMPTION OF OIL IS STILL GOING UP. IF IT WERE POSSIBLE TO KEEP IT RISING DURING THE 1970'S AND 1980'S BY 5 PER CENT A YEAR AS IT HAS IN THE PAST, WE COULD USE UP ALL THE PROVEN RESERVES OF OIL IN THE ENTIRE WORLD BY THE END OF THE NEXT DECADE.

I KNOW THAT MANY OF YOU HAVE SUSPECTED THAT SOME SUPPLIES OF OIL AND GAS ARE BEING WITHHELD. YOU MAY BE RIGHT, BUT SUSPICIONS ABOUT THE OIL COMPANIES CANNOT CHANGE THE FACT THAT WE ARE RUNNING OUT OF PETROLEUM.

ALL OF US HAVE HEARD ABOUT THE LARGE OIL FIELDS ON ALASKA'S NORTH SLOPE. IN A FEW YEARS WHEN THE NORTH SLOPE IS PRODUCING FULLY, ITS TOTAL OUTPUT WILL BE JUST ABOUT EQUAL TO TWO YEARS' INCREASE IN OUR NATION'S ENERGY DEMAND.

EACH NEW INVENTORY OF WORLD OIL RESERVES HAS BEEN MORE DISTURBING THAN THE LAST. WORLD OIL PRODUCTION CAN PROBABLY KEEP GOING UP FOR ANOTHER SIX OR EIGHT YEARS. BUT SOMETIME IN THE 1980'S IT CAN'T GO UP MUCH MORE.

DEMAND WILL OVERTAKE PRODUCTION. WE HAVE NO CHOICE ABOUT THAT.

BUT WE DO HAVE A CHOICE ABOUT HOW WE WILL SPEND THE NEXT FEW YEARS. EACH AMERICAN USES THE ENERGY EQUIVALENT OF 60 BARRELS OF OIL PER PERSON EACH YEAR. OURS IS THE MOST WASTEFUL NATION ON EARTH. WE WASTE MORE ENERGY THAN WE IMPORT. WITH ABOUT THE SAME STANDARD OF LIVING, WE USE TWICE AS MUCH ENERGY PER PERSON AS DO OTHER COUNTRIES LIKE GERMANY, JAPAN AND SWEDEN.

ONE CHOICE IS TO CONTINUE DOING WHAT WE HAVE BEEN DOING BEFORE. WE

CAN DRIFT ALONG FOR A FEW MORE YEARS.

OUR CONSUMPTION OF OIL WOULD KEEP GOING UP EVERY YEAR. OUR CARS WOULD CONTINUE TO BE TOO LARGE AND INEFFICIENT. THREE-QUARTERS OF THEM WOULD CONTINUE TO CARRY ONLY ONE PERSON -- THE DRIVER -- WHILE OUR PUBLIC TRANSPORTATION SYSTEM CONTINUES TO DECLINE. WE CAN DELAY INSULATING OUR HOUSES, AND THEY WILL CONTINUE TO LOSE ABOUT 50 PER CENT OF THEIR HEAT IN WASTE.

WE CAN CONTINUE USING SCARCE OIL AND NATURAL GAS TO GENERATE

ELECTRICITY, AND CONTINUE WASTING TWO-THIRDS OF THEIR FUEL VALUE IN THE PROCESS.

IF WE DO NOT ACT, THEN BY 1985, WE WILL BE USING 33 PER CENT MORE ENERGY THAN WE DO TODAY.

WE CAN'T SUBSTANTIALLY INCREASE OUR DOMESTIC PRODUCTION, SO WE WOULD NEED TO IMPORT TWICE AS MUCH OIL AS WE DO NOW. SUPPLIES WILL BE UNCERTAIN. THE COST WILL KEEP GOING UP. SIX YEARS AGO, WE PAID $3.7 BILLION FOR IMPORTED OIL. LAST YEAR WE SPENT $36 BILLION -- NEARLY TEN TIMES AS

MUCH -- AND THIS YEAR WE MAY SPEND $45 BILLION.

UNLESS WE ACT, WE WILL SPEND MORE THAN $550 BILLION FOR IMPORTED OIL BY 1985 -- MORE THAN $2,500 FOR EVERY MAN, WOMAN AND CHILD IN AMERICA. ALONG WITH THAT MONEY WE WILL CONTINUE LOSING AMERICAN JOBS AND BECOMING INCREASINGLY VULNERABLE TO SUPPLY INTERRUPTIONS.

NOW WE HAVE A CHOICE.

BUT IF WE WAIT, WE WILL LIVE IN FEAR OF EMBARGOES. WE COULD ENDANGER

OUR FREEDOM AS A SOVEREIGN NATION TO ACT IN FOREIGN AFFAIRS.

WITHIN TEN YEARS WE WOULD NOT BE ABLE TO IMPORT ENOUGH OIL -- FROM ANY COUNTRY, AT ANY ACCEPTABLE PRICE.

IF WE WAIT, AND DO NOT ACT, THEN OUR FACTORIES WILL NOT BE ABLE TO KEEP OUR PEOPLE ON THE JOB WITH REDUCED SUPPLIES OF FUEL.

TOO FEW OF OUR UTILITIES WILL HAVE SWITCHED TO COAL, OUR MOST ABUNDANT ENERGY SOURCE.

WE WILL NOT BE READY TO KEEP OUR TRANSPORTATION SYSTEM RUNNING WITH SMALLER, MORE EFFICIENT CARS AND A BETTER NETWORK OF BUSSES, TRAINS AND PUBLIC TRANSPORTATION.

WE WILL FEEL MOUNTING PRESSURE TO PLUNDER THE ENVIRONMENT. WE WILL HAVE A CRASH PROGRAM TO BUILD MORE NUCLEAR PLANTS, STRIP-MINE AND BURN MORE COAL, AND DRILL MORE OFF-SHORE WELLS THAN WE WILL NEED IF WE BEGIN TO CONSERVE NOW.

INFLATION WILL SOAR, PRODUCTION WILL GO DOWN, PEOPLE WILL LOSE THEIR JOBS.

INTENSE COMPETITION WILL BUILD UP AMONG NATIONS, AND AMONG THE DIFFERENT REGIONS WITHIN OUR OWN COUNTRY.

IF WE FAIL TO ACT SOON, WE WILL FACE AN ECONOMIC, SOCIAL AND POLITICAL CRISIS THAT WILL THREATEN OUR FREE INSTITUTIONS.

BUT WE STILL HAVE ANOTHER CHOICE. WE CAN BEGIN TO PREPARE RIGHT NOW. WE CAN DECIDE TO ACT WHILE THERE IS TIME.

THAT IS THE CONCEPT OF THE ENERGY POLICY WE WILL PRESENT ON WEDNESDAY.

OUR NATIONAL ENERGY PLAN IS BASED ON TEN FUNDAMENTAL PRINCIPLES.

THE FIRST PRINCIPLE IS THAT WE CAN HAVE AN EFFECTIVE AND COMPREHENSIVE ENERGY POLICY ONLY IF THE GOVERNMENT TAKES RESPONSIBILITY FOR IT AND IF THE PEOPLE UNDERSTAND THE SERIOUSNESS OF THE CHALLENGE AND ARE WILLING TO MAKE SACRIFICES.

THE SECOND PRINCIPLE IS THAT HEALTHY ECONOMIC GROWTH MUST CONTINUE. ONLY BY SAVING ENERGY CAN WE MAINTAIN OUR STANDARD OF LIVING AND KEEP OUR

PEOPLE AT WORK. AN EFFECTIVE CONSERVATION PROGRAM WILL CREATE HUNDREDS OF THOUSANDS OF NEW JOBS.

THE THIRD PRINCIPLE IS THAT WE MUST PROTECT THE ENVIRONMENT. OUR ENERGY PROBLEMS HAVE THE SAME CAUSE AS OUR ENVIRONMENTAL PROBLEMS -- WASTEFUL USE OF RESOURCES. CONSERVATION HELPS US SOLVE BOTH AT ONCE.

THE FOURTH PRINCIPLE IS THAT WE MUST REDUCE OUR VULNERABILITY TO POTENTIALLY DEVASTATING EMBARGOES. WE CAN PROTECT OURSELVES FROM UNCERTAIN SUPPLIES BY REDUCING OUR DEMAND FOR OIL, MAKING THE MOST OF

OUR ABUNDANT RESOURCES SUCH AS COAL, AND DEVELOPING A STRATEGIC PETROLEUM RESERVE.

THE FIFTH PRINCIPLE IS THAT WE MUST BE FAIR. OUR SOLUTIONS MUST ASK EQUAL SACRIFICES FROM EVERY REGION, EVERY CLASS OF PEOPLE, EVERY INTEREST GROUP. INDUSTRY WILL HAVE TO DO ITS PART TO CONSERVE, JUST AS CONSUMERS WILL. THE ENERGY PRODUCERS DESERVE FAIR TREATMENT, BUT WE WILL NOT LET THE OIL COMPANIES PROFITEER.

THE SIXTH PRINCIPLE, AND THE CORNERSTONE OF OUR POLICY, IS TO

REDUCE DEMAND THROUGH CONSERVATION. OUR EMPHASIS ON CONSERVATION IS A CLEAR DIFFERENCE BETWEEN THIS PLAN AND OTHERS WHICH MERELY ENCOURAGED CRASH PRODUCTION EFFORTS. CONSERVATION IS THE QUICKEST, CHEAPEST, MOST PRACTICAL SOURCE OF ENERGY. CONSERVATION IS THE ONLY WAY WE CAN BUY A BARREL OF OIL FOR A FEW DOLLARS. IT COSTS ABOUT $13 TO WASTE IT.

THE SEVENTH PRINCIPLE IS THAT PRICES SHOULD GENERALLY REFLECT THE TRUE REPLACEMENT COST OF ENERGY. WE ARE ONLY CHEATING OURSELVES IF WE MAKE ENERGY ARTIFICIALLY CHEAP AND USE MORE THAN WE CAN REALLY AFFORD.

THE EIGHTH PRINCIPLE IS THAT GOVERNMENT POLICIES MUST BE PREDICTABLE AND CERTAIN. BOTH CONSUMERS AND PRODUCERS NEED POLICIES THEY CAN COUNT ON SO THEY CAN PLAN AHEAD. THIS IS ONE REASON I AM WORKING WITH THE CONGRESS TO CREATE A NEW DEPARTMENT OF ENERGY, TO REPLACE MORE THAN 50 DIFFERENT AGENCIES THAT NOW HAVE SOME CONTROL OVER ENERGY.

THE NINTH PRINCIPLE IS THAT WE MUST CONSERVE THE FUELS THAT ARE SCARCEST AND MAKE THE MOST OF THOSE THAT ARE MORE PLENTIFUL. WE CAN'T CONTINUE TO USE OIL AND GAS FOR 75 PER CENT OF OUR CONSUMPTION WHEN

THEY MAKE UP ONLY 7 PER CENT OF OUR DOMESTIC RESERVES. WE NEED TO SHIFT TO PLENTIFUL COAL WHILE TAKING CARE TO PROTECT THE ENVIRONMENT, AND TO APPLY STRICTER SAFETY STANDARDS TO NUCLEAR ENERGY.

THE TENTH PRINCIPLE IS THAT WE MUST START NOW TO DEVELOP THE NEW, UNCONVENTIONAL SOURCES OF ENERGY WE WILL RELY ON IN THE NEXT CENTURY.

THESE TEN PRINCIPLES HAVE GUIDED THE DEVELOPMENT OF THE POLICY I WILL DESCRIBE TO YOU AND THE CONGRESS ON WEDNESDAY.

OUR ENERGY PLAN WILL ALSO INCLUDE A NUMBER OF SPECIFIC GOALS, TO MEASURE OUR PROGRESS TOWARD A STABLE ENERGY SYSTEM.

THESE ARE THE GOALS WE SET FOR 1985:

-- REDUCE THE ANNUAL GROWTH RATE IN OUR ENERGY DEMAND TO LESS THAN 2 PER CENT.

-- REDUCE GASOLINE CONSUMPTION BY 10 PER CENT BELOW ITS CURRENT LEVEL.

-- CUT IN HALF THE PORTION OF U. S. OIL WHICH IS IMPORTED -- FROM A POTENTIAL LEVEL OF 16 MILLION BARRELS TO 6 MILLION BARRELS A DAY.

-- ESTABLISH A STRATEGIC PETROLEUM RESERVE OF ONE BILLION BARRELS, MORE THAN SIX-MONTHS' SUPPLY.

-- INCREASE OUR COAL PRODUCTION BY ABOUT TWO THIRDS TO MORE THAN ONE BILLION TONS A YEAR.

-- INSULATE 90 PER CENT OF AMERICAN HOMES AND ALL NEW BUILDINGS.

-- USE SOLAR ENERGY IN MORE THAN TWO AND ONE-HALF MILLION HOUSES.

WE WILL MONITOR OUR PROGRESS TOWARD THESE GOALS YEAR BY YEAR. OUR PLAN WILL CALL FOR STRICTER CONSERVATION MEASURES IF WE FALL BEHIND.

I CAN'T TELL YOU THAT THESE MEASURES WILL BE EASY, NOR WILL THEY BE POPULAR. BUT I THINK MOST OF YOU REALIZE THAT A POLICY WHICH DOES NOT ASK FOR CHANGES OR SACRIFICES WOULD NOT BE AN EFFECTIVE POLICY.

THIS PLAN IS ESSENTIAL TO PROTECT OUR JOBS, OUR ENVIRONMENT, OUR STANDARD OF LIVING AND OUR FUTURE.

WHETHER THIS PLAN TRULY MAKES A DIFFERENCE WILL BE DECIDED NOT HERE IN WASHINGTON, BUT IN EVERY TOWN AND EVERY FACTORY, IN EVERY HOME AND ON EVERY HIGHWAY AND EVERY FARM.

I BELIEVE THIS CAN BE A POSITIVE CHALLENGE. THERE IS SOMETHING ESPECIALLY AMERICAN IN THE KINDS OF CHANGES WE HAVE TO MAKE. WE HAVE BEEN PROUD, THROUGH OUR HISTORY, OF BEING EFFICIENT PEOPLE.

WE HAVE BEEN PROUD OF OUR INGENUITY, OUR SKILL AT ANSWERING QUESTIONS. WE NEED EFFICIENCY AND INGENUITY MORE THAN EVER.

WE HAVE BEEN PROUD OF OUR LEADERSHIP IN THE WORLD. NOW WE HAVE A CHANCE AGAIN TO GIVE THE WORLD A POSITIVE EXAMPLE.

AND WE HAVE BEEN PROUD OF OUR VISION OF THE FUTURE. WE HAVE ALWAYS WANTED TO GIVE OUR CHILDREN AND GRANDCHILDREN A WORLD RICHER IN POSSIBILITIES THAN WE'VE HAD. THEY ARE THE ONES WE MUST PROVIDE

FOR NOW. THEY ARE THE ONES WHO WILL SUFFER MOST IF WE DON'T ACT.

I'VE GIVEN YOU SOME OF THE PRINCIPLES OF THE PLAN.

I AM SURE EACH OF YOU WILL FIND SOMETHING YOU DON'T LIKE ABOUT THE SPECIFICS OF OUR PROPOSAL. IT WILL DEMAND THAT WE MAKE SACRIFICES AND CHANGES IN OUR LIVES. TO SOME DEGREE THE SACRIFICES WILL BE PAINFUL -- BUT SO IS ANY MEANINGFUL SACRIFICE. IT WILL LEAD TO SOME HIGHER COSTS, AND TO SOME GREATER INCONVENIENCES FOR EVERYONE.

BUT THE SACRIFICES WILL BE GRADUAL, REALISTIC AND NECESSARY. ABOVE ALL, THEY WILL BE FAIR. NO ONE WILL GAIN AN UNFAIR ADVANTAGE THROUGH THIS PLAN. NO ONE WILL BE ASKED TO BEAR AN UNFAIR BURDEN. WE WILL MONITOR THE ACCURACY OF DATA FROM THE OIL AND NATURAL GAS COMPANIES, SO THAT WE WILL KNOW THEIR TRUE PRODUCTION, SUPPLIES, RESERVES AND PROFITS.

THOSE CITIZENS WHO INSIST ON DRIVING LARGE, UNNECESSARILY POWERFUL CARS MUST EXPECT TO PAY MORE FOR THAT LUXURY.

WE CAN BE SURE THAT ALL THE SPECIAL INTEREST GROUPS IN THE COUNTRY WILL ATTACK THE PART OF THIS PLAN THAT AFFECTS THEM DIRECTLY. THEY WILL SAY THAT SACRIFICE IS FINE, AS LONG AS OTHER PEOPLE DO IT, BUT THAT THEIR SACRIFICE IS UNREASONABLE, OR UNFAIR, OR HARMFUL TO THE COUNTRY. IF THEY SUCCEED, THEN THE BURDEN ON THE ORDINARY CITIZEN, WHO IS NOT ORGANIZED INTO AN INTEREST GROUP, WOULD BE CRUSHING.

THERE SHOULD BE ONLY ONE TEST FOR THIS PROGRAM -- WHETHER IT WILL HELP OUR COUNTRY.

OTHER GENERATIONS OF AMERICANS HAVE FACED AND MASTERED GREAT CHALLENGES. I HAVE FAITH THAT MEETING THIS CHALLENGE WILL MAKE OUR OWN LIVES EVEN RICHER. IF YOU WILL JOIN ME SO THAT WE CAN WORK TOGETHER WITH PATRIOTISM AND COURAGE, WE WILL AGAIN PROVE THAT OUR GREAT NATION CAN LEAD THE WORLD INTO AN AGE OF PEACE, INDEPENDENCE AND FREEDOM.