



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

July 22, 1980

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

Dear Mr. President:

Please find attached the Atlantic
Richfield letter to which I referred
last evening.

Yours very truly,

A handwritten signature in cursive script, appearing to read "C. W. Duncan, Jr.", written in dark ink.

Charles W. Duncan, Jr.

Attachment

Atlantic Richfield Company 115 South Flower Street
Los Angeles, California 90071
Telephone 213-456-1750

Robert E. Wycoff
Executive Vice President

SAMPLE

July 16, 1980

The Honorable Donald Stewart
110 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Stewart:

It is the judgment of Atlantic Richfield Company that the forthcoming Senate deliberations on the Alaska d-2 lands bill, especially as it relates to the William O. Douglas Arctic Wildlife Range, could profoundly impact the vital interests of the nation.

As you know, the House-passed version prohibits evaluation of the Range's oil and gas potential, presumably based on fears that such activities may deleteriously affect the Wildlife of the area. We consider such fears to be unfounded.

Recognizing the exceptional petroleum potential of the Range, the Senate Energy and Natural Resources Committee bill (S. 9) would allow environmentally responsible seismic studies, and thus represents, in our view, a constructive compromise. We respectfully encourage you to cast an affirmative vote for this bill in its present form.

America's domestic energy problems (and our less publicized but no less pressing mineral dependence), plus the looming global resource crisis and its special burden on developing countries, cause us to view withdrawal of more than 100 million uninventoried acres of Alaska lands with the gravest reservations. We oppose the House bill and the amendments proposed to the Senate Committee version which would lock up additional acreage without ever knowing its hydrocarbon or mineral potential.

Clearly, this nation must not destroy the environment in order to preserve our industrial way of life. However, our experience in Alaska tells us existing federal and state environmental laws provide firm guarantees that we can explore for and develop secure American-owned natural resources in harmony with the environment.

Our views on oil and gas investigation of the William O. Douglas Arctic Wildlife Range are elaborated in the attachment to this letter.

Very truly yours,

Robert E. Wycoff

ATLANTIC RICHFIELD COMPANY'S VIEWS ON OIL AND GAS INVESTIGATION
OF THE WILLIAM O. DOUGLAS ARCTIC WILDLIFE RANGE

Much controversy has developed over prospective oil and gas investigation along the coastal plain of the William O. Douglas Arctic Wildlife Range on the North Slope of Alaska. Atlantic Richfield Company believes that an objective analysis of this issue is needed at this time.

Two key points summarize our position on the future of the William O. Douglas Arctic Wildlife Range.

- (1) The oil and gas resource potential of the Range appears one of the most promising in the United States. Seismic investigation should begin at the earliest possible time.
- (2) Oil and gas activities within the Range will not destroy the environment or reduce the wildlife populations in the area. The oil industry's track record at the Prudhoe Bay field and our experience with the Trans-Alaska Pipeline demonstrate that oil and gas activities can coexist with wildlife in arctic areas.

Our analysis addresses these two basic questions:

(1) Oil and gas potential

There have been several divergent estimates made of the oil and gas potential in the Wildlife Range including a recently released Department of Interior report appraising the petroleum potential of the Range. In our view this report is unjustly pessimistic when one considers that insufficient information is available to assess the Range's hydrocarbon potential. There is no subsurface geological or seismic data available from within the Wildlife Range itself. Therefore, quantitative estimates made at the current time without the benefit of subsurface geologic or seismic data should be considered very speculative. Current data does indicate the possibility of very large hydrocarbon accumulations along the Northern portion of the coastal plain of the Range, especially in the area south and east of Barter Island (see attached map).

During the testimony on February 22, 1979 before the House Subcommittee on Fisheries and Wildlife Conservation of the House Committee on Merchant Marine and Fisheries, Dr. Ross G. Schaff, Alaska State Geologist, stated "In our opinion, the coastal plain of this range and the adjacent area offshore has the greatest potential for oil and gas of any area in the United States." This assessment was reinforced by data contained in the November 1979 report by the U.S. Geological Survey and the State of Alaska Geological Survey (Open File Report No. 79-1634) according to Dr. Schaff. Atlantic Richfield agrees with this view.

The foregoing assessment appears at odds with assertions by spokespersons for environmental organizations that the Range's oil and gas potential is minimal. However, the existence of Prudhoe Bay to the west, the recent discoveries at Point Thompson and Flaxman Island between Prudhoe Bay and the Range, and the Canadian discoveries in the MacKenzie area just east of the Range, plus substantial discoveries in the Canadian Beaufort Sea, all lend credence to the probability that significant oil and gas accumulations are present in the geologically similar north coastal plain of the Range. In fact, extrapolation of data from these discoveries implies an excellent probability for discovery of petroleum in the Range.

In view of this nation's continued dependence on foreign oil imports (roughly 50 percent of our daily requirements), the vulnerability that results (witness Iran), and the severe drain on our economy to pay our import bill (approximately \$70 billion in 1979), Atlantic Richfield Company believes that the United States cannot afford to bypass summarily any prospective domestic area, thereby leaving its oil and gas potential untested. If the Range "has the highest oil and gas potential in the United States," then the area must be tested and its potential evaluated before any irrevocable land use decisions are made.

The "Alaska National Interest Lands Conservation Act," as reported by the Senate Energy and Natural Resources Committee, would authorize the Secretary of the Interior to establish guidelines for conducting surface geological and seismic exploration in the Range. Within five years of enactment, the Secretary would be required to submit a report to Congress identifying areas within the Range that have oil and gas production potential, presenting estimates of these reserves, and recommending whether further exploration and development activities should be permitted. We agree that seismic work is needed to help define prospective areas. This work should proceed with all possible dispatch.

Contrary to the apparent belief of some persons, areas with oil and gas potential cannot be held in a "bank" awaiting quick development in response to some future need. On the contrary, petroleum exploration and development is a long, slow, complex process which unavoidably requires years of lead-time from the beginning of exploration to the onset of production. Therefore, to make a contribution to the nation's energy needs several years from today, timeliness of the beginning of exploration in the Range is of the essence.

(2) Environmental risks:

Although the environmental community has argued that oil and gas exploration and development in the Range will result in its "ruin" and that the Porcupine Caribou herd which summers and calves along the Arctic Coastal Plain will be adversely affected, logic and experience

do not support their arguments.

An analysis of a recent Caribou Treaty Draft Environmental Impact Statement, jointly prepared by the State and Interior Departments, indicates that the area with high potential for hydrocarbon accumulation in the Range overlaps less than 10 percent of the calving area. This is displayed on the attached map. Moreover, Arctic seismic work can only be conducted in the winter when the tundra is frozen and the caribou are further south. Thus, no real conflict exists in fact between resource evaluation of the Range and wildlife concerns.

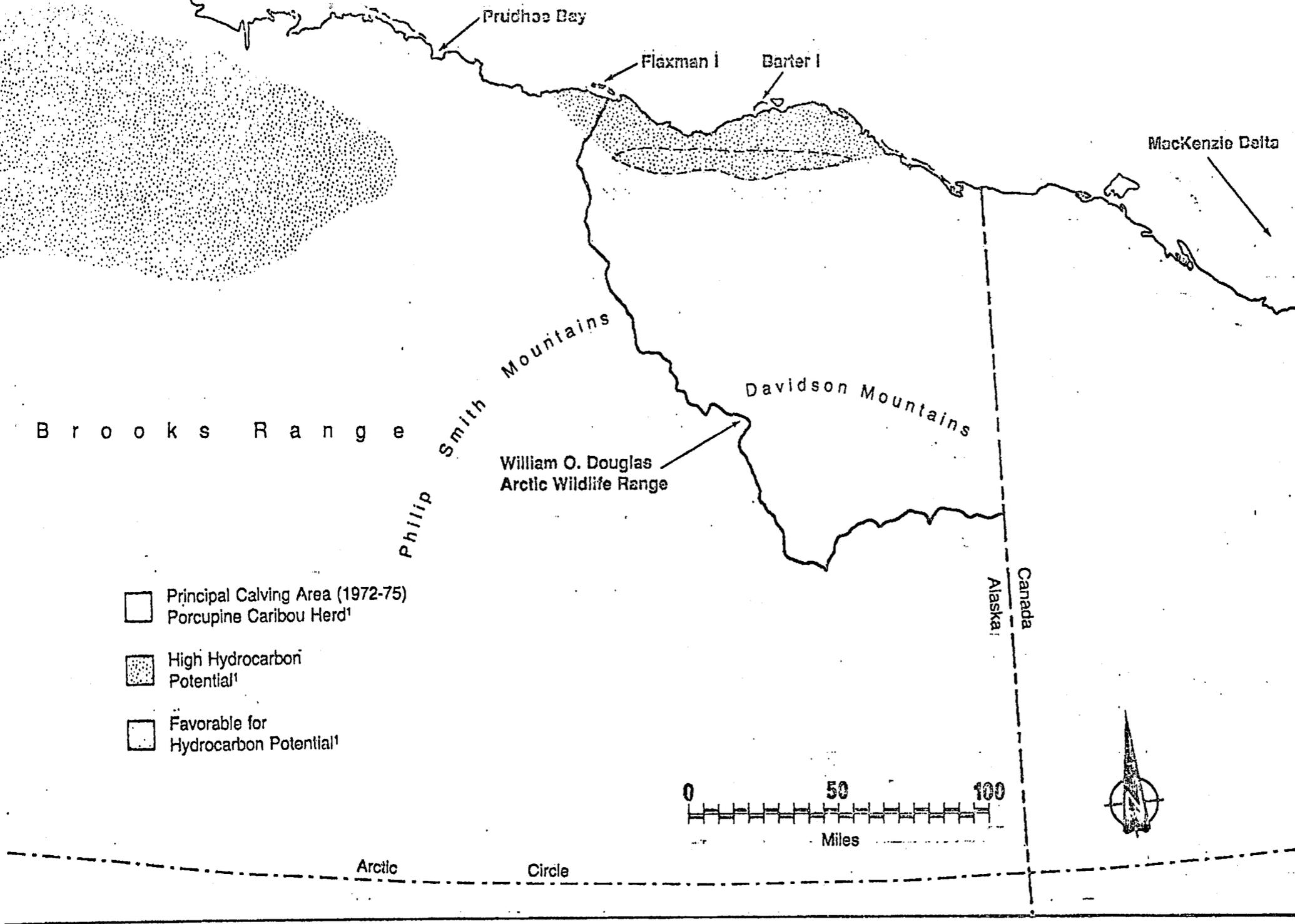
As to the environmental effects of development, experience at Prudhoe Bay and along the Trans-Alaska Pipeline has shown clearly that wildlife can continue to exist and actually thrive in concert with environmentally responsible oil and gas development. Mr. Angus Gavin, a qualified and renowned wildlife biologist, has conducted a ten-year study at Prudhoe Bay. This study demonstrated that the caribou population in the area has not been detrimentally affected by oil and gas development. The Central Arctic caribou herd, which summers in the Prudhoe Bay area, has remained at about 5,000 animals since development at Prudhoe Bay commenced 10 years ago.

Furthermore, oil exploration conducted by the Navy in the National Petroleum Reserve-Alaska in the 1950's apparently did not preclude growth of the Western Arctic caribou herd, which reached 240,000 animals by 1970--despite the fact that this work was done at a time when the environmental effects of man's activities were given little, if any, consideration. The contention that Arctic oil and gas development will perforce adversely affect the wildlife resources of the area is demonstrably untrue.

Our analysis of this issue clearly suggests that environmentally responsible seismic investigation of the coastal plain of the Range should proceed at the earliest possible date. This nation's failure to at least evaluate the oil and gas potential of this highly promising area could prove to be a costly and unnecessary mistake.

July 1980

Attachment



- Principal Calving Area (1972-75)
Porcupine Caribou Herd¹
- High Hydrocarbon Potential¹
- Favorable for Hydrocarbon Potential¹

¹Draft environmental impact statement for the agreement between the United States and Canada for the conservation of Migratory Caribou, March 1980, prepared by Department of State in cooperation with USFWS, Department of Interior.



THE SECRETARY OF ENERGY

WASHINGTON, D.C. 20585

October 10, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
LYNN R. COLEMAN
SUBJECT: Weekly Activity Report
Week of October 4 - 10, 1980

A handwritten signature in cursive script, appearing to read "C. W. Duncan, Jr.", written in dark ink.

1. Appointments: John Sawhill held the first meeting of the Board of Directors of the Synthetic Fuels Corporation on Wednesday night. Lynn R. Coleman, General Counsel, is now Acting Deputy Secretary and his deputy, Eric Fygi, is Acting General Counsel.
2. American Natural Resources Coal Gasification Plant: The project sponsors have agreed to buy about one half of their requirements for coal gasifiers from Chicago Bridge & Iron. In August, the project sponsors signed a letter of intent to purchase all 14 gasifiers from Japan, a move that created substantial controversy. The new agreement, to be announced next week, will make Chicago Bridge & Iron the first American company to construct Lurgi gasifiers, a type of equipment that will be used in several other synthetic fuels facilities around the country.
3. United States-Israel Memorandum of Agreement: We have nearly reached agreement with Israeli Energy Minister Modai on the conditions Israel must meet before the Memorandum could be activated. These conditions relate to the price Israel should pay and the volumes it must purchase on the spot market as well as the status of its main sources of supplies.
4. Somalia: We have interceded with oil companies to locate sources of petroleum products for Somalia. Somalia reported critical shortages of diesel fuel as a result of the Iran-Iraq conflict. In response to our inquiries, CALTEX has located an additional one month supply of fuel that it is willing to sell Somalia. It is possible that Exxon may also supply fuel.
5. Schools and Hospitals Grants Program: The latest cycle of our grant program for energy conservation in schools and hospitals has closed. We will make 3,865 grants for a total of over \$109 million. White House and Congressional notifications will be made next week.
6. Synthetic Fuels Solicitation: We released two solicitations, using \$5 billion in appropriated funds, for loan guarantees, purchase commitments, and price supports for synthetic fuels projects.
7. Trips: I will be in Houston and in California next Monday and Tuesday for Carter-Mondale Committee events. On Thursday, I will speak to a group of 700 to 1000 midwesterners involved in the coal industry in Owensboro, Kentucky.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

October 3, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR. *Charles W. Duncan, Jr.*
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of September 26 - October 3, 1980

1. Strategic Petroleum Reserve: The Reserve now contains 91.9 million net barrels of oil. As of yesterday, the Defense Fuel Supply Center (DFSC) had awarded contracts for 23,725,000 barrels of oil, an amount equivalent to a daily fill rate for the next year of 65,000 barrels. The DFSC is reopening solicitations today for the remaining 12,275,000 barrels because it believed the remaining bids under the first solicitation were at least \$4 per barrel too high. The solicitation will remain open for 5 to 7 days, with awards expected by October 10 through 12. We expect that the 23,725,000 barrels now under contract will enter the Reserve between now and December at an average rate of 161,000 barrels per day. The daily fill rate will not exceed 300,000 barrels.

Senator Dole introduced legislation on September 26 requiring that the Reserve be filled at a rate of 300,000 barrels per day. He may offer this bill as an amendment to the Interior and Related Agencies Appropriations bill during the lame duck session.

2. Legislation: The following is a status report on our major legislative proposals.
- o The Energy and Water Development Appropriations Act and the West Valley Demonstration Project Act were signed this week.
 - o The FY 1981/82 Department of Energy Authorization for National Security Programs, the Energy Management Partnership Act, and the Interior and Related Agencies Appropriations bill are expected to pass during the lame duck session. The first two require House action; the last requires Senate action.
 - o Two other bills may pass during the lame duck session. The Pacific Northwest Power Act is awaiting House action. Nuclear waste management legislation is also awaiting House action. It is still caught between conflicting bills offered by Congressmen McCormack and Udall.
 - o There are five significant energy-related bills that we do not expect to see enacted during the lame duck session: the energy mobilization board, the utility oil backout legislation, coal slurry pipeline legislation, coal severance tax legislation, and tar sands legislation.

3. Synthetic Fuels Solicitations: Tuesday was the last day for proposals under our \$300,000,000 solicitation for synthetic fuels feasibility studies and cooperative agreements. We received approximately 1050 proposals, compared with 971 for the first solicitation. 70 percent were for feasibility studies; 30 percent were for cooperative agreements. We will announce the winners in about two months.

We expect to release within the next few days the final solicitations for \$5 billion in purchase commitments, loan guarantees, and price guarantees for synthetic fuels under the Defense Production Act and the Federal Nonnuclear Research and Development Act.

4. Alaska Natural Gas Transportation System: The North Dakota Public Service Commission has ordered the route of the Eastern Leg of the Pipeline altered from that approved by the FERC. The Federal Inspector and the FERC have sued in federal district court, seeking to have that order overturned because it conflicts with federal law. The federal plaintiffs will file for summary judgement later this month. They are optimistic that they will prevail. If, however, the North Dakota order stands, the company believes that the necessary changes would delay the project a year and increase its cost substantially.

The Northern Border company announced its order for pipe for the Eastern Leg this week. It will buy about 580 thousand tons of steel, valued at near \$490 million. Of this, \$300 million in orders will go to three U.S. mills. The Congressional Steel Caucus has been briefed and reportedly reacted favorably.

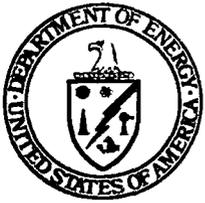
5. Minority Banks: Next week we will complete arrangements to deposit \$16 million to \$20 million in oil company overcharge settlement funds in 75 minority owned banks pending final disposition of the funds. This program was conceived by our Office of Minority Economic Impact.

6. Conservation and Solar Energy: On September 30, for the first time in its history, the Office of Conservation and Solar Energy was at its full authorized strength, 630 employees.

7. Chairman and Board of the Synfuels Corporation: I urge you to make recess appointments except for those which obviously should be deferred. To not move forward with these appointments would defer urgently needed progress in this area and make more difficult any response to political or substantive allegations that you did not move as expeditiously as possible.

8. Trips: I traveled to Venezuela Tuesday and Wednesday. I met with President Herrera Campins, Minister of Energy and Mines Calderon Berti, and the President and Directors of Petroleos de Venezuela. Our discussions centered on bilateral research and development cooperation, the market for Venezuelan crude and residual fuel oil, Venezuela's development plans for heavy oil, Western Hemisphere cooperation, and compensation for U.S. oil companies. I believe our talks were useful.

Next Tuesday I will be in Palm Beach, Florida, to address the Interstate Natural Gas Association.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

September 19, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

A handwritten signature in cursive script, reading "C. W. Duncan, Jr.", written in dark ink.

SUBJECT: Weekly Activity Report
Week of September 12 - 19, 1980

1. Legislation:

- o Some progress has been made on nuclear waste legislation. S. 2443, the West Valley Demonstration Project Act, passed the House and Senate on September 17. Committee staff are now working on a combined nuclear waste bill that will incorporate all of H.R. 6390, the Atomic Energy Amendments of 1980, and parts of H.R. 7418, the Nuclear Waste Research, Development and Demonstration Act. Combination of the bills is a precondition to action by the House Rules Committee.
- o We are having some, not unexpected, problems with appropriation bills. The Senate Appropriations Subcommittee on Interior completed markup on September 15 of H.R. 7724, FY 1981 Interior and Related Agencies Appropriations. Funding was reduced for the Strategic Petroleum Reserve, preimplementation of the gasoline rationing plan and the Energy Management Partnership Act. Prospects are uncertain that these funds will be restored during full committee markup.

2. Synthetic Fuels Corporation: John Sawhill appeared on September 18 before the Senate Energy Committee on his nomination as Chairman of the Synthetic Fuels Corporation. Because of the lack of a quorum, no vote was taken. We expect that the Committee will vote next week at a business meeting. The Committee has scheduled hearings for September 24 and 25 on the nominations of the other board members.

3. OPEC Meeting: OPEC Oil Ministers met in Vienna on September 18 and agreed to fix the price of Saudi benchmark crude at \$30.00 per barrel and to freeze other official prices at present levels. These decisions will remain in effect until the December OPEC meeting in Bali. The Saudis announced a \$2.00 per barrel increase for all Saudi crudes. This increase would add \$0.68 per barrel to the average price of OPEC oil, \$0.56 per barrel to the average price of world oil, and \$0.41 per barrel to the average price of United States imports.

4. Algeria Liquid Natural Gas: A separate memorandum has been sent to you on the terms of a proposed one-year sales arrangement.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

September 12, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of September 6 - September 12, 1980

1. Legislation:

- o The Strategic Petroleum Reserve will be the subject of hearings by the House Commerce Subcommittee on Energy and Power next Monday and Friday. Members of the Subcommittee are concerned about what they believe is the Administration's reluctance to fill the Reserve. Senator Byrd is also reported to be disturbed about our pace in filling the Reserve. It is reported that he may be unwilling to approve funds in the Department's appropriation for the Reserve because of this.
- o We are cautiously optimistic that a comprehensive House bill on nuclear waste management that meets our minimum requirements may be forthcoming before the end of the session. The Senate has already passed an adequate bill.
- o The chances for action on the Utility Oil Backout legislation are not good. Chairman Dingell of the Energy and Power Subcommittee has still not moved to bring the bill up for markup.
- o John Sawhill will testify on the Coal Export Task Force on Tuesday, September 16, before the Senate Energy Committee.

2. Synthetic Fuels Corporation: John Sawhill's confirmation hearings are scheduled for Thursday, September 18, at 8:30 a.m. before the Senate Energy Committee.

3. Sun and Phillips Petroleum Settlements: Comprehensive negotiated settlements of regulatory disputes under the Mandatory Petroleum Pricing and Allocation Regulations were achieved this week for Phillips Petroleum (covering 1973 - 1979) and Sun Oil Company (covering 1973 - 1980). The Consent Orders call for remedial action through cash payments and through reductions in costs allowable in gasoline and propane sales.

4. Oil Vulnerability Study: As we reported last week, we have been studying additional steps to reduce our vulnerability to oil import disruptions. I believe that this topic is of sufficient importance and interest that the Cabinet would benefit from a briefing on it. The briefing would be sensitive because it includes some controversial proposals. We could provide the briefing anytime after October 1.

5. Trips: Secretary Duncan spoke at a luncheon sponsored by the Chase Manhattan Bank on Wednesday and held a press conference refuting some erroneous charges about the Administration's energy policy. He is in Dallas today to dedicate a photovoltaic project with Congressman Wright and to speak at Southern Methodist University. On Monday he will tour a solar home in Phoenix, Arizona, and next Monday visit photovoltaic facilities in Los Angeles.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

September 5, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR. *W. Duncan*
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of August 30 - September 5, 1980

1. Synthetic Fuels Solicitation: We released draft solicitations seeking proposals for \$5 billion in loan guarantees, price supports, and purchase commitments for synthetic fuels production that Congress appropriated in July. This program is on schedule. We expect to receive proposals in December 1980 and make selections promptly.

2. Strategic Petroleum Reserve: The Defense Fuel Supply Center (DoD) opened bids on the solicitation for oil for the SPR through exchanges for oil from the Naval Petroleum Reserve (NPR). This program is on schedule. We are attempting to accelerate the next steps in procurement so that this oil will begin to enter the SPR in October.

The first NPR oil, acquired for the SPR through cancellation of Pacific Refining's contract, is now moving through a complicated chain of pipelines. We expect it to arrive at the Reserve in early October.

3. Natural Gas: This week Algeria proposed a price of \$3.20 per thousand cubic feet FOB Algeria, which is 10 cents per thousand cubic feet above our last offer. The gas importing companies have agreed to absorb an additional 10 cents of the cost, bringing their contribution to 50 cents per thousand cubic feet. This would make the regasified cost \$4.54 per thousand cubic feet, which is 7 cents above the Canadian and Mexican border prices. We are now assessing whether this price would adversely affect our imports from those countries.

Four major gas transmission companies joined the Alaska Natural Gas Transportation System consortium this week. This increases the assets of the sponsoring companies substantially.

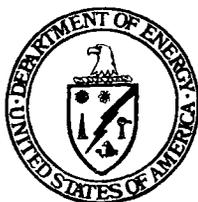
5. Minority and Native American Affairs: I spoke on Thursday to the annual meeting of the Council of Energy Resource Tribes, which represents 25 tribes.

The Department recently awarded energy research contracts totaling \$320,000 to five minority universities: Atlanta University, Jackson State University, Kentucky State University, Prairie View A & M University, and Virginia Union University. This is a good start on involving minority universities in our energy research program.

6. Oil Vulnerability Study: Our Office of Policy and Evaluation has made, at my request, an assessment of practical alternatives to lessen our dependence on imported oil during the coming decade. I asked for, and the assessment provides, quantification of potential import reductions for 1985 and 1990 from each of a wide range of actions the federal government could take. Some aspects of the study will be controversial and I do not plan to release it until 1981. We will brief your staff on this study at their convenience.

7. Trips: I joined Senator Birch Bayh and Congressman John Brademas in South Bend on Wednesday to make alcohol fuels program awards. I then went to Chicago to speak to 200 chief executive officers of electric utilities at a meeting of the Edison Electric Institute. Next Wednesday I will talk with the Board of Directors of Chase Manhattan Bank. On Friday at the Dallas/Ft. Worth Airport, I will dedicate a photovoltaic project in which Congressman Wright has a special interest. While in Dallas I will make a speech at Southern Methodist University.

John Sawhill will travel to England to meet with Sir David Steel, the Chairman of British Petroleum, and participate in discussions of international energy policy with the Kuwaiti oil minister, the Secretary General of OPEC, and the Secretary General of OAPEC.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

August 29, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of August 23 - August 29, 1980

A handwritten signature in cursive script, appearing to read "C. W. Duncan, Jr.", written in dark ink.

1. Strategic Petroleum Reserve: Ten thousand barrels per day of oil from the Naval Petroleum Reserves will begin flowing by pipeline to the Strategic Petroleum Reserve next Monday. This oil, which had been under contract to a private refiner, was turned back to the Department by the refiner. Documents authorizing the transfer will be signed tomorrow. This will be the first oil added to the 91.7 million barrels in storage in the Reserve since early 1979. This resumption of filling the Reserve is a very significant milestone and one that we expect will have no untoward repercussions.

We have also issued a final rule that allows favorable treatment for oil destined for the Reserve under our entitlements program. This rulemaking, authorized by the Energy Security Act, reduces the cost of filling the Reserve substantially.

2. Legislative Matters:

- o John D. Hughes was confirmed by the Senate on August 27 as a member of the Federal Energy Regulatory Commission. I am told it has been recommended to you that you participate in the swearing-in. I think this would be desirable and have so recommended to Phil Wise.
- o Energy Management Partnership Act: The House Commerce Committee reported out the bill on Thursday. This bill provides up to \$420 million to local governments and \$300 million to state governments over three fiscal years beginning in fiscal year 1982 for state and local energy conservation activities.
- o The House Commerce Committee completed markup of the West Valley nuclear waste bill and the two more general nuclear waste bills this week. The West Valley bill has been approved by the House Science and Technology Committee. The companion bill has already passed the Senate. Bills similar to the general waste bills are pending in the Science and Technology and the Interior Committees in the House. We expect the Committees to meet soon to resolve the differences in these bills.

3. Trips: I am traveling to Dallas and to Houston today to discuss your economic renewal package. I will speak before the Edison Electric Institute in Chicago next Wednesday and will present a series of grant awards in South Bend, Indiana.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585
August 22, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of August 16 - 22, 1980

1. Residential Weatherization: Our Weatherization Assistance Program has improved markedly since January. This July we weatherized a record 27,000 homes. In the first ten months of fiscal year 1980, we have weatherized 207,000 homes compared to a total of 144,000 homes in all of fiscal year 1979. We should meet or exceed our goal of weatherizing 300,000 homes in calendar year 1980. Certain members of Congress, who had made efforts to take the program away from the Department, now seem pleased. The Department of Labor, the Community Services Administration, and your staff have assisted in turning this program around.
2. Schools and Hospitals Grant Program: Cycle II of the schools and hospitals weatherization grant program is about to begin. In early October we will announce the award of \$114 million in grants to approximately 4000 public institutions throughout the country. We have worked closely with your staff in this matter.
3. Legislation:
 - o The House Commerce Subcommittee on Energy and Power reported three bills on nuclear waste to the full committee on Tuesday. One bill would enable us to clean up the West Valley, New York facility in a cost-sharing agreement with the State. The other two bills, H.R. 7418 and H.R. 6390, deal more broadly with the problem of long-term storage of nuclear waste. We believe that, if passed, H.R. 6390 could be considered by a conference committee along with S. 2189, passed by the Senate earlier this summer. Markup of the three bills by the full committee has been scheduled for next Tuesday.
 - o The Senate Energy Committee reported favorably your nomination of John D. Hughes of Texas to the Federal Energy Regulatory Commission.
 - o This morning the Energy and Power Subcommittee of the House Commerce Committee reported out the Energy Management Partnership Act legislation by a vote of 13 to 6. We expect the full Committee to take up this legislation on Monday. The Subcommittee is scheduled to consider coal slurry legislation this afternoon. Meetings of the full Commerce Committee may prevent subcommittee action on this bill next week.
4. Algerian Liquefied Natural Gas: We made substantial progress in meetings with the Algerians on gas prices this week. At their request, we are exploring the possibility of a one year, fixed price agreement while long-term negotiations continue. The temporary agreement would provide an FOB price in the range of \$3.10 to \$3.20 per thousand Btu and would allow rapid resumption of shipments.

Barring any resumption, El Paso Natural Gas is likely to remove its personnel from the terminal and regasification facilities, a move that would make abandonment of the project likely.

5. National Energy Statistics: The most recent statistics show continuing progress. For the four weeks ending August 15, net imports of crude oil and petroleum products averaged 5.2 million barrels per day. The average for the year to August 15 is 6.4 million barrels per day. Average net imports for the past 8 years are as follows:

1979	7.9 million barrels per day
1978	8.0 million barrels per day
1977	8.6 million barrels per day
1976	7.1 million barrels per day
1975	5.8 million barrels per day
1974	5.9 million barrels per day
1973	6.0 million barrels per day
1972	4.5 million barrels per day

We expect net imports for 1980 to average around 6.5 million barrels per day.

Drilling statistics are also favorable. The number of drilling rigs active in the United States rose again last week to a total of 3050, the greatest number since the last week of 1955.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

August 1, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of July 28 - August 1, 1980

1. Algerian Liquefied Natural Gas Negotiations: We have learned that French Minister of Industry Andre Giraud has instructed Gaz de France not to purchase LNG from the Aznew facilities dedicated to the El Paso I LNG project. Gaz de France will receive nine cargoes of Algerian gas during July at a price of \$3.206/MMBtu.
2. Legislative Matters:
 - o The gasoline rationing plan is now on standby. Discharge motions to facilitate Senate and House consideration of resolutions of disapproval of the plan failed 31-60 in the Senate and 205-209 in the House.
 - o The Senate passed S. 2189, nuclear waste management legislation, by a vote of 88-7. This bill provides a mechanism for selecting sites, establishes a full-cost criterion for waste from commercial operations, and establishes the framework for away-from reactor storage. It's passage is a positive development.
 - o The Senate passed S. 1280, the Energy Management Partnership Act, by a voice vote. This consolidates energy-related aid to states and includes provision for direct federal aid to cities. The House Energy and Power Subcommittee has scheduled a markup of H.R. 5382 for the week of August 18.
 - o Markup of Chairman Dingell's redrafted utility oil backout bill is expected to be put over until the week of August 18.
3. Judiciary Subcommittee request: We are processing a request for documents on Charter Oil and Libya as expeditiously as possible. We have an audit of Charter Oil underway and the documents are voluminous.
4. Alternative Fuels Production Program: We expect to issue the next round of solicitations for feasibility studies and cooperative agreements on August 1. The solicitations will make available the \$300 million recently acquired through the FY 80 budget supplemental.
5. Strategic Petroleum Reserve: We will issue this week the standby rule to provide for distribution of SPR crude oil and the notice proposing exchanges of Naval Petroleum Reserve oil to be stored in the SPR. These regulatory activities are necessary to prepare for SPR activities in the future. They do not commit us to any course of action with respect to the SPR itself.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

July 25, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of July 19 - July 25, 1980

1. Alaska Natural Gas Transportation System: Construction of the prebuild sections will begin next week on the Western Leg and in April on the Eastern Leg. The next occasion for the Department's intervention will probably occur late this year or early next year, when we expect the negotiations between the producers and the sponsor on financing to become rather intense. We are considering the best ways to use the Government's leverage in that event.
2. Algerian Liquefied Natural Gas Negotiations: Our negotiations with the Algerians made their first progress last week, when the Algerians indicated a willingness to defer temporarily their demand for equivalent prices for crude oil and for natural gas. They continue, however, to seek a price too high for their reliquified gas to compete with other fuels in our markets. A fourth round of meetings will be held in Algiers, probably in early August.

We have learned that Gaz de France has been approached by the Algerians to buy liquified gas from the project dedicated to our imports. The Departments of State and Energy have told the French government that any such purchases would cause us serious problems.

3. Legislative Matters:

- o The Standby Gasoline Rationing Plan continues to move slowly through the House. Markup of the resolutions of disapproval was scheduled for July 24, but has been postponed for an indefinite period. We expect that a discharge motion will soon be offered on the House floor to speed consideration of the resolution.
- o We continue our efforts on the Energy Mobilization Board. I have spoken to many industrial leaders in an effort to convince them to lobby more strongly for the bill. The reactions have been favorable in most cases. However, some industry representatives have indicated that they would withdraw their support for the bill if it re-emerges in form designed to win votes from environmentally inclined representatives.
- o Chairman Dingell introduced his redrafted version of the Administration's utility oil backout legislation on July 24. House Coal Caucus members are concerned that the Dingell legislation may give too much to environmentalists. Markup of the legislation is scheduled to occur next Tuesday and Wednesday.

- o In light of OMB's mid-session budget review, Senator Johnston is concerned about the commitment of the Administration to fill the Strategic Petroleum Reserve at the rate required by the Energy Security Act. The review set the budget outlay level at \$ 0.5 billion, rather than the \$ 1.23 billion needed to meet the required fill target. We are writing to and meeting with key Senators on this issue. We are not concerned about meeting the rate required by the Act, but we are worried that Congress may not appropriate the \$2.3 billion we need to fill the Reserve at the substantially higher rate that current market conditions would allow. In our contacts with the Congress, we are stressing the importance of the fill appropriation.

4. Research and Development: We have had several interesting results in our research and development programs.

- o The Exxon Donor Solvent plant for coal liquefaction in Baytown, Texas continues to run very well. The plant operated all last week without interruption, liquefying coal at the rate of 210 tons per day.
- o Bottoming cycle hardware began on-the-road fuel evaluations in large diesel trucks. This equipment uses the heat from an engine's exhaust in a second cycle to increase the engine's power. The early results are encouraging. Fuel economy has risen by nearly 20 percent, from 4.8 miles per gallon to about 5.7 miles per gallon.
- o A micellar-polymer field demonstration of chemical tertiary recovery is showing good results. The demonstration, being conducted in Long Beach, California, has shown that injection of these substances can increase oil production and decrease water production by substantial amounts. Although the economics of this method cannot yet be determined, it is a very promising development in our efforts to get more oil out of known fields. We plan a public announcement concerning these tests at the end of this month.

4. Israel-U.S. Solar Research and Development Agreements: Israel and the United States have agreed to enter into three research and development agreements in fields where they have extensive experience and we have increasing interest. The Israeli Embassy is ready to sign agreements dealing with luminescent solar collectors, anaerobic digestion demonstrations, and passive solar cooling. The projects will cost us \$2.9 million over the next three years. We are considering how to organize the signing ceremony.

5. Travel: I traveled last week to Alberta and to Alaska. My discussions with Premier Lougheed in Alberta were very friendly. He advised me and Ambassador Towe that British Columbia and Alberta would henceforth act jointly on pricing and supply issues. This is, of course, involved in the political relationship between Ottawa and the provinces. We see it as positive because Alberta and British Columbia both desire to ship maximum quantities of gas at competitive prices. We have argued against further price increases this year for Canadian gas and I am cautiously optimistic that we have been successful. We have been careful, of course, to balance our dealings with Ottawa and with the provinces.

John Sawhill accompanied the Vice President in Nigeria and the Cape Verde Islands on the annual Bilateral Agreements Meetings. Energy was the major issue and several agreements on technical and research matters were executed.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

July 18, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of July 14-18, 1980

A handwritten signature in black ink, appearing to be "Charles W. Duncan, Jr.", written over the "FROM:" line of the memorandum.

1. Alaska Natural Gas Transportation System. The Canadian Cabinet has announced its decision, made last night, to approve the prebuild portion of the pipeline project. We expect the Canadian National Energy Board to release its report next week concluding that the non-prebuild portion of the pipeline can be financed privately. That should satisfy Canadian legal requirements and remove the last obstacle to construction of the prebuild portion.
2. Great Plains Coal Gasification Plant. You announced today the Administration's conditional commitment to a \$250 million loan guarantee for the Nation's first commercial-scale coal gasification plant to be built by American Natural Resources. We will work with the consortium to obtain the additional financing in order to issue the final guarantee by the end of October.
3. Energy Security Act Implementation. Meetings were held this week between the Departments of Energy, Agriculture, Commerce and Treasury, the Domestic Policy Staff, OMB, and the Community Services Administration concerning the implementation of biomass programs under the Energy Security Act and the role of existing alcohol fuels programs. OMB is developing a list of issues for resolution by the participating agencies, OMB, and the White House. We will be watching this closely in the next few weeks to ensure rapid implementation.
4. Energy Mobilization Board. Secretary Duncan attended five separate meetings with the Edison Electric Institute, the Interstate Natural Gas Association, representatives of the synthetic fuels industry and groups of investment bankers and electrical generation executives. The meetings were held to discuss our continued support for the EMB legislation and our intention to continue to work for its passage.
5. Strategic Petroleum Reserve. The Economic Regulatory Administration will issue a notice next week proposing petroleum transfers from the Naval Petroleum Reserve to the Strategic Petroleum Reserve.
6. Gasoline Shortage Report. Separate reports were issued by the Department of Energy and the Department of Justice on Thursday. Both reports concluded that last year's shortage was not the result of conspiracy or illegal activity by oil companies. Copies of the report have been delivered to interested members of Congress.

7.: Travel. Secretary Duncan was in Edmonton, Canada, on Tuesday to discuss the Alaska Natural Gas Transportation System and price stability for natural gas with Premier Lougheed of Alberta. On Wednesday, he was in Valdez, Alaska, to tour the North Slope oil pipeline facility and in Anchorage to address the Commonwealth North Club. On Thursday, he was in Fairbanks to address the Chamber of Commerce and at Prudhoe Bay for a visit with ARCO and SOHIO executives and a tour of oil production, exploration, and pipeline facilities.

John Sawhill will be in Nigeria next week with the Vice President. Dr. Sawhill will chair the energy working group discussions of the fifth round of U.S.-Nigeria Economic Bilaterals. Issues to be discussed include LNG problems, oil prices and production, and a possible memorandum of intent on cooperative research and development.



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

MEMORANDUM FOR THE PRESIDENT

FROM: Charles W. Duncan, Jr. *CW Duncan*
SUBJECT: Report on Trip to Mexico

During my April 1 to 3 visit to Mexico, I toured several major new energy facilities and met with President Lopez Portillo, Foreign Secretary Castaneda, Secretary of Patrimony Oteyza, Director General of PEMEX, Diaz Serrano, Commissioner of Electricity, Cervantes del Dio, and Director of Human Settlements and Public Works, Ramirez Vasquez.

The facility visits to the construction site of the largest petrochemical complex in North America and the mammoth Cicoasen hydroelectric dam due to begin operation later this year underscored the impressive pace of technological progress on energy matters in Mexico as well as a fierce Mexican pride in these accomplishments.

The discussions during the visit were warm and frank; they produced a better understanding of the sensitivities associated with energy issues in each country, a common assessment of the economic difficulties presented by conditions in the world oil market and in the developing nations in particular, and a broad range of potential joint initiatives.

President Lopez Portillo

During our 45 minute meeting, President Lopez Portillo was preoccupied by the economic impact of the oil problem which, as he had predicted in his U.N. speech last fall, was already producing unacceptable social problems and political instability in Central American countries like Nicaragua, Guatemala, Honduras, Costa Rica and El Salvador. He told us about his unsuccessful efforts to supply up to 100,000 barrels per day of Mexican oil to refineries in these economically troubled nations. He cited the unwillingness of the major oil companies, who own the small refineries in these nations, to accept the reduced profits associated with running discounted Mexican oil, as opposed to their own crudes, as the major obstacle to such a Mexican aid program. He asked if the U.S., working with PEMEX, could obtain country-specific information and persuade the major companies to cooperate. Foreign Minister Castaneda stressed the importance of succeeding in this effort, even though it could cost Mexico "a billion dollars a year."

I indicated a willingness to explore ways we might be helpful and promised to take the matter up with you. It may be desirable for

the U.S. to play a major role in such an oil-based economic aid program, but some questions still must be pursued. We may discover difficulties in matching Mexican crude to specific small refineries; the oil companies may resist such a program; and it is possible that the major consuming countries ultimately may pay the difference. To the extent such Mexican oil displaces crude supplies now being used in these refineries, however, pressure on the world oil market will be similarly reduced.

My staff is undertaking a company-by-company assessment of the countries mentioned by President Lopez Portillo to develop information that would enable us to pursue this initiative. I will follow-up by seeking more specific information from Diaz Serrano before talking to any U.S. companies. I will keep you informed of any progress.

President Lopez Portillo also suggested that construction of a massive joint dam on the Usumacinta River along the border with Guatemala could provide substantial quantities of reasonably priced electricity for a large number of energy-pressed Latin American countries. Failure to reach agreement with Guatemala has so far stymied the project, and President Lopez Portillo seemed to be asking for U.S. help. I shall consult with the State Department to see what, if anything, can be done.

President Lopez Portillo also made it clear that the outstanding success and ever-expanding potential of PEMEX had to be tempered with other economic and social requirements so that oil production and revenues did not outstrip accomplishments in other sectors of the economy. I indicated the overriding U.S. interest in Mexico's stability and an understanding of the recent announcement of only moderate production increases by 1982.

President Lopez Portillo's comments underscored the extreme Mexican sensitivity over the U.S. interest in increased oil and gas production to the exclusion of everything else. Repeated statements of our understanding of their political sensitivities on these production-related issues as well as the substantial progress made in the other meetings on non-oil and gas cooperative energy initiatives are necessary steps toward reducing tensions in this area.

Alternative Fuel Initiatives

In discussions with Secretary of Human Settlements and Public Works Ramirez Vasquez, we agreed to establish a working group from both our agencies to develop a scope paper on expanded implementation of solar technologies in new Mexican villages. This effort would build on a cooperative agreement we had been negotiating in recent months for construction of a 100 home solar village.

In conversations with Chairman of the Electricity Commission, Cervantes del Rio, specific projects for border exchanges of electricity were discussed as a logical result of the expected completion in several weeks of a 14-month Joint Study on Electricity

Transfers. We also discussed the possibility of expanding the cooperative work on the Cerro-Prieto geothermal electric project in Baja California, which shares the geothermal structures of California's Imperial Valley.

Secretary Oteyza and I agreed to establish a working group to recommend to us a substantially broader program of technological exchanges whereby Mexicans could be placed in both our universities and national laboratories to gain expertise in planning for a broad range of energy activities.

In the meeting with Secretary Castaneda, we agreed to activate the U.S.-Mexican consultative Subcommittee on energy, with a first meeting scheduled this summer. This group would act as an umbrella organization to monitor the new cooperative energy activities as well as recommend additional ones. To date, this group has not met formally because the energy matters under discussion (primarily the natural gas negotiations) have been and will continue to be handled through a separate channel.

Conclusion

Mexican sensitivities and suspicions concerning the U.S. interest in rapid exploitation of Mexican oil and gas resources, regardless of the cost to Mexico, can best be overcome through actions that prove our overriding interest in the broader goal of a politically stable Mexico and a truly cooperative relationship. Sharing our similar views concerning the serious international situation, cooperating in aid efforts involving Mexican oil for the purpose of stabilizing economically pressed regimes in Central America, and cooperating across a broad range of non-oil and gas energy initiatives are the kind of appropriate actions that can underscore our good faith.

I believe that such joint efforts, coupled with the kind of personal relationships that were established this week, are the best insurance the United States has that an increasingly confident and less suspicious Mexico ultimately will produce more oil and gas that will, by virtue of economics and an improving relationship, be sold to the U.S.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

June 27, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of June 20 - June 27, 1980

1. Legislation: This week Congress took two of its most important steps toward our Nation's energy independence, but left us very disappointed on a third.

- ° The Energy Security Act, S. 932, has passed the Congress. The House approved the bill on Thursday by a vote of 317 to 93. The Synthetic Fuels Corporation, the Solar and Conservation Bank, alcohol production incentives, and other important energy production measures were approved. The bill as passed requires us to resume filling the Strategic Petroleum Reserve, but does so in a way that allows us much of the flexibility we need. We look forward to the signing ceremony next Monday.
- ° The Energy Mobilization Board legislation was recommitted to the Conference Committee by the House this afternoon by a vote of 232 to 131, with 70 members not voting. A coalition of environmentalist Democrats and partisan Republicans passed the motion to recommit. 125 Republicans voted to recommit along with 107 Democrats. 122 Democrats voted against recommitment along with only 9 Republicans. Representatives Dingell and Brown, the Democratic and Republican floor managers for the bill, are inclined not to take further conference action at this time. They now believe that the bill is not likely to be passed this year.
- ° The Powerplant Fuels Conversion Act, which is based on Phase I of our Utility Oil Backout proposal, passed the Senate by a vote of 84 to 7. Much credit is due the Majority Leader for the rapid consideration and approval of this bill. Chairman Dingell's staff redrafted the bill to tighten the environmental provisions and to reinsert Phase II of our proposal. The Subcommittee will caucus on the redrafted bill next week. We expect Dingell to introduce the redrafted bill after the July recess and to move immediately to mark up.

2. Alternative Fuels Solicitations: On Tuesday, July 1, the Department will finish considering the 971 proposals for feasibility studies or cooperative agreements that we received as a result of our solicitation under Public Law 96-126. We had planned originally to make our selections on June 30, but Monday's signing ceremony has delayed these decisions by one day. We plan to make public announcements the following week, after making appropriate notifications. We

are working closely with the White House staff to make sure that the Administration receives all the credit that it deserves for these grants, which, in our view, mark this country's first major step toward a commercial synthetic fuels industry. This solicitation involves \$200 million of the \$2.2 billion appropriated under the statute.

3. Alaska Natural Gas Transportation System: The pipeline project continues to progress. We met today with a delegation from Canada concerning the prebuild portions of the pipeline. The Canadian government continues to want assurances that we will complete the Alaskan portion of the pipeline. Secretary Duncan, Charles Curtis, and I accompanied the Canadian delegation to the Hill, where we met with Senator Jackson, Representative Dingell, Majority Leader Wright, and other members important to the pipeline. We then accompanied the Canadians to the White House for a meeting with the Vice President. The Canadians appeared to be encouraged by these meetings. On the Hill, we discussed a possible concurrent resolution to express the general support of Congress for the pipeline. The leadership of both Houses agreed to push for passage of such a resolution early next week. Upon passage of the resolution, we suggest that you call Prime Minister Trudeau to emphasize further the Administration's commitment to this crucial project.

The Federal Energy Regulation Commission issued its final decision on the eastern leg of the pipeline last Friday. The pipeline sponsors told us that they believe the leg can be financed privately on the basis on these decisions.

4. New England Fuel Dealers: Last February at a gathering in the East Room, you assured a group of fuel dealers that you would insist on the maintenance of reasonable credit practices by their heating oil suppliers. Early this year Texaco, a major supplier to New England fuel dealers, reduced its credit to net 10 days, imposed an interest charge on deferred payments, and cut supply contracts to 90 percent of last year's purchases. Amoco also tightened its credit practices. These actions resulted in a heated protest from the New England Fuel Institute. After long negotiations, we have persuaded Texaco to return to last year's credit arrangements; their reduction in the volumes of fuel delivered under their contracts appears reasonable. While Amoco remains a holdout, it is far less important than Texaco as a supplier to New England. We believe that the fuel dealers are satisfied that you have followed through on your promise.

5. Trips: Secretary Duncan returned from Europe on Wednesday night. He soon will send you a separate report on his trip. This afternoon he went to New Orleans for a Democratic National Committee fundraiser. I was in the United Kingdom last weekend, speaking at a conference on world energy problems.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

June 13, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of June 6 - 13, 1980

- OPEC Price Increases: The OPEC Ministerial meeting in Algiers^{and} adjourned this week without reaching agreement on a uniform pricing strategy. Based on our present estimates of price increases from this meeting, we project that the OPEC price average will increase between 70 and 85 cents per barrel and U.S. oil import costs will increase between 40 and 60 cents per barrel. It has been estimated that this increase will add between one and two cents per gallon to U.S. heating oil and gasoline prices.
- Gasoline Rationing: The Standby Gasoline Rationing Plan was distributed to Congress and to the public this week. I introduced the Plan at a press conference on Thursday. Press reaction was as planned, emphasizing that the program was standby and that there was no intention or need to implement it in the foreseeable future. The press also stressed that the Plan's complexity reflected the several mandates and guidelines the Congress provided in the Emergency Energy Conservation Act and that the number of vehicles in the nation (153 million) would require an implementation program that would be at least four times larger than any comparable system, such as Social Security. Selected members of Congress received advance notification of the Plan; we briefed over 80 Congressional staff members on its details before the public announcement. The general reaction seems to be favorable.
- Utility Oil Backout: This legislative initiative took a major step forward this week when the Senate Energy and Natural Resources Committee completed its markup of S. 2470, the Powerplant Fuels Conversion Act of 1980. The Committee voted 17 to 1 to report the Bill and the Majority Leader is preparing expedited treatment for the Bill on the floor. The markup by the Committee deleted many of the powerplants listed in the Bill. The Committee also eliminated any consideration of Phase II of our proposal, which led to decrease in authorized expenditures from \$10 billion to about \$4 billion. We now estimate that the Bill, when passed, will reduce oil use by between 110,000 and 300,000 barrels per day, rather than the 400,000 barrels per day we projected for our original proposal. John Sawhill has been talking and meeting with members regularly this week in an effort to help the Bill's chances. He will meet with Congressman Dingell next Tuesday.
- Alaska Natural Gas Transportation System: I believe that we have finally arrived at agreement between all the parties involved in the Alaska gas pipeline. We are drafting a statement of support for the project for your signature and are working with members of the Congressional leadership to formulate a supporting statement for their signature. We are planning a White House ceremony for signing the producer-sponsor agreements, which should occur later this month.

The Canadians appear to be ready to support the project. Our General Counsel and Assistant Secretary for International Affairs met with the Canadian Pipeline Commissioner this week to discuss whether the negotiations thus far have met the Canadian conditions for authorizing the pre-build sections of the pipeline. The Canadians are satisfied with the producer-sponsor statement on financing, but they did question the timing of tariff payments. We are optimistic that we can reach a satisfactory resolution of this issue; our discussions are continuing.

5. Solar Energy: I testified on Thursday before the House Science and Technology Subcommittee on Energy Development and Applications on our solar energy programs. The Subcommittee was concerned by reports that our programs were not aimed at meeting your goal of 20 percent reliance on solar energy by the year 2000 and by reports of adverse budget action on solar energy requests. I stressed the tremendous increase in support for solar energy that this Administration and this Department have generated and pointed out that their concerns about a small segment of the budget process are minor, when viewed in light of that support. I emphasized the benefits of the management systems we have installed in our solar programs and the impossibility of preparing a detailed, year-by-year plan for twenty years of development in a fast changing industry. The testimony was fairly well received.

Several events of interest occurred this week in our solar energy development programs. The Albany, Oregon direct liquefaction facility successfully converted wood to oil for the first time, using a process that can transform one ton of wood products into three barrels of oil. A new model wind turbine, with wooden blades, is now operating on the utility grid in Hawaii and running more smoothly than any of our previous machines. Finally, our Ocean Thermal Energy Conversion test facility (OTEC-1) has cast off to begin its sea-going trials, which will constitute the first real test for this technology.

6. Trips: John Sawhill traveled to Boston this week to address the New England Conference of Public Utility Commissioners and to New York for the Annual Energy Achievement Awards dinner of the National Energy Foundation. Worth Bateman, Acting Under Secretary, addressed the Western Governors Association.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

June 6, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of May 31 - June 6, 1980

A handwritten signature in black ink, appearing to read "C. W. Duncan, Jr.", written over the typed name.

- Mandatory Oil Import Fee: The suspension of the mandatory oil import fee and customs duties will expire on July 1. Without action to extend this suspension, the fee (21 cents per barrel on crude oil and 63 cents per barrel on petroleum products) and the customs duties (ranging from 52.5 cents per barrel for gasoline and motor fuels to either 5.25 cents per barrel or 10.5 cents per barrel for crude oil and other petroleum products) will automatically be reinstated. The EPG has agreed with our recommendation to reimpose the customs duties on July 1, but suspend the fee for one month to study the issues involved. A memorandum recommending this action to you will be sent early next week.
- Alaska Natural Gas Transportation System: On Tuesday, the producing companies and the pipeline sponsors agreed on a statement of intent regarding development of a financing plan for the Alaskan segment. We believe that this statement will satisfy the Canadian request for the clear U.S. support for the entire project which they need to authorize their pre-build portion.
- Acid Rain Task Force: John Sawhill met with Douglas Costle on Tuesday to discuss the joint DOE/EPA Acid Rain Task Force.
- Trips: On Monday I was in Cincinnati for a speech to the American Institute of Architects on building energy performance standards and in Wichita for a Town Meeting hosted by Congressman Glickman on energy issues. On Tuesday I was in Kansas City to lead another session with businessmen to encourage action on your transportation conservation outreach program and to attend a meeting with major producers of alcohol fuels. John Sawhill was in Toledo on Monday with Congressman Ashley discussing energy conservation with civic leaders and members of the financial community.
- Other Matters: I will send you a separate report on other events occurring this week.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 30, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of May 26-30, 1980

A handwritten signature in cursive script, appearing to read "C. W. Duncan, Jr.", written in dark ink.

1. Synthetic Fuels Corporation: Our staff is working with Committee staffs to draft the legislative language reflecting the Conference agreements. We are hopeful that the drafting can be completed in two weeks. We are also working with Committee staffs on the plan for implementing the Corporation.
2. Utility Oil Backout: The Senate Energy Committee continued to mark up S. 2470 this week and another session is expected next week. A substitute being discussed by Sen. Domenici raises the possibility that the bill will be sidetracked to the Environment and Public Works Committee where it could be killed. Cong. Dingell opposes any major changes to the House version which is based on Administration specifications and has indicated he will not mark up the bill if the Senate makes major changes.
3. Oil import fee: The appeal will be argued on June 9. We hope to have a decision within two weeks after argument. The House is moving to bring the fee to a floor vote before the appeal is decided. Rule Committee Chairman Bolling will try to tie it up in that Committee. Six votes are needed to move it to the floor which could happen if all five Republicans and one Democrat vote to do so.
4. Mexican nuclear facilities: Mexico is now reviewing the results of French and Swedish studies of proposed nuclear power projects. Canada is expected to complete its study on June 15. After all three studies are in hand, the Mexican government is expected to begin contracting potential suppliers in these three countries and the United States.

If the French proposal is accepted, there will be significant problems for the United States effort to control proliferation. The French proposal includes Mexican involvement in developing the French chemical exchange enrichment process. Should that prove uneconomic, the French propose to transfer their gaseous diffusion enrichment technology.

5. Regulatory actions: There will be a number of regulatory actions taken next week:
 - . a notice of proposed rulemaking will be issued to permit NPR exchanges for the SPR.

- . a final standby rule will be issued to provide for distribution of SPR crude.
 - . a notice of proposed rulemaking will be issued to revise the gasoline allocation program.
 - . a final rule will be issued under the Fuel Use Act concerning new facilities, administrative procedures, and definitions.
 - . a notice of proposed rulemaking will be issued to establish energy efficiency standards for nine home appliances.
6. Summit: I reviewed the proposed communique yesterday with Henry Owen. I think your team has done a good job. My only concern is that we not yield to Canadian pressure to soften the language on pricing at international market levels.
7. Trips. John Sawhill travelled to West Virginia this week to meet with Governor Rockefeller on utility oil backout, to make a speech on coal policy and to visit the Cannolton coal mine with the Vice President.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 23, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR. *Charles W. Duncan, Jr.*
SUBJECT: International Energy Agency (IEA) Ministerial Meeting
and Visit with French Industry Minister Giraud,
May 18-22, 1980, 1980

I returned last night from a five day trip to Europe during which I attended a Ministerial Meeting of the International Energy Agency (IEA), held bilateral meetings with the energy ministers of the UK, Germany, Italy, Canada and Japan and the Executive Director of the IEA and visited several French nuclear facilities with French Industry Minister Giraud.

IEA MEETING

Since the December 1979 IEA Ministerial Meeting, we have maintained pressure on our allies to follow through on the commitments to establish and adjust targets to reflect our short, medium and long-term expectations for the world oil market.

The December Ministerial decision to establish annual national oil import ceilings for 1980 was taken in recognition of our failure to deal effectively with the market disruptions of 1979 and of the need to plan our oil strategy in anticipation of lowered OPEC supplies. While the initial U.S. proposal in December was directed primarily at establishing a system that provided an allocation mechanism for use in those circumstances short of triggering the formal IEA emergency oil sharing mechanism, we have refined this system to serve both as a flexible planning tool to achieve a smooth transition from our short-term (1981) to our medium-term (1985) and long-term (1990) objectives and as a means to deal with abrupt deterioration in the oil market. Our efforts initially were strenuously opposed by the British and the Germans, who sought to postpone action and avoid commitments to reduced oil imports, even though they agreed with our pessimistic outlook for future world oil supplies.

A System of Yardsticks and Ceilings

Our principal accomplishment at this Ministerial meeting was to establish a system for continuous IEA monitoring of national energy performance. Here is how the system will work:

- The IEA Secretariat will prepare annual estimates of each country's oil requirements, which will serve as yardsticks for IEA monitoring of national progress in implementing needed measures to reduce oil imports and consumption.

- If Ministers conclude that tight oil market conditions exist, they will make a decision on the use of individual oil import ceilings, based in part on these estimates--i.e., a decision to convert the yardsticks into import ceilings. We felt that this decision should follow automatically on the finding of a tight market; but the British and Germans were intransigent.
- In fixing its annual yardsticks or ceilings, the IEA will take account not only of estimated oil availabilities for the coming year but also of the need to undershoot substantially the previously agreed 1985 oil import targets. The Ministers noted that the IEA Secretariat estimates this required reduction at 4 million b/d below the previously agreed 1985 IEA group oil import objective of 26.2. The Secretariat will thus use a 1985 target of 22 in making its annual country-by-country estimates and in its monitoring operations. This gives us most--but not all--of what we wanted in this respect. The Germans and most others wanted to avoid any mention of a figure for 1985, only after considerable debate did we get agreement to this formulation. This resulted in the 4 million b/d demand reduction estimate being mentioned in the communique.

The IEA Secretariat reported to the Ministers its assessment of national policies. In the case of the U.S., it called for more action to increase coal production and to accomplish projected nuclear progress; it indicated that we should continue our progress toward decontrolling oil prices. The Secretariat's report is a balanced one; the comments on other countries were pointed and, in some cases, critical.

I took the occasion to explain our recent progress on oil decontrol, the Windfall Profits Tax, the Synthetic Fuels Corporation, the Energy Mobilization Board, your recent oil displacement initiative, and the Coal Export Task Force.

When the Ministers meet again this fall, they will continue this monitoring of national performance and, based on the yardsticks referred to above, they will decide whether the 1981 oil market seems likely to be tight enough to justify transforming the yardsticks into oil import ceilings. On the basis of present trends, this does not seem likely, but these conditions could change very quickly.

It was also agreed that IEA imports should be even lower in 1990. This agreement, combined with the annual yardsticks, ensures a gradual decline in IEA oil imports during this decade, from 23 million b/d last year to 18-21 million b/d in 1990, depending on economic growth rates.

Alternative energy sources

Ministers also agreed on actions to increase production of alternative energy sources, however this was not treated in great detail; we expect the Venice Summit will focus heavily on this area, while endorsing the other IEA actions described above.

Consultations on Stock Policies

There was considerable discussion of recent price increases, in what seems to be a soft market. This led to agreement that the Secretariat should urgently propose guidelines regarding use of stocks for consideration by the IEA Governing Board. If the Board approves these guidelines, this could lead to coordinated efforts by national governments to influence the use of stocks in such a way as to try to mitigate short-term price increases. The potential effectiveness of this action is limited sharply by the fact that most oil stocks are in private hands.

OPEC Dialogue

There was an unstructured discussion respecting the advisability of a dialogue with OPEC which clearly showed that there is a lack of consensus among the IEA countries on how best to proceed. As a result, the communique's reference to dialogue restates the group's willingness to discuss with producers economic development issues flowing from our policy decision. We also stated our desire to assist developing countries in exploiting their indigenous resources in partnership with OPEC. This later issue will receive fuller attention at the Summit. Finally we reaffirmed our intention to be constructive participants in UN global negotiations and to support the UN Conference on New and Renewable Resources.

With these decisions, we have made some progress toward a solid foundation for future IEA action and have begun the move from targetry to meaningful measures to reduce imports. Coupled with rigorous monitoring, the yardsticks can serve as a catalyst for policy action and help move us toward an orderly evolution of the world oil market. They will also respond to the call by OPEC moderates for a system of demand restraint by the industrialized countries. The standby ceiling arrangement will add a new tool which may help manage sudden supply interruptions that do not reach the 7 percent threshold necessary for triggering the formal emergency sharing system. This decision also dovetails with the actions under development for the Venice Economic Summit.

Key Bilateral Meetings

While my conversations with my counterparts covered a wide range of issues, the most critical were:

- Iranian Oil Prices. Both the British and the Japanese express concern over Iranian demands of \$35/b for cargoes delivered to UK and Japanese companies against their April allotment, before such sales were suspended on April 21. Although both governments agree that the \$35 price is unwarranted in current market conditions, they both cited legal problems which made it difficult to prevent private companies from paying the higher price, because their contracts, they said, clearly gave the Iranians the right to set the price. Each government sought our assurances that the other would "hold the line." The Japanese in particular hedged their commitment by indicating they could only "suspend" payment of the \$35 price temporarily. The British also sought additional supply assurances from the U.S., raising especially the desire of Shell and British Petroleum for greater access to Saudi Oil that now goes to ARAMCO. I reiterated our strong

belief that both governments should resist all Iranian price increases and simply took note of the British interest in Saudi oil.

I believe that we will have to give way on the oil already shipped, but we should do so only in exchange for firm commitments against taking any additional oil at the high asking price.

- Libya. The British also requested that the U.S. Government look into the question of pressuring U.S. oil companies to resist the latest round of Libyan price increases. UK Energy Secretary Howell observed the Libyan price rises were increasing the pressure to raise North Sea prices. I made no commitments, but agreed to consider his request.
- SPR. I took the occasion of my meeting with our Summit partners to advise them that we were thinking about placing Elk Hills oil into the SPR to avoid an auction which could result in embarrassingly high prices. Our allies are hesitant to endorse our desire to resume purchases for the SPR and the general reaction during the IEA meeting to my statement was non-committal.

Discussions with French Minister Giraud

My discussions on energy with French Minister of Industry Giraud were cordial, covering the full range of energy issues facing our two countries. At his invitation I toured the French vitrification plant for processing of high level fission waste at Marcoule and the Eurodif enrichment plant at Tricastin. On nuclear topics, Giraud emphasized his view that our non-proliferation objectives were driving potential nuclear customers away from the U.S., thereby increasing the proliferation risk. I responded that this was only a problem if other nuclear suppliers failed to act in concert with us in minimizing the risks of proliferation. On the IEA, he was generally supportive of our efforts to set meaningful oil targets although he prefers that the targets be supported by accelerated and stronger policy measures. On LNG, he confirmed the French intention to hold firm at the current \$3.00 per million Btu for LNG in the face of Algerian demands for a doubling of the contract price. I am optimistic that the consensus among the U.S., France and Germany which we have carefully constructed over the past few weeks will hold. Giraud expressed strong reservations however about our desire to begin purchases for the SPR, noting that he thought this action would have a severe impact on the international oil market. He repeated the French desire to invest funds in U.S. facilities for export of coal from the U.S.

cc: Secretary Muskie
Ambassador Owens



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 23, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of May 17 - May 23, 1980

1. International Energy Agency: I attended the Ministerial IEA meeting this week in Paris. A trip report has been forwarded to you this morning.
2. World Oil Price Increases: As of noon today, every major crude oil exporting country except the United Kingdom has increased its prices. We expect a similar announcement from the United Kingdom soon. The price increases average about \$2.00 per barrel. This raises the average world price to \$31.15 (FOB). We estimate that this round of increases will be likely to add 3 cents to the retail price of a gallon of gasoline or heating oil in the United States. We now project that, at these prices, we will spend about \$89 billion for imported oil in 1980, an increase of \$3 billion over our previous estimates.
3. Gasoline Conservation Fee: We filed our appellate brief in the Court of Appeals for the District of Columbia Circuit on May 20; that appeal will be argued in early June. We have not received a briefing schedule from the Temporary Emergency Court of Appeals, which has jurisdiction over the question of your authority under the Emergency Petroleum Allocation Act.

On the Hill the situation remains unchanged. The House Ways and Means Committee has reported the resolution of disapproval; the Senate has taken no further action.
4. Legislation: The Conference Committee has finally completed its work on S. 932. Final agreements have been reached on all issues, except the Strategic Petroleum Reserve, as to which a tentative agreement has been reached. The tentative agreement on the Reserve would require that we resume filling the Reserve within six months, but it would give us great discretion in how to fill it. The Conferees will reconvene on June 16 to ratify the legislation drafted by the staff and to reach final agreement on the Strategic Petroleum Reserve title. We still expect that you will be able to sign the legislation on July 4.
5. Contingency Planning: We have established a new office for contingency planning within the Department's Economic Regulatory Administration. This Office will prepare step-by-step plans for coping with crude oil shortfalls of different sizes. The Office will concentrate first on the response needed from the Department of Energy; it will then attempt to coordinate the plans of federal, state, and local agencies and private industry.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 16, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of May 9 - May 16, 1980

1. Gasoline Conservation Fee: The District Court granted our request for a partial stay of its order to maintain the reporting and bookkeeping requirements. The fee could thus be reimposed quickly in the event of a successful appeal, but no funds are currently being collected. The appeal has been filed, for jurisdictional reasons, in both the Court of Appeals for the District of Columbia Circuit and the Temporary Emergency Court of Appeals. We expect to submit our briefs by May 20, reply briefs will be due May 30, and oral argument will be held the first week in June. Both we and the Department of Justice believe that our position will be upheld on appeal.

Congress remains opposed. I testified before the House Government Operations Energy Subcommittee; Secretary Miller testified before the House Ways and Means Trade Subcommittee. The Ways and Means Subcommittee approved a resolution disapproving the fee as did the Senate Finance Committee. Floor action by the Senate is being held pending final action by the House. Action by the full Ways and Means Committee is expected next week. The Senate earlier had approved by a vote of 70 to 19 a procedural change to facilitate approval of a disapproval resolution.

The major newspapers have been overwhelmingly critical of the Congress, and, while avoiding judgment on the legal issues, favorable to the fee.

2. Alaska Natural Gas Transportation System: On Monday, John Sawhill and I met with Canadian officials who discussed several matters, including adequate assurances of financing for the complete project, that they believe need to be resolved before Canada can approve the pre-build sections of the pipeline. On Thursday we met again with representatives of the producers, the pipeline sponsors, and the State of Alaska. There was no breakthrough but progress continues. The parties reaffirmed an agreement in principle on the design and engineering phase. They agreed to work intensively in the next few days on a process for formulating a construction financing plan.

We are considering, with Chairmen Jackson and Dingell, a possible sense-of-the-Congress resolution emphasizing the importance of the pipeline. Stu Eisenstat and I think this is something we ought to consider. This would facilitate the Canadian decision next month to proceed with the pre-build.

3. International Energy Agency: I will be in Paris next week for a two day meeting of the energy ministers of the 21 member countries. We will seek action to establish import targets for the next decade. Preparatory negotiations have forged a compromise position with three major elements:

- o The IEA Secretariat will prepare oil forecasts annually of each member's

requirements as "yardsticks." During a shortage, these quickly could be transformed by Ministerial decision into binding oil import ceilings.

- o The 1985 aggregate oil import objective will be reduced from 26 million barrels to 22 million barrels per day to reflect the lower supply levels experienced and expected from OPEC.
- o A 1990 oil import objective will be set 2 million barrels per day below the reduced 1985 objective.

Two issues remain: (1) conforming the 1981 "yardsticks" to a path necessary to achieve the 1985 import target, and (2) automatically changing these yardsticks into import ceilings during an oil shortage. Opposition to our proposals has been strongest from West Germany and the United Kingdom.

I will meet with Minister Giraud for a visit to French nuclear facilities and will have a bilateral meeting with Minister Howell in London before the IEA meeting.

4. The Venice Summit: We appear to have support for a strong energy portion of the communique that will emphasize our longer term needs for fuel substitution and supply development. The proposed communique will contain demand and supply objectives for 1990 that will

- o reduce the ratio between the rate of economic growth and the rate of increase in energy consumption to about 0.6 over the next decade;
- o reduce the share of oil in our total energy demand from 53 percent to 40 percent, thereby allowing available supply to match demand; and
- o increase the supply and use of coal, nuclear energy, synthetic fuels, and renewable energy sources by the equivalent of 15 to 20 million barrels per day by 1990. This would require doubling coal production and use by the early 1990's.

The draft communique expresses a willingness to talk with producing nations and endorses expansion of assistance to developing countries to expand their domestic energy production.

5. Energy Conservation: The Weatherization Assistance Program has made substantial progress. The first quarter reports show that 58,900 homes were weatherized, 4,000 more than the program had projected. This important and previously troubled program now appears to be working. We expect to be able to weatherize 310,000 homes this calendar year, compared with 144,000 during 1979.

The Department's efforts, in conjunction with private industry, have produced a greatly improved electric water heater. The water heater operates on heat pump principles and uses less than half the electricity of a normal water heater. At least four firms will be producing these water heaters before the end of the year. The savings could be as great as the equivalent of 50 million barrels of oil per year by 1990.

6. Trips: I addressed an audience of about 2,000 at the annual dinner of the Houston Chamber of Commerce on Thursday. John Sawhill was in Knoxville earlier this week to speak to financial executives about international finance and the energy crisis.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 9, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL
SUBJECT: Weekly Activity Report
Week of May 3 - May 9, 1980

A handwritten signature in cursive script, appearing to read "C. W. Duncan, Jr.", written in dark ink.

1. Gasoline Conservation Fee: Congressional sentiment continues to oppose the fee. We believe that an early vote on the import fee will put us in a difficult political situation; therefore, we need to get committee action delayed. Your participation with the leadership is key. The strategy needs to involve Secretaries Miller and Muskie on international implications of rescinding the fee. We will work on this today at the Energy Coordinating Committee meeting.

The indications we have from the major refiners are that the fee will either be passed onto gasoline or banked by the refiners in part and passed on later when market conditions permit. There appears to be no disposition to try to shift it to other products. The probable result at the pump on May 15 will be an increase of less than the full 10 cents.

On the related matter of the subpoena, we have reached agreement with the subcommittee on all but four documents, each a legal opinion. The court challenge on the documents will be heard this afternoon. I expect to have this resolved fully before I have to testify before the Moffett subcommittee on Monday.

2. Sohio Entitlements Order: Last Friday we rescinded an order by our Office of Hearings and Appeals requiring Sohio to increase its pump price of gasoline in Ohio by 10 cents per gallon. We will substitute a rule that will cause Alaskan crude to be treated like domestic crude for entitlement purposes. The notice of proposed rulemaking was issued Thursday for 30 days of public comment. If adopted, it will cause some refiners to charge higher prices and others to charge lower prices, but nationally the effects should balance.

3. Planning, Programming, and Budget System: This week we will complete our program review sessions under the new planning, program, and budget system we put into effect to improve management of the Department. The system involves the development of base level programs for the next five fiscal years for each Departmental component. Issues are then identified for policy decisions that would determine the levels of funding required. These issues are settled in top-level program review sessions. This system will produce our proposed budget for fiscal year 1982 and will facilitate improved long term planning and budgeting.

4. Meeting with the Japanese Ambassador: At his request, Ambassador Okawara of Japan met with me and Ambassador Owen on Thursday. He sought greater specificity

on our offer to assist Japan in the event of a serious crude shortfall. We also advised the Ambassador that the maximum effective price we believed the Japanese should pay for Iranian oil was \$32.50 per barrel (including all side requirements) and stressed the importance of holding this price.

5. Task Force on Energy Conservation Outreach: Reaction to your April 29 Conservation Outreach Kickoff has been positive. Response commitments have begun to arrive. Secretary Klutznick, Secretary Goldschmidt, and I have held similar meetings with corporate executives and others in Seattle, New Orleans, Denver, and Chicago. Additional meetings throughout the country are planned for the next several weeks. We have initiated follow-up contacts with the people who attended these meetings and are instituting an information system to track their involvement in the program.

6. Trips: John Sawhill traveled to Chicago this week to address the American Mining Congress and to Europe where he addressed a gathering in Cologne sponsored by the Ruhrgas Company, met with U.S. officials in Bonn and with International Energy Agency officials in Paris, and attended a luncheon given by the German Ministry of Economics.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

April 25, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of April 19 - April 25, 1980

1. Gasoline Conservation Fee: On Thursday, April 24, I testified before a joint hearing of the Trade Subcommittee of the House Committee on Ways and Means (Rep. Vanik) and the Energy and Power Subcommittee of the House Committee on Interstate and Foreign Commerce (Rep. Dingell). The questioning was intensive and the sentiment against the fee appeared substantial. I believe, however, we can defeat attempts to limit your authority to impose the fee under Section 232(b) of the Trade Expansion Act. It will require close attention throughout the rest of this session. I will invite key members of the Administration interested in this matter to a meeting of the Energy Coordinating Committee next week to coordinate a campaign. On a related matter, the Stockman amendment to our Civilian Authorization bill, which would prohibit you from imposing the gasoline conservation fee, was accepted by the full House Interstate and Foreign Commerce Committee in its mark-up of the Bill.

2. Strategic Petroleum Reserve: Today I testified before the Energy and Power Subcommittee of the House Committee on Interstate and Foreign Commerce on our policy with respect to oil purchases for the Strategic Petroleum Reserve. I explained the rationale for not resuming filling the Reserve in the immediate future, outlining a portion of our reasoning in executive session. The Committee appeared to accept our argument but Congressional pressure to commence filling the Reserve this summer will be intense. The Special Adviser to the Secretary appointed to handle negotiations on filling the Reserve is now on board.

3. Conservation: The first "audit" of the Conservation Objectives Paper which I had prepared at the end of last year shows some substantial accomplishments:

- over 12 million pieces of conservation literature distributed to the public;
- 39 workshops, seminars, or conferences held;
- 5550 grants, totaling \$135 million, awarded;
- 217 prototype or demonstration systems; and
- 18 reports on research and development projects received.

Next week we will begin a similar quarterly review of the objectives set out in our newly-published Solar Objectives Paper.

Our efforts to get a paid advertising conservation campaign met with some success this week. The House Committee on Interstate and Foreign Commerce completed its markup on our Civilian Authorization Bill. It turned aside an effort to prohibit paid advertising and adopted an amendment expressly permitting a "program to inform the public of specific methods of conserving energy, particularly energy used for residential and transportation purposes."

4. International Energy Agency Ministerial meeting: The International Energy Agency Governing Board met informally on April 23 to review preparations for the May 21-22 Ministerial meeting. Current oil market conditions and the possible loss of Iranian oil led delegations to agree that the Ministerial should be prepared to consider whether Agency action is necessary to deal with the immediate problem. On the medium-term issue of 1981 oil import targets, attempts to reach a compromise are continuing, and were given additional impetus by the potential loss of Iranian oil. A growing number of countries supported a compromise, further isolating the Germans, who continue to oppose 1981 targets unless an actual supply shortfall is projected. On the longer term issues, there is continued opposition from Germany and the United Kingdom to a reduction in the 1985 overall oil import target. The meeting also welcomed Portugal as the 21st member of the International Energy Agency and review the results of the report of the International Energy Technology Group.
5. Gasoline Rationing Plan: Interagency review of the Standby Gasoline Rationing plan has been concluded; and, following review by the Energy Coordinating Committee today, the plan will be submitted for your approval and transmission to Congress.
6. Algerian Liquefied Natural Gas Imports: Negotiations continue with Algeria and with Mexico. Our discussions with the Algerians were inconclusive: they insist on a natural gas price equivalent to their crude oil; we maintain that the price must allow the imported and reliquified gas to compete successfully in the United States, where it will face competition from relatively inexpensive residual fuel oil. Discussions will continue next week in Washington.
7. Watercraft Restrictions: That part of our Standby Emergency Energy Conservation Plan that barred weekend recreational boating -- but not other recreational activities -- has been withdrawn for further study. This provision had been a point of irritation, particularly in States with many lakes, and public comments focused on the unfairness of singling out boating and on the small savings in gasoline.
8. Alaska Natural Gas Pipeline Negotiations: Representatives of the sponsors of the Alaskan portion of the pipeline, the North Slope producing companies, and the State of Alaska met today with John Sawhill to continue their negotiations. The parties have agreed in principle to a joint operating agreement for the design and engineering work. The parties will exchange positions on issues relating to project financing and a schedule for resolving those issues over the next few days. They will meet with us again on May 15 to discuss a final design and engineering agreement and their progress toward an agreed statement on the financing issues.
9. Anti-Nuclear Demonstration: The Forrestal Building and the Pentagon will be the main targets of a major demonstration next Monday, April 28, protesting both nuclear weapons and power. We have dealt, successfully and peacefully, with such demonstrations in the past, and will attempt to do so again.
10. Trips: Next week I will participate in campaign functions in Chicago, Shreveport, and in Houston and will meet in Chicago with business executives on transportation conservation as part of the White House Task Force on Energy Conservation Outreach. John Sawhill will participate in a campaign event in Dallas.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

May 2, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report
Week of April 26 - May 2, 1980

1. Gasoline Conservation Fee: The Secretary was subpoenaed to appear before the Environment, Energy, and Natural Resources Subcommittee of the House Committee on Government Operations and to produce documents relating to the gasoline conservation fee decision. Certain documents were provided, but most were withheld on the ground that they were subject to privilege. Negotiations between the Department and the White House on one side and the Subcommittee staff on the other before the hearing were not successful, and the Subcommittee voted 8 to 0 to hold the Secretary in contempt of Congress. Negotiations continued after the vote, and included an offer to let the Committee members read, but not retain, most of the documents. That was rejected, and we are still at impasse.

2. Strategic Petroleum Reserve: Last week we completed "Quick Draw I," a test of our abilities to draw petroleum from the salt dome reservoirs. On April 22 and 23, 1980, we withdrew over 1.4 million barrels of crude oil from the three storage sites during 28 hours. We achieved an average flow rate of 1.273 million barrels per day, over 20 percent more than the designed rate of flow. We encountered no significant problems.

3. Alternative Fuels Solicitations: As part of our program to prepare for the operation of the Synthetic Fuels Corporation, in January we solicited proposals for grants to conduct feasibility studies and for cooperative agreements for alternative fuels production. We received 951 proposals, 730 for feasibility studies and 221 for cooperative agreements. Nearly two-thirds of the proposals were for alcohol fuels production and some other biomass projects. Proposals were also received for coal, oil shale, tar sands, unconventional natural gases, lignite, peat, solid waste, and other minerals and organic materials. We expect to make awards in June.

4. Oil and Gas Drilling: The effects of decontrol of domestic crude oil and the Natural Gas Policy Act seem to be reflected in increased exploration and development, according to the statistics on domestic drilling activity. The number of drilling rigs currently active within the United States is higher than it has been in 30 years and is growing rapidly. Over 2700 rigs are now active, compared to a peak of under 2400 for 1978 and a peak of about 2200 in 1977.

5. Legislation:

o The Energy Mobilization Board conferees agreed with all joint staff recommendations on outstanding issues. There will be one more meeting, probably within a month, to receive and to sign the final document.

o The conferees on S. 932 are expected to complete all conference work by Memorial Day. All work has been completed on the Synthetic Fuels Corporation; some issues remain on the Conservation and Solar Bank titles. The major issue outstanding on the gasohol titles is the delineation of responsibility between the Department of Energy and the Department of Agriculture. The drafting of final legislation could be completed by the end of June. It is possible that you could have an enrolled bill to enact on July 4.

o The Strategic Petroleum Reserve is expected to be the object of several amendments to the concurrent budget resolution by the Senate. Senators Bradley and McGovern will propose similar amendments to require that we acquire oil for the McReserve at the rate of 100,000 barrels per day for fiscal years 1980 and 1981 and at the rate of 200,000 barrels per day for fiscal year 1982. Senator Durkin is expected to propose that all revenue from the gasoline conservation fee be used to purchase oil for the Reserve.

6. Alaska Natural Gas Pipeline: The Federal Energy Regulatory Commission issued a certificate to allow construction of the Eastern Leg pre-build portion of the pipeline on Monday. The permission to construct the pipeline contains many conditions, including conditions relating to the pipeline's size and the pricing policies to be followed by the pipeline company. The Commission adopted several of the provisions we requested. We believe the Commission's decision will improve the chances that this section will be built, but we are monitoring closely the reactions of the other interested parties.

7. Gasoline Rationing Plan: We have transmitted to you the Standby Gasoline Rationing Plan, following interagency review conducted by the Office of Management and Budget and review by the Energy Coordinating Committee. The Plan was completed well before the schedule implicit in the statute, which called for a second progress report on the Plan to be submitted in June. More detailed work needs to be done, and the Plan, by its very nature, will be expensive, complicated, and controversial.

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THE WHITE HOUSE

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WHITE HOUSE
SITUATION ROOM**C**

MESSAGE NO. 707 CLASSIFICATION ~~CONFIDENTIAL~~ No. PAGES 3
 FROM HENRY CLEH (Name) (Extension) (Room number)

MESSAGE DESCRIPTION ENERGY ISSUES

TO (Agency)	DELIVER TO:	Dept/Room No.	Extension
<u>DOE</u>	<u>CHARLES DUNCAN</u>	<u>7A-257</u>	<u>2620</u>

DELIVER IMMEDIATELY

REMARKS:

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February 19, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: Charles Duncan and Henry Owen

SUBJECT: Discussion of International Energy Issues with German Economic Minister Otto Lambsdorff

We met with Lambsdorff February 13-14 to go over the international energy agenda for the next IEA Ministerial Meeting and for the Venice Summit.

This is where we stand:

1. We will not seek to reduce import ceilings for 1980. As the market situation has worked out, this would be largely a symbolic exercise. Demand has fallen substantially because of high oil prices, low economic growth, and administrative measures, so that actual IEA imports are likely to be 1.5 - 2 mbd below the previously agreed collective ceiling for 1980. Supplies are adequate to meet this demand, and stocks are high. While contract prices continue to rise, presumably because of uncertainty about the future situation, spot market premiums have virtually disappeared. In this situation, none of the other IEA countries are willing to reopen negotiations on 1980 import ceilings.

2. Instead, we will seek to have the spring IEA Ministerial Meeting (which will probably be held in May, instead of March) focus on the need to restrain demand in 1981, should the world market tighten, and to stimulate additional action now to mitigate the clearly worsening oil supply outlook for 1985-1990. To these ends:

-- The ministers would review the first projections of the

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1981 outlook prepared by the Secretariat. If these look grim, the ministers could indicate that import ceilings will probably be necessary. This would alert governments to the need to develop additional demand restraint measures as soon as possible. Actual ceilings would be set at the fall meeting, if an oil shortage still appears likely at that time.

-- Agreement would be sought on a mechanism for establishing and adjusting ceilings so as to ensure that all countries would contribute their fair share to the collective demand restraint effort. Such a mechanism would reduce the area subject to further negotiation by ministers at their fall meeting.

-- The ministers would review new supply projections for 1985, which are likely to show that presently agreed 1985 import targets are much too high. On the basis of this projection, they would assess the adequacy of existing national measures to reduce oil consumption and call for expanded demand restraint country programs, subject to review at the fall meeting.

-- The Summit country ministers would review their preparations on energy matters for the Summit meeting with ministers of the other IEA countries.

3. If the IEA spring meeting thus deals effectively with demand restraint, the Summit could concentrate on supply side actions to deal with the 1990 oil outlook. We discussed two possibilities with Lambsdorff:

-- Taking actions/recommended in the report of the International Energy Technology Group and setting quantitative goals for additional

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use of coal, nuclear energy, as well as synthetic fuels for 1990 and beyond.

-- Increasing capital and technical assistance -- both bilateral and multilateral -- to the oil importing developing countries for domestic production of oil, gas, and other primary energy fuels. (We have some interesting ideas for new proposals in this field, about which we will be sending you a separate memorandum.)

4. Lambsdorff, throughout our discussion, reflected the traditional German opposition, which you encountered from Schmidt at Tokyo, to establishing country oil consumption or import targets -- for 1981 or for future years. The Germans do not want to be hampered in obtaining whatever amount of oil they are willing to pay for. We believe that the arrangements described above would put Germany under pressure to join in a serious demand restraint effort, whenever the oil supply outlook is bleak, as is likely to be the case for many years ahead. Further, if the spring IEA meeting adopts this approach, this would provide an effective international framework for each country, including the United States, to adopt more ambitious oil conservation programs.

5. - You may want to discuss these issues with Schmidt when he comes here in early March. We will provide you with suggested talking points.

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THE SECRETARY OF ENERGY
WASHINGTON, D.C.

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Fitz G*

February 21, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: Charles W. Duncan, Jr.
SUBJECT: Presidential Memorandum to Federal Agencies Directing a Reduction in Agency Energy Use

Background

On April 10, 1979, you directed the Federal departments and agencies to reduce total energy consumption by 5 percent and consumption of automotive fuel by 10 percent for the year beginning April 1, 1979, compared with the year before. You asked the Department of Energy (DOE), in conjunction with the Office of Management and Budget, to report periodically to you on progress toward these goals. Your review of two quarters of progress resulted in your Memoranda of January 18, 1980, to the heads of Federal departments and agencies that were not making their goals in which you called for their personal attention to the need for improvement.

Energy Savings

DOE has analyzed the Federal energy conservation performance reports submitted by agencies for three quarters, i.e., the period of April 1 to December 31, 1979. Compared on a quarterly basis (April 1 to June 30; July 1 to September 30; and October 1 to December 31) with the same periods in 1978, the savings for total energy use were:

<u>Quarter</u>	<u>Savings</u>	<u>Cumulative Savings</u>
April 1 to June 30	2.0 percent	(April 1 to December 31)
July 1 to September 30	5.8 percent	4.5 percent
October 1 to December 31	5.0 percent	

In the case of automotive fuel, the savings were:

<u>Quarter</u>	<u>Savings</u>	<u>Cumulative Savings</u>
April 1 to June 30	3.3 percent	(April 1 to December 31)
July 1 to September 30	5.2 percent	6.5 percent
October 1 to December 31	9.0 percent	

Attached is an interim report showing the progress of each agency for the 9-month period ending December 31, 1979. It should be noted that in the past DOE has included weapons production facilities in its energy consumption data. While we can improve efficiency in the use of energy associated with weapons production, we cannot reduce overall energy consumption in those facilities and meet increasing Department of Defense weapons requirements. Accordingly, we are excluding these facilities from our reporting, contrary to past practice. Of course we will continue vigorous conservation efforts at these facilities, including conversion to coal where appropriate.

It should also be noted that progress toward attaining the goals by agency may not be an accurate indicator of the agency's conservation actions or its efficient use of energy during that period because:

- Several of the larger consuming agencies attained substantial reductions between 1973 and 1979. Their 1978 baselines, therefore, reflected much more efficient standards than smaller agencies, which moved more slowly in the early years of the Government energy reduction program.
- Building inventories increased. The Department of Justice has added new buildings at its installations; the Veterans Administration (VA) has added one million square feet of building space and 11,000 tons of air conditioning equipment to maintain current health care standards; and the Tennessee Valley Authority has increased its office space by 18 percent.
- Mission requirements and tempo of operations increased. The National Science Foundation has increased the number of scientific experiments requiring aircraft; the National Aeronautics and Space Administration's Space Shuttle Program effort is increasing; and the VA expanded outpatient, alcohol, and drug treatment and expanded social work and home visit programs.

Projections on Future Energy Use

Based upon your latest request on January 18, 1980, for personal commitment and your Memorandum to all Federal departments and agencies of February 1, 1980, the Federal Government will probably meet its goal of a 5 percent reduction in overall energy, but will not meet the 10 percent reduction goal in gasoline. Gasoline consumption by the Federal Government is not unlike that of the Nation. It is closely tied to the mission of providing needed services to the public. Building temperatures can be reduced with a minimum disruption but getting similar reductions in gasoline could seriously degrade these services. Based upon a Herculean effort, you can expect gasoline savings of 8 percent. We will ensure that such an effort is forthcoming.

Attachment

Interim Progress Toward Energy Reduction Goals
(9 months)

Department/ Agency Reporting	Percent of Federal Energy Use	Progress Toward Overall 5% Goal		Automotive Goal	
		Meeting Goal	Reduc- tion	Meeting Goal	Reduc- tion
Defense	63.9*	No	4.4	No	7.8
Energy	8.1**	Yes	5.8	Yes	10.7
Postal	6.1	Yes	5.7	No	4.8
GSA	5.2	No	3.7	No	8.7
VA	4.4	No	2.7	No	9.4
DOT	3.1	Yes	8.5	No	8.7
NASA	2.6	Yes	6.0	No	7.5
Agriculture	1.4	No	2.9	No	3.0
Interior	1.4	No	2.9	No	2.8
HEW	1.1	No	3.6	Yes	20.7
Justice	0.8	No	(1.8)	No	0.9
Treasury	0.5	No	4.4	No	6.2
Commerce	0.4	No	3.2	Yes	34.0
Panama Canal	0.3	Yes	6.3	No	6.7
Labor	0.2	No	(13.6)	Yes	18.8
EPA	0.2	No	(2.1)	No	8.0
TVA	0.1	No	(1.5)	No	(0.8)
NSF	0.1	No	(1.2)	No	8.7
HUD	} 0.1	Yes	11.2	Yes	11.2
SBA		Yes	23.4	Yes	23.4
OPM		Yes	12.9	Yes	12.9
FCC		No	0.6	No	(5.0) ‡
State		Yes	7.8	No	7.8
ICC		Yes	6.2	No	5.6
CAB		Yes	22.4	Yes	24.8
Overall	100.0		4.5		6.5

*Excludes DOD operational energy

**Excludes DOE Weapons production sites

() increase

RANKING BY

PERCENTAGE OF TOTAL ENERGY SAVED

(Agencies that operate Buildings, Facilities, Vehicles and Equipment)

(For 9 Month Period)

		PERCENTAGE SAVED	Apr 1 - Dec ₉ 31 78 BTU's 10 ⁹	Apr 1 - Dec ₉ 31 79 BTU's 10 ⁹	BTU's 10 ⁹ SAVED
Small Business Administration	x-1	23.3	90.1	69.1	21.0
Civil Aeronautics Board	x-1	22.4	1.338	1.038	0.3
Office of Personnel Management	x-1	12.8	68.9	60.1	8.8
Department of Housing and Urban Development	x-1	11.2	254.7	226.1	28.6
Department of Transportation		8.5	20674.3	18919.5	1754.8
Department of State	x-1	7.9	24.0	22.1	1.9
Panama Canal		6.3	1715.0	1606.3	108.7
Interstate Commerce Commission	x-1	6.2	17.8	16.7	1.1
National Aeronautics and Space Administration		6.0	16921.4	15901.4	1020.0
Department of Energy		5.8	52137.5	49123.5	3014.0
U.S. Postal Service		5.7	39106.8	36893.6	2213.2
5% Goal					
Department of Treasury		4.4	3132.1	2995.7	136.4
Department of Defense	x-2	4.3	404105.0	386542.0	17563.0
General Services Administration		3.7	32425.2	31227.1	1198.1
Department of Health, Education and Welfare		3.6	7040.8	6786.7	254.1
Department of Commerce		3.2	2785.0	2696.8	88.2
Department of Interior		2.9	8688.5	8436.3	252.2
Department of Agriculture		2.9	8671.9	8420.2	251.7
Veterans Administration		2.7	27554.1	26811.4	742.7
Federal Communications Commission		0.6	34.2	34.0	0.2
National Science Foundation		(1.2)	361.8	366.0	(4.2)
Tennessee Valley Authority		(1.5)	842.6	855.6	(13.0)
Department of Justice		(1.8)	4958.7	5049.8	(91.1)
Environmental Protection Agency		(2.1)	959.4	980.0	(20.6)
Department of Labor		(13.6)	1161.6	1319.2	(157.6)
TOTAL		4.5	633732.7	605360.2	28372.5

() Increase

x-1 Are tenants in GSA operated buildings and report only gasoline

x-2 Excludes defense operational readiness fuels

TABLE 2
RANKING BY PERCENTAGE OF
AUTOMOTIVE FUEL (GASOLINE) GALLONS SAVED
(For 9 Month Period)

	PERCENTAGE SAVED	Apr 1 - Dec 31 78 GALLONS (000)	Apr 1 - Dec 31 79 GALLONS (000)	GALLONS (000) SAVED
Department of Commerce	34.0	3065.8	2023.8	1042.0
Civil Aeronautics Board	24.8	10.5	7.9	2.6
Small Business Administration	23.4	721.1	552.3	168.8
Department of Health, Education and Welfare	20.7	3815.2	3024.8	790.4
Department of Labor	18.8	2772.3	2250.6	521.7
Office of Personnel Management	12.9	551.4	480.5	70.9
Department of Housing and Urban Development	11.26	2037.9	1808.5	229.4
Department of Energy	10.7	8432.0	7530.4	901.6
10% Goal				
Veterans Administration	9.4	3454.8	3131.0	323.8
Department of Transportation	8.7	10506.0	9588.0	918.0
General Services Administration	8.7	980.1	894.7	85.4
National Science Foundation	8.7	90.6	82.7	7.9
Environmental Protection Agency	8.0	754.0	694.0	60.0
Department of Defense	7.9	87624.0	80712.0	6912.0
Department of State	7.8	192.0	177.0	15.0
National Aeronautics and Space Administration	7.5	2310.0	2136.0	174.0
Panama Canal	6.7	694.3	647.6	46.7
Department of Treasury	6.2	13082.5	12271.5	811.0
Interstate Commerce Commission	5.6	141.9	134.0	7.9
U.S. Postal Service	4.8	66438.0	63229.0	3209.0
Department of Agriculture	3.0	35418.3	34363.6	1054.7
Department of Interior	2.8	18919.6	18382.4	537.2
Department of Justice	0.9	10685.4	10586.2	99.2
Tennessee Valley Authority	(0.8)	3184.6	3208.7	(24.1)
Federal Communications Commission	(5.0)	118.6	124.5	(5.9)
TOTAL	6.5	276000.9	258041.7	17959.2

() Increase



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THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

February 7, 1980

MEMORANDUM FOR:

THE PRESIDENT

FROM:

CHARLES W. DUNCAN, JR. *CWDJ*

SUBJECT:

Resumption of Oil Acquisition for the
Strategic Petroleum Reserve

Background

The Department of Energy (DOE) suspended acquisitions for the Strategic Petroleum Reserve (SPR) last March due to tight oil market conditions caused by the reduction in Iranian production. The Tokyo Summit partners agreed in June not to resume SPR purchases as long as they would add undue pressures on the world market price and agreed to consult about decisions they will make in that regard.

Events in the Middle East are a clear reminder of our need for a substantial SPR. The present relatively comfortable world oil supply offers a good opportunity for resuming purchases. Consequently we are consulting with our Summit and selected IEA partners, and I will also consult with Saudi Arabia regarding the resumption of SPR purchases. I will inform you of the results of the Saudi consultation. Imports for the SPR will be included in the 8.2 million barrels per day (MMB/D) oil import ceiling for the United States that you directed in the State of the Union message.

DOE is committed to filling the reserve in line with existing Administration policy. Total volume of the reserve currently is 91.7 million barrels; existing storage capacity is 248 million barrels. The reserve can be filled at a maximum fill rate of 500,000 B/D over the next 6 months and has a withdrawal rate of 1 MMB/D that will be increased in accordance with additional fill. Over the longer term, the reserve can be filled at a sustained rate of 200,000 to 300,000 B/D, with a drawdown rate of 2 to 3.5 MMB/D.

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 REVIEW (date or event)

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Opportunity to Resume Oil Acquisition

Oil inventories in the OECD countries are at record high levels and the outlook for 1980 oil demand is for the lowest growth since 1975. U.S. net oil imports in 1980 (50-State basis) are projected in the range of 7.4 to 8.0 MMB/D including 200,000 B/D for SPR, allowing enough leeway within the 8.2 MMB/D ceiling for resuming SPR imports. Most projections indicate some softness in the international crude oil market in the middle quarters of 1980. Spot and term prices of internationally traded crude oil already appear to be converging. However, uncertainties exist on the supply side which could make for a tight market, particularly if there are significant OPEC production cutbacks or supply interruptions.

It is the collective judgment of the interagency open market committee, which has monitored the international oil market over the last several months, that now is an opportune time to resume purchases for the SPR. This committee consists of representatives from the Departments of State and Treasury, Office of Management and Budget, Domestic Policy Staff, and the National Security Council Staff, and is chaired by the DOE Under Secretary. The committee has agreed in principle to resume purchases for SPR at a rate of up to 200,000 B/D based upon consultations with the Saudis and major energy consuming nations. Continuation of purchases after their resumption would depend upon continuing assessments of world oil market conditions.

We currently estimate that an average fill rate of 200,000 B/D might slow the expected spot market decline in 1980 by about \$1 per barrel. If the spot market for crude oil accounts for 10 percent of U.S. oil imports in 1980, resumption of SPR procurement may increase our total non-SPR oil bill by some \$250 million in 1980. Resumption of purchases by other industrialized nations for their smaller government stocks would increase slightly this price effect. Apparent German and Japanese purchase goals are for an additional 16 and 32 million barrels respectively for completion of their reserve programs, far less than ours. However, we do not believe the Germans have the capacity to add to their stockpile and we do not know whether Japan intends to enlarge its reserve. In any case, we do not expect that reasonable fill rates on their part would lead to official OPEC price increases.

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The reaction of Saudi Arabia to resumed government oil stockpiling and Saudi willingness to maintain current production levels will be determined during my consultations with Saudi officials. Assuming that my consultations with the Saudis indicate that our SPR acquisitions will not trigger a cutback in their production, I now intend to resume acquisitions at an average annual rate of up to 200,000 B/D as soon as possible after consultations with the Saudis and our Summit partners have been completed. Actual fill rates may vary above and below this average from time to time, depending on buying opportunities and delivery schedules.

Potential Sources of Acquisition

We have examined a number of domestic and international sources of oil for SPR. Possible domestic options include the Naval Petroleum Reserve (NPR) at Elk Hills, California; Alaskan State royalty oil; mandatory industry allocations; competitive solicitations among domestic producers; or Federal royalty oil from the outer continental shelf in the Gulf of Mexico. The committee has agreed in principle to an acquisition strategy involving both domestic and international purchases. The domestic oil probably would come from the NPR. The principal advantage of using domestic oil for SPR is one of perception. OPEC producers are less likely to object to resumption of SPR fill if it involves significant domestic sources even though the overall effect on world oil supplies would be the same as if all the oil were purchased on world oil markets. From a budget perspective, it may be less costly to acquire all oil for SPR on the international market, since NPR oil in the recent sale received bids of \$35 to \$41 a barrel. However, as you know, other oil consuming nations have expressed their concern to us that our NPR sales policies are giving signals to producing countries that their prices could be adjusted still higher.

The details of our planned acquisition strategy are summarized below:

1. We intend to acquire approximately 100,000 B/D from domestic sources, assuming that this is necessary to overcome Saudi objections to resuming SPR fill or for domestic policy purposes. At this time the preferred domestic source is NPR oil. This volume represents approximately 75 percent of the government's share of NPR oil and could be exchanged in whole or in part for deliveries to the SPR. The remaining 25 percent, about 30,000 B/D, could be set aside for small refiners in California. Section 201(K) of the NPR Production Act of 1976 requires a Presidential order to make NPR oil available for SPR acquisition. We will be submitting such an order for your approval shortly after the consultations.

2. Potential international sources for the remaining 100,000 B/D (or more depending on Saudi reactions) include producer governments and private suppliers. Purchase prices will be in the range of the average term contract prices being paid for similar generic imported crudes. DOE will attempt to obtain long-term contracts for volumes sufficient to raise the annual fill-rate to 200,000 B/D. Other types of purchases will also be considered in accordance with the price guidelines. The fill rate would be adjusted, including halting acquisition of foreign oil if necessary, if market conditions dictate.

Budget and Organization

Over \$4 billion of budget authority is currently available for oil acquisition. Your 1981 budget includes \$255 million for oil acquisition outlays in fiscal year 1980 and \$1,111 million in 1981 which is sufficient for a fill-rate of 100,000 B/D, assuming resumption in 1980. If we are successful in resuming purchases at the rate of 200,000 B/D, there will be sufficient budget authority on hand, irrespective of acquisition strategy. However, a 200,000 B/D purchase rate could increase the 1981 budget deficit by up to \$1.2 billion either by increased outlays for oil, or from revenues foregone by the use of NPR oil.



THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

February 15, 1980

MEMORANDUM FOR:

THE PRESIDENT

FROM:

SECRETARY
DEPUTY SECRETARY

SUBJECT:

Weekly Activity Report
February 11-15, 1980

1. Paid advertising: The impasse with Senator Byrd remains unchanged. Congressman Yates will consider the reprogramming request only after a hearing, now scheduled for February 20.

We have the results in on the impact of the November 1979 low cost/no cost campaign in New England, which included paid advertising. The campaign was very successful in increasing the number of households that took the energy saving steps recommended in the advertising and direct mail materials. For example, there was a 28% increase in the number of shower flow restrictors and a 20% increase in furnace efficiency modifications.

2. State gasoline targets: We have completed the consultation process with the states on the data and methodology to be used in calculating the targets. This week, the ECC will review our proposed national gasoline consumption targets on which the state targets will be based. After agreement on the national targets, we will publish the state targets.

Once the voluntary program is in place, we will provide you with a detailed memorandum on the circumstances under which these targets can be made mandatory, including the difficulties that we foresee from this action. The Federal Highway Administration data that is necessary to monitor compliance with the targets will be available for the first time in September.

3. Gasoline rationing: The ECC has concluded that our allocation of ration coupons to individuals in the standby rationing plan should be based on vehicle registration and that such allocation to businesses should be based on historical use. The plan will be submitted to OMB for interagency review next week and will thereafter be submitted to Congress. This project is on schedule.

4. Settlement funds: Our Special Counsel has been very successful in settling enforcement actions with the major refiners. The settlements include reforms of company practices, price adjustments, cost bank adjustments and cash payments.

5. Alaska Natural Gas Transportation System: Last Saturday the Secretary, Martin Lipton, James Geocaris and I met with officers of the Alaskan gas producers to discuss producer financial participation for the Alaskan segment. Our discussions included the double overrun pool concept originated by Martin Lipton. Under this concept, the producers and sponsors would provide financing in the amount of the initial cost estimate and commit to a large first overrun pool. The government would commit to a second overrun pool that would be drawn upon only after the private initial financing and private overrun pool were exhausted. Neither the producers nor Department officials committed to any substantive aspect of the plan. The producers agreed that the double overrun pool concept could provide a basis for going forward with the negotiations. We have discussed this meeting with John McMillian and will be meeting with him next week.



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

February 1, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: SECRETARY
DEPUTY SECRETARY *AWJ*

SUBJECT: Weekly Activity Report
January 28 - February 1, 1980

1. Testimony A heavy schedule of testimony has begun. I appeared before the Joint Economic Committee and the House Science and Technology Subcommittee this week. I will appear before the Senate Energy Committee next week, the House and Senate Budget Committees, and two House appropriations subcommittees thereafter, to defend the DOE budget.
2. Paid advertising: The reprogramming of \$3 million to begin our extensive paid advertising program on conservation still has not cleared the Congressional approval process. Sen. Byrd is expected to inform us of his decision within a few days; and Congressman Yates has yet to give his approval. Until the reprogramming is completed, DOE has no funds for a large television ad campaign.
3. Gasohol: The response to the announcement of the gasohol program to reach 500 million gallons of ethanol during 1981 has been very encouraging. A large number of new and existing corporations have announced plans to produce ethanol; the Department of Agriculture and DOE have finished work on a memorandum of understanding to provide a practical split of responsibility for gasohol programs; DOE has created a new Office of Alcohol Fuels under the Assistant Secretary (Conservation and Solar Energy) to manage the program; and there has been good support thus far from the governors.

It is extremely important that the tax credit for gasohol be maintained in S. 932 (the Energy Security Corporation bill). It is under attack by the highway construction lobby that is concerned with availability of funds from the Highway Trust Fund.

4. Conservation action: We are setting up a cabinet-level group consisting of DOE, and the Departments of Agriculture, Transportation, Commerce, and Housing and Urban Development to function within the Energy Coordinating Committee structure and to focus on using every public information resource of the five departments to get information about conservation opportunities into the hands of the public. The should be in operation next week and we will provide you with a weekly report of accomplishments.

5. Utility oil backout: New specifications on utility oil backout were sent to OMB on January 22. We would like to send them to the Congress early in February. Response from the Congress thus far has been encouraging. Response from the utilities has been reasonably good.

6. Nuclear waste: There are a number of nuclear waste problems that are causing press interest: (1) the four earthquakes in California caused some minor incidents involving low level radioactive materials at Lawrence Livermore Labs; (2) an Inspector General report criticized certain aspects of the high-level waste management program at the tank farms at Hanford, Washington; and (3) an application to discharge water from the Weldon Spring site located near St. Louis (52 acres with four uranium raffinate pits containing 6 million cubic feet of raffinates and 20 million gallons of water) has caused substantial political opposition. None of these situations is a serious technical problem.

7. Education grants: The Department will grant awards to 75 colleges and universities next week (total \$1.2 million) for teacher training in energy education.



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THE SECRETARY OF ENERGY
WASHINGTON, D.C.

20 February 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: Charles Duncan *C.D.* and Henry Owen
SUBJECT: Discussion of International Energy Issues with
German Economic Minister Otto Lambsdorff

We met with Lambsdorff February 13-14 to go over the international energy agenda for the next IEA Ministerial Meeting and for the Venice Summit.

This is where we stand:

1. We will not seek to reduce import ceilings for 1980. As the market situation has worked out, this would be largely a symbolic exercise. Demand has fallen substantially because of high oil prices, low economic growth, and administrative measures, so that actual IEA imports are likely to be 1.5 - 2 mbd below the previously agreed collective ceiling for 1980. Supplies are adequate to meet this demand, and stocks are high. While contract prices continue to rise, presumably because of uncertainty about the future situation, spot market premiums have virtually disappeared. In this situation, none of the other IEA countries are willing to reopen negotiations on 1980 import ceilings.

2. Instead, we will seek to have the spring IEA Ministerial Meeting (which will be held in May instead of March) focus on the need to restrain demand in 1981, should the world market tighten and to stimulate additional action now to mitigate the clearly worsening oil supply outlook for 1985-1990. To these ends:

-- The ministers would review the first projections of the 1981 outlook prepared by the Secretariat. If these look grim, the ministers could indicate that import ceilings will probably be necessary. This would alert governments to the need to develop additional demand restraint measures as soon as possible. Actual ceilings would be set at the fall meeting, if an oil shortage still appears likely at that time.

-- Agreement would be sought on a mechanism for establishing and adjusting ceilings so as to ensure that all countries would contribute their fair share to the collective demand restraint effort. Such a mechanism would narrow the area subject to further negotiation by ministers at their fall meeting.

DEPARTMENT OF ENERGY DECLASSIFICATION REVIEW	
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<i>D. Whinery</i> <i>7/11/82</i>	1 RETAIN CLASSIFICATION
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NAME: <i>Almota</i>	7. OTHER (SPECIFY): <i>2 pages</i>

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-- The ministers would review new supply projections for 1985, which are likely to show that presently agreed 1985 import targets are much too high. On the basis of this projection, they would assess the adequacy of existing national measures to reduce oil consumption and call for expanded demand restraint country programs, subject to review at the fall meeting.

-- The Summit country ministers would review their preparations on energy matters for the Summit meeting with ministers of the other IEA countries.

3. If the IEA spring meeting thus deals effectively with demand restraint, the Summit could concentrate on supply side actions to deal with the 1990 oil outlook. We discussed two possibilities with Lambsdorff:

-- Taking actions on synthetic fuels recommended in the report of the International Energy Technology Group and setting quantitative goals for additional use of coal, nuclear energy, as well as synthetic fuels for 1990 and beyond.

-- Increasing capital and technical assistance -- both bilateral and multilateral -- to the oil importing developing countries for domestic production of oil, gas, and other primary energy fuels. (We have some interesting ideas for new proposals in this field, about which we will be sending you a separate memorandum.)

4. Lambsdorff, throughout our discussion, reflected the traditional German opposition, which you encountered from Schmidt at Tokyo, to establishing country oil consumption or import targets -- for 1981 or for future years. The Germans do not want to be hampered in obtaining whatever amount of oil they are willing to pay for. We believe that the arrangements described above would put Germany under pressure to join in a serious demand restraint effort, whenever the oil supply outlook is bleak, as is likely to be the case for many years ahead. Further, if the spring IEA meeting adopts this approach, this would provide an effective international framework for each country, including the United States, to adopt more ambitious oil conservation programs.

5. You may want to discuss these issues with Schmidt when he comes here in early March. We will provide you with suggested talking points.

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THE SECRETARY OF ENERGY
WASHINGTON, D.C.

January 25, 1980

MEMORANDUM FOR:

THE PRESIDENT

FROM:

SECRETARY
DEPUTY SECRETARY

SUBJECT:

Weekly Activity Report
January 21 - 25, 1980

1. California trip: I was in California on Monday and Tuesday to deliver a speech on the international energy situation to the Commonwealth Club in San Francisco. I also visited the fusion projects at Lawrence Livermore Lab, solar energy projects in Davis, enhanced oil recovery operations in Long Beach, methane recovery from municipal waste in Los Angeles, and met with Mayor Bradley of Los Angeles and the editorial board of the Los Angeles Times.

2. State gasoline targets: On Tuesday and Wednesday of this week we delivered the revised methodology for calculating state gasoline targets once the national target has been set. We included in the package a state target predicated on a national target of 7.0 million gallons per day. We informed the governors that the new national target has not yet been set and is likely to be substantially lower. We have allowed about 10 days to receive and analyze comments from the states.

3. Gasoline priorities: DOE issued a final rule to clarify gasoline priorities by including vanpooling in the first priority activity. This rule also extended indefinitely the priority for diesel fuel for surface passenger mass transportation.

4. Pacific Northwest Power Supply: There has been above normal precipitation in the Pacific Northwest for the past six weeks and hydroelectric power supply has improved. There has not been sufficient improvement for Bonneville Power Administration to restore all prior service.

The Western Area Power Administration is beginning negotiations with the Canadian Manitoba Hydro-Electric Board with respect to a 21-year, 1000 megawatt sale of electric power to the United States, primarily from the new Conawapa hydropower plant under construction.

5. Legislation: The Senate Energy Committee may amend the DOE FY 1980 authorization bill (S. 688) to add Sen. Johnston's nuclear waste management bill (S. 2189). A more restrictive waste management bill sponsored by Sen. Randolph (S. 1521) is ready for floor action and probably will be considered at the same time as the authorization bill.

After the windfall profits tax, ESC, and EMB bills are out of conference, we plan to concentrate on the Energy Management Partnership Act which will provide funds for state and local energy planning and projects. The current schedule for hearings would permit the bill to be ready for floor action within a few months.

We have drafted several alternative legislative proposals to improve the gasoline rationing authority by reducing the trigger from a 20% shortage to a 5% shortage and making other minor changes. Sen. Weicker has introduced a bill to reduce the trigger to 5%.



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

January 11, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: SECRETARY
DEPUTY SECRETARY
SUBJECT: Weekly Activity Report
January 7 - 11, 1980

CWJ

1. Strategic Petroleum Reserve: We are considering the resumption of oil purchases for the Strategic Petroleum Reserve from domestic and foreign sources. We will be meeting with other appropriate agencies on this subject on Monday and will make a recommendation. Assuming we do this, we would intend to appoint an Adviser to the Secretary (from the private sector) to handle these oil purchases.

2. Sale from Elk Hills Naval Petroleum Reserve: The sale of about 130,000 barrels per day of crude oil from the Elk Hills Naval Petroleum Reserve brought prices as high as \$41 per barrel. Prices in the \$34-35 range had been expected; this unusually high price was brought about by the statutory requirement to produce the oil and to sell it to the highest bidder and a peculiar market situation in which Phillips Petroleum was required to supply a relatively small amount of oil in California and could not find any.

The current sale covers only six months' production. We are evaluating a proposal to dedicate future Elk Hills production (wholly or partly) to the Strategic Petroleum Reserve. Much of the oil would be traded in California for oil delivered in Texas or Louisiana. In any event, we should work with the Congress to avoid a repetition of the situation reported above.

3. State gasoline targets: We will be consulting with the governors on Tuesday of next week about a modified methodology for calculating state gasoline targets from the overall national gasoline availability. The revised methodology solves the problem of imperfect monthly data and adds flexibility for the states. The state governors would be invited to advise the Department how an annual state target should be divided among 12 months and the governors' advice would be given great deference unless there were unusual circumstances that required the Department to do otherwise. The revised methodology also gives greater weight to conservation efforts and less weight to growth.

4. Scientific advance: The California Institute of Technology, funded by DOE, has made an important scientific advance in the use of light-capturing catalysts to transform the energy of sunlight into chemical energy in the form of fuels such as hydrogen. This advance could open the way for development of solar energy farms in which these catalysts could be used to produce fuels, fertilizer and other chemicals from sunlight, water and the constituents of air.

5. UK oil prices: The British National Oil Company is trying to establish a new price for North Sea oil. Comparable African light crude is selling for \$30 (Nigeria); \$33 (Algeria) and \$34.50 (Libya). The price for North Sea crude is usually close to the price for African crude and, on this basis, a price could be set as high as \$33-34 bbl. We are encouraging the British to hold to a price of \$30 bbl. Even if they do, some of the companies which participate in the North Sea venture may object and take the matter to arbitration.

6. Credit card rationing: We are consulting with major credit card companies about the possibilities of credit card rather than coupon rationing. We will have a preliminary report on findings to date in about 10 days.

7. Giraud visit: French Minister of Energy, Andre Giraud, will visit the United States to meet with senior U.S. government officials on January 31 and February 1. He is supportive of U.S. positions, and I recommend you see him for 5 minutes.

8. Appointments: Six new Assistant Secretaries were sworn in recently, completing the confirmation process. We are continuing to work on a few Deputy Assistant Secretary and Adviser slots.

9. Boston trip: I went to Boston on Tuesday to give two speeches on the international energy situation: to the World Affairs Council and to the Young President's Organization. I will be in Boston again this coming week to give two speeches at Carter-Mondale events.



THE SECRETARY OF ENERGY
WASHINGTON, D.C.

January 4, 1979⁸⁰

MEMORANDUM FOR:

THE PRESIDENT

FROM:

SECRETARY
DEPUTY SECRETARY

SUBJECT:

Weekly Activity Report
December 12, 1979 - January 4, 1980

1. Oil Price Increases. Oil price increases continue to be announced on a country-by-country basis by OPEC and non-OPEC nations. Algeria and Libya have added premiums to their official sales prices that bring their prices to \$33.00 and \$34.50 per barrel, respectively. Indonesia, Nigeria, Venezuela, Kuwait, and Iraq have notified their customers of price increases effective January 1. Iran is expected to agree with several buyers on a formula that produces an effective composite price of \$30.00 per barrel, beginning January 1. Among the non-OPEC countries, Mexico had increased prices the most. It raised the price of its Isthmus crude to \$32.00, an increase of \$7.40. We expect North Sea oil prices to increase shortly to \$30.00 or \$31.00. Malaysian crude is expected to increase in price by about \$2.00 per barrel.

As of January 3, the average United States price of landed crude oil is \$29.20 per barrel and rising daily. This is up from \$24.42 on December 7. The cost of our crude imports in 1980 at current prices will be approximately \$83 billion.

2. Gas Price Increases. There is increasing concern that the Algerian state oil company will seek further price increases in connection with the contract to supply LNG. DOE and State are working with the companies to minimize price increases.

3. Recommendations with respect to the oil import target, oil import fee, gasoline consumption target, and expedited rationing plans will be submitted for EPG and ECC consideration next week. The implementation of voluntary state gasoline targets is on schedule.

4. Utility Oil Backout Legislation. On January 9 we will submit the proposed legislation to the Office of Management and Budget for interagency review. If that process can be completed in ten days to two weeks, you can submit the legislation to Congress during the week of January 22, 1980.

5. House Energy Committee. The House Select Committee on Committees reported out a recommendation to establish a standing Energy Committee in the House of Representatives. The recommended change would strip the Interstate and Foreign Commerce Committee of all its energy-related jurisdiction. The Interior and Insular Affairs Committee would gain jurisdiction over the environmental aspects of energy matters not within the jurisdiction of standing committees with responsibility for environmental matters under existing laws, but it would lose its oversight authority over non-military nuclear energy and research and development. The Committee on Science and Technology would gain jurisdiction over all energy research and development.

The proposal will next go before the House Rules Committee. It will then be considered by the organizational meeting of the Democratic Caucus in late January. The Speaker is solidly in favor of the proposal. It is not expected, however, that the change will have a great immediate impact on the Department of Energy. The chances for duplicative jurisdiction over energy bills remain much the same. We hope that the new committee will result eventually in a much simpler process for energy-related legislation.

6. Alaska Natural Gas Pipeline. Problems with both the Eastern and Western legs of the pipeline seem closer to resolution. TransCanada is willing to provide an agreement for supplying the pipeline that can be used for financing the Eastern leg. Continuing discussions with the Canadian regulatory authorities will apparently resolve the supply problems of the Western leg.