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THE WHITE HOUSE

DETAILED FACT SHEET

THE PRESIDENT'S ENERGY PROGRAM

The President tonight addressed a Joint Session of Congress and presented the outline of a national energy plan to be submitted to the Congress next week.

I. NATIONAL ENERGY POLICY PRINCIPLES, STRATEGIES AND GOALS

A. PRINCIPLES

The National Energy Plan is based on ten fundamental principles.

1. We can have an effective and comprehensive energy policy only if the Government takes responsibility for it and if the people understand the seriousness of the challange and are willing to make sacrifices.

2. Healthy economic growth must continue. Only by saving energy can we maintain our standard of living and keep our people working.

3. We must protect the environment. Our energy problems have the same cause as our environmental problems -- wasteful use of resources. Conservation helps us solve both at once.

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

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

6. The cornerstone of our policy is to reduce demand through conservation. Our emphasis on conservation is a clear difference between this plan and others which merely encouraged crash production efforts. Conservation is the quickest, cheapest, most practical source of energy.

7. Prices should generally reflect the true replacement cost of energy. We are only cheating ourselves if we make energy artificially cheap and use more than we can really afford.

8. Government policies must be predictable and certain. Both consumers and producers need policies they can depend on so they can plan ahead.

9. We must conserve the fuels that are scarcest and make the most of those that are more plentiful. We cannot continue to use oil and gas for 75 percent of our consumption when they make up only 8 percent of our domestic reserves. We need to shift to plentiful coal while taking care to protect the environment, and to apply stricter safety standards to nuclear energy.

10. We must start now to develop the new, unconventional sources of energy we will rely on in the next century.

B. STRATEGY

1. The objectives of the National Energy Plan are:

   a. In the short term, to reduce dependence on foreign oil and to limit supply disruptions.

   b. In the medium term, to weather the eventual decline in the availability of world oil supplies caused by capacity limitations.

   c. In the long term, to develop renewable and essentially inexhaustible sources of energy for sustained economic growth.

2. The major strategies for reaching these objectives are:

   a. Implementation of an effective conservation program for all sectors of energy use so as to reduce the rate of demand growth to less than 2 percent, thereby helping to achieve both the short and medium term goals.

   b. The conversion of industry and utilities using oil and natural gas to coal and other more abundant fuels to reduce imports and make natural gas more widely available for household use, thereby helping to achieve both the short and medium term goals.

   c. A vigorous research and development program to provide renewable and essentially inexhaustible resources to meet United States energy needs in the next century, thereby helping to achieve the long term goal.

C. NATIONAL ENERGY GOALS

A national energy plan is not something that can be adopted and then forgotten. There is no quick or easy solution to the energy problem.

The President will propose as part of his comprehensive energy legislation the following energy goals to be achieved between now and 1985. The Congress will be requested to support these goals by enacting a Joint Resolution of the Senate and House committing the Nation to:

-- reducing annual growth of United States energy demand to less than two percent;

-- reducing oil imports from a potential level of 16 million barrels a day to less than 6 million barrels, about one-eighth of total energy consumption;

-- achieving a 10 percent reduction in gasoline consumption;

-- insulating 90 percent of all residences and other buildings;

-- increasing coal production on an annual basis by at least 400 million tons;

-- using solar energy in more than two and a half million homes.

II. EFFECTS OF THE PRESIDENT'S ENERGY PLAN

The President's energy plan, if implemented effectively, is projected to save about 4.6 million barrels of oil per day (MMB/D) of oil over the amount of oil we would otherwise require by 1985. These savings would reduce oil imports to about 7 MMB/D by 1985, a 40 percent decrease. The President has established a goal of reducing imports to below 6 MMB/D, which would require voluntary conservation efforts by the American public.

Based on econometric projections, the President's program is forecasted to have small, but generally positive impacts on the economy. The program would stimulate about 100,000 jobs by 1985. It would increase GNP by 0.7 percent in 1978 and about 0.4 percent in 1985. It would increase the GNP deflator by about 0.4 percent annually through 1985. Even if the standby gas tax were triggered, GNP would still increase and the inflation impact would still be small.

III. THE PRESIDENT'S ENERGY PROGRAM

The elements of the total program are summarized in the pages that follow.

A. CONSERVATION

1. Transportation

a. Gas guzzler tax and rebate (legislative):

Because present law and regulations are insufficient to assure that needed conservation will take place in this sector, a graduated excise tax would be imposed on new automobiles and light duty trucks whose fuel economy fails to meet the applicable fuel economy standard under existing law. Graduated rebates would be given for automobiles and light duty trucks whose fuel economy is better than the standard.

The tax schedule would be fixed by statute, and taxes would begin in model year 1978, increase each year through 1985, and remain constant thereafter. The rebate schedule will be adjusted each year in advance, by the IRS, so that total estimated rebate payments will not exceed the estimated tax receipts. The proposed tax and rebate table is attached as Appendix A.

Electric vehicles will be eligible for the maximum rebate. Rebates will be available for vehicles manufactured in the United States and Canada. Rebates would be available for vehicles manufactured in other countries on the basis of treaties or executive agreements entered into between these countries and the United States. The President's Special Representative for Trade Negotiations will work with other nations to develop equitable rebate agreements.

b. Auto efficiency standards (administrative):

In order to continue the progress made to date on automobile fuel efficiency, the Secretary of Transportation will begin the analysis necessary to exercise his authority to raise mileage standards above 27.5 mpg after 1985.

c. 55 mph speed limit (administrative):

The President has requested that the national 55 mph speed limit be vigorously enforced by States and municipalities. The Secretary of Transportation may, if he finds it necessary, withhold highway trust fund revenues from States not enforcing the limit.

d. Standby gasoline tax (legislative):

A standby gasoline tax is proposed to go into effect if targets for gasoline consumption are not met. The targets take into account the effects of the gas-guzzler tax and compliance with mandatory fuel economy standards for new cars, and assume some additional reduction in consumption through such items as observing speed limits and more carpooling.

The goals, listed below:

Permit limited increases in gasoline consumption until 1980; from 1980 to 1987, the goal constitutes an achievable reduction in gasoline consumption despite increases in total miles travelled.

If gasoline consumption nationwide in 1978 exceeds the target set for 1978 by one percent or more, a 5 cents per gallon tax will be imposed on January 15, 1979. In any subsequent year, the tax will amount to 5 cents per gallon for each percent that consumption in the prior year exceeded the target, except that the tax could not be increased or reduced more than 5 cents per year. The tax will rise, remain the same, or fall, depending on the prior year's record. The cumulative amount of taxes applicable in any one year may not exceed 50 cents per gallon.

Any funds collected would be rebated to the American people progressively through the Federal income tax system and by direct payments to people who do not pay taxes.

e. Expand use of Highway Trust Fund: By reducing gasoline consumption, State revenues from gasoline taxes would also be reduced. These funds are used by the States for repair and maintenance of highways. The Administration will develop a program which will reduce their hardships and, to insure adequate highway maintenance, will compensate them for this loss through sources such as the Highway Trust Fund.

f. Efficiency standards for light duty trucks (administrative): The Secretary of Transportation is authorized under the Energy Policy and Conservation Act to promulgate efficiency standards for trucks weighing 10,000 pounds or less. He is currently in the process of promulgating standards for trucks weighing 6,000 pounds or less. The President has directed the Secretary to commence a proceeding to cover trucks weighing more than 6,000 pounds.

g. Removal of 10 percent excise tax on intercity buses (legislative): Since buses, like railroads, are fuel-efficient forms of transportation, the current 10 percent excise tax on intercity buses would be removed to encourage expansion in use of this form of transportation.

h. Tax on aviation and marine fuel (legislative): The existing Federal excise tax preferences for general aviation and motorboat fuel would be eliminated. This change would not effect commercial airlines or commercial fishermen. The tax on aviation fuel would increase from 7 to 11 cents a gallon. The current 2 cents rebate for motorboat fuel would be collected and transferred to the Land and Water Conservation Fund.

i. Federal Energy Management Program

-- The President will direct Federal agencies to alter their auto purchasing practices so that new cars purchased by the Government will, on the average, exceed the average fuel economy standard under the EPCA by at least 2 mpg in 1978, and by at least 4 mpg in 1980 and thereafter (administrative).

-- Legislation will be proposed to initiate a Federal vanpooling program. This program will demonstrate the energy conservation and pollution control potential of this form of commuter transportation by the largest employer in the Nation. About 6,000 vans will be purchased by the Government and made available for use by Federal employees. All costs of the program will be repaid to the Federal Government by the riders (legislative).

2. Buildings

a. National Residential Energy Conservation Program for Existing Buildings

-- Homeowners will be entitled to a tax credit of 25 percent of the first $800 and 15 percent of the next $1400 spent on approved conservation measures. The credits will be available for measures undertaken between April 20, 1977, and December 31, 1984 (legislative).

-- State Public Utility Commissions will be required to direct utilities to offer their customers a residential energy conservation service performed by the utility and financed by loans repaid through monthly utility bills. The utilities must also inform customers of other available residential conservation programs and how to obtain financing, materials and labor to perform residential conservation themselves. Other fuel suppliers would be encouraged to offer similar programs, with the help of their State Energy Offices (legislative

-- The Federal Government will remove the barriers to opening a secondary market for residential energy conservation loans through the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. This action should help to ensure that capital is available to homeowners at reasonable interest rates for residential energy conservation through private lending institutions (legislative).

-- Funding for the existing low-income residential conservation program (weatherization) will be increased to $130 million in fiscal year 1978; and $200 million in FY 1979 and in FY 1980 (budget).

-- The Secretary of Labor will take all appropriate steps to ensure that recipients of funds under the Comprehensive Employment and Training Act (CETA) will supply labor for the residential conservation program. The CETA program's employment levels, as proposed by the Administration, would meet the labor requirements of the program (administrative/budget).

-- The Secretary of Agriculture will vigorously implement a rural home weatherization program in cooperation with the Nation's 1,000 Rural Electric Cooperatives, with loans provided through the Farmer's Home Administration (administrative).

-- Businesses will be entitled to a 10 percent tax credit, in addition to the existing investment tax credit, for investments made in approved conservation measures (legislative).

-- A Federal grants program will assist public and non-profit schools and hospitals in installing conservation measures, funded at the rate of $300 million per year for three years (legislative/budget).

-- The Secretary of Commerce will encourage State and local governments to include items that will contribute to energy conservation in their proposals under the Department's Local Public Works program (administrative).

Except for participation by electric and gas utilities, the residential energy conservation program is voluntary. However, if the programs described above are insufficient in achieving widespread residential energy conservation, then mandatory measures will be considered; e.g., a requirement that homes must be insulated before they are sold.

b. Mandatory efficiency standards for new buildings (administrative/budget):

The Secretary of Housing and Urban Development will advance by one year, from 1981 to 1980, the effective date of the mandatory standards required for new residential and commercial buildings by the Energy Conservation and Production Act, with funds to be made available to States to help them in this effort.

c. Federal buildings (administrative/budget):

The President will direct all Federal agencies to adopt procedures which aim at reducing energy use per square foot by 1985 by 20 percent from 1975 energy consumption levels for existing Federal buildings and by 45 percent for new Federal buildings. Investments which are not cost-effective would not be funded under the program. The Director of the Office of Management and Budget and the Administrator of the Federal Energy Administration will implement this program.

d. Solar energy in Federal buildings (legislative/budget):

The Federal Government will, in addition, spend up to $100 million over the next three years to add solar hot water and space heating to suitable Federal structures to help demonstrate the commercial potential of such measures.

3. Appliances (legislative):

-- The present appliance efficiency program will be strengthened. Voluntary targets will be replaced by mandatory standards on certain home appliances, such as air conditioners, furnaces, water heaters and refrigerators, as soon as possible. The program under existing law to develop test procedures and to establish labeling requirements for appliances will be continued.

4. Industrial Conservation (legislative):

-- Legislation will be proposed for a five-year, 10 percent investment tax credit for investment in approved energy-saving industrial equipment, including solar energy equipment, that could be incorporated in existing plants. This credit would be in addition to the present 10 percent tax credit.

5. Cogeneration of Electricity and Process Steam (legislative):

-- In order to utilize effectively the enormous quantities of heat wasted in the production of electric power, legislation will be submitted to encourage cogeneration -- production of electric power and other useful forms of energy (such as heat or process steam) from the same facility.

-- An exemption from Federal and State public utility regulations would be available to industrial cogenerators.

-- The Federal Power Commission would be required to establish procedures to assure fair rates for both sale of power by cogenerators and for purchase of back-up power.

-- Industries using cogeneration would be entitled to intertie with utility transmission facilities to sell surplus power and buy back-up power at fair prices.

-- A tax credit of 10 percent, in addition to the current 10 percent tax credit, would be provided for the purchase of cogeneration equipment. Those industries which invest in equipment could be exempted from the requirement to convert from oil and gas in cases where an exemption is necessary to stimulate cogeneration.

6. District Heating (administrative/budget):

-- State public utility commissions will be encouraged to use district heating as a criterion in siting certification and ratemaking for new generating facilities.

-- The Administrator of the Energy Research and Development Administration will initiate in FY 1978 a new demonstration program to make use of waste heat generated by ERDA's uranium enrichment plants at Oak Ridge, Tennessee, Paducah, Kentucky, and Portsmouth, Ohio. The recovered waste heat would be used on site and by nearby households, industry and farms.

7. Utility Rate Reform (legislative):

-- Conventional utility pricing policies discourage conservation. The smallest users commonly pay the highest per unit price due to practices such as declining block rates. Rates often do not reflect the costs imposed on society by the actions of utility consumers. The result is waste and inequity. The President will therefore submit legislation which contains the following provisions:

-- State Public Utility Commissions must require their regulated electric utilities to phase out and eliminate promotional, declining, and other rates for electricity that do not reflect cost incidence.

-- To shift energy use from peak to non-peak periods, electric utilities would be required to offer daily off-peak rates to each customer who is willing to pay metering costs and to offer lower rates to customers willing to have their power interrupted at times of highest peak demand.

-- Master metering for electricity would generally be prohibited in new structures.

-- State Public Utility Commissions would require gas utilities to eliminate declining block rates and to implement such rules as FPC may prescribe with respect to master metering, summer-winter rate differentials, and interruptible rates.

-- By amendment to the Federal Power Act, the Federal Power Commission would be authorized to require interconnection and power pooling between utilities even if they are not presently under FPC jurisdiction, and to require "wheeling" (the transmission of power between two non-contiguous utilities across a third utility's system).

8. Taxes on Oil and Natural Gas

-- The oil and natural gas pricing and tax policy discussed in Part F, will achieve substantial savings in natural gas and petroleum consumption. The oil and gas consumption taxes are directed primarily at industrial and utility use, and will encourage investments by industry to use these scarce fuels more efficiently.

B. MANAGEMENT INFORMATION SYSTEMS

-- To carry out the President's energy plan and to protect the energy consuming public generally, the Government needs more detailed and reliable information on oil and gas reserves, on oil company operations, and on local energy supplies and demand.

-- Accordingly, a three-part energy information program will be proposed. They represent the beginning of implementation of a National Energy Information System which will, when fully developed, provide a comprehensive and authoritative source of energy information.

1. Petroleum Production and Reserves Information System (administrative/budget): The proposed Department of Energy, upon its creation, would take over the audit and verification roles now performed by the American Gas Association and the American Petroleum Institute. These industry associations and their member companies would be required to open their reserve estimation process to Federal officials, who would supervise the collection and preparation of reserve data. Information collected and submitted through this system would be randomly audited at the company level. Existing law regarding the protection of confidential, proprietary information would not be changed. This system will consolidate the reserves information gathering activities of Government agencies, where possible, and will eliminate redundant reporting which now occurs among the various agencies.

2. Petroleum Company Financial Data System (administrative/budget): This system would require all large companies, and and a sample of small firms, engaged in crude oil or natural gas production to submit detailed financial information to the Federal Government. Companies would have to conform; ultimately, to a uniform system of accounts, and to report capital expenditures and operating results by geographic region and type of fuel. They would be required to submit information relating to functional areas, including refining, production, marketing and pipelines, and information relating to foreign as well as domestic operations. This comprehensive reporting system would enable the government to assess the performance of individual firms and the industry, as a whole, providing accountability of vertical operations of the integrated companies. Existing law regarding the protection of confidential, proprietary information would not be changed.

3. Emergency Management Information System (administrative/budget): This system would provide Government with the information on local energy supplies and demand needed to respond to an oil embargo, a natural gas shortage, or other energy emergency. Examples of potential future shortages include possible electrical power shortages in the West this coming summer and natural gas shortages in future winters. State Energy Offices, assisted by the Federal government, would collect and maintain the data.

C. INDUSTRY COMPETITION

-- Promotion and maintenance of competition is a critical aspect of public policy. Since energy is an essential commodity for all Americans, effective competition in the energy industries is a matter of vital concern. The President's energy plan calls for continuous vigilance to ensure that the structure, behavior and performance of the energy industries are vigorously competitive.

-- The Under Secretary for Policy and Evaluation within the proposed Department of Energy would have prime responsibility to ensure that all policies and programs of the Department promote competition. The Department of Energy would seek to preserve the competitive viability of independents in all segments of the energy industry.

-- In recent years, trends and practices in the energy industries have created substantial public concern. Attention has focused particularly on the oil and natural gas industry, but also on situations in other energy industries, such as coal and uranium, joint ventures, and the international activities of the major multinational firms.

-- Horizontal diversification by oil and gas producers, particularly into the coal industry has aroused fears that the major firms will be able to restrict the development of alternative fuel sources. The existence of such power could be very detrimental to the Nation as it increases its reliance of coal, uranium, and renewable energy sources. The trend of oil and gas company entry into coal mining merit continuous close attention.

-- From information available at the present time, it does not appear that new laws mandating either vertical or horizontal divestiture are required in order to promote or maintain competition in the energy industries. That conclusion is subject to change. If it should appear that there are anti-competitive problems in the energy industries that cannot be reached under current laws, new legislation would be proposed.

D. STATE AND LOCAL GOVERNMENT PARTICIPATION

-- A National Energy Plan can be built only on a foundation of partnership and understanding among the Federal Government, the States, local governments, and the Nation's Indian tribes, which own a substantial part of the Nation's energy resources.

-- The President is committed to ensuring that no State, local community or Indian tribe suffers as a result of energy development. In order to assess the adequacy of existing impact assistance programs and make certain that there are no gaps, he has ordered that his Assistant for energy and the Director of OMB undertake a careful review of such programs. If gaps are found to exist in coverage, legislation to remedy those problems will be proposed.

E. ASSISTANCE FOR LOW INCOME PERSONS

-- Government at all levels has the responsibility for protecting low income citizens from the most severe effects of the energy crisis. The Plan contains several programs to carry out the responsibility.

  -- The weatherization program, by insulating large numbers of low income homes, would protect low income people not only from the cold, but also from rising fuel bills. The rebate system for the wellhead tax on oil and the standby gasoline tax would distribute funds to low income persons in a progressive manner. The price controls on natural gas and the allocation of high cost sources to industry will protect low-income consumers whose homes are heated with natural gas. The price controls on oil and the rebate system to exempt home heating oil from the impact of taxes on oil will protect low-income consumers whose homes are heated with oil. For the longer-run, protection for low-income people from the gradually increasing cost of energy, lies in a reformed welfare system on which the Administration is at work.

-- The remaining major problem is the possibility that the Nation will experience future supply disruptions, such as the natural gas shortage last winter or another oil embargo. Such events could cause temporary, but sharp increases in the cost of basic energy in some regions, or to users of particular fuels. Such increases are particularly harmful to low income people, who have little or no discretionary income with which to meet energy price rises. Present programs have deficiencies in meeting these emergency needs. The President has, therefore, directed the Secretary of Health, Education and Welfare to complete work on a revised emergency assistance program for prompt submission to the Congress.

F OIL AND NATURAL GAS

-- Oil and natural gas account for three-quarters of the Nation's energy needs, yet constitute less than 8 percent of current domestic energy reserves. These fuels are priced domestically below their marginal replacement costs, as a result, the Nation uses them wastefully with little regard to their true value.

-- The Federal Government must provide for prices that provide adequate incentives for producers while preventing industry from receiving windfall profits. Price controls will protect consumers from profiteering by producers, while taxes on utility and industrial use of oil and gas will encourage conservation and conversion to coal. The residential sector is sheltered as the Plan would keep natural gas prices to residential users down and provide tax rebates for home oil use.

1. Oil Pricing (legislative): The President is committed to the retention of domestic oil price controls for the foreseeable future to prevent windfall profits for oil producers who would otherwise be able to charge the OPEC determined world price of oil. The basic pricing mechanism adopted by the Energy Policy and Conservation Act would be revised and extended to create a new long-range oil pricing system which would:

   -- continue indefinitely the current price ceilings of $5.25 and $11.28 per barrel for previously discovered oil, subject only to escalation at the general rate of inflation

   -- allow newly discovered oil to rise over a three year period to the current world price (adjusted for the rate of inflation); thereafter, newly discovered oil would continue to be priced at the 1977 world price with adjustments for ar domestic increases in the general rate of inflation

   -- define newly discovered oil as oil from a well drilled more than 2 1/2 miles from an existing onshore well as of April 20, 1977, or more than 1,000 feet deeper than any well within any 2 1/2 mile radius. New oil offshore will be limited to oil from lands leased after April 20, 1977

   -- any price increases for any tier in excess of the increases in the general rate of inflation recommended by the Executive Branch would be subject to Congressional disapproval before becoming effective

   -- incremental tertiary recovery from old fields and stripper oil would be free of price controls

2. Oil Taxes (legislative): All domestic oil would become subject to a crude oil equalization tax applied in three equal stages beginning on January 1, 1978. When fully phased in, the tax per barrel would equal the difference between the controlled domestic price and the world price. The second tax installment in 1979 would bring all domestic crude prices up to the $11.28 tier and the third increment would bring it to the world price in 1980. Once the tax is fully in place, it would rise with world oil prices, except that authority would exist to discontinue an increase if the world price increased significantly faster than the general level of inflation. The net funds collected as a result of this tax would be returned to the public, on a per capita basis, in the form of tax credits or direct payments for those who have no tax liability.

   The oil tax would provide no net gain to the Treasury, and no net loss to consumers as a group, while establishing a more realistic energy pricing system. Once the tax is fully in effect, all domestic oil would have approximately the same price (after tax) as the world price, the entitlements program would be terminated, and certain related regulatory activities could be phased out.

3. Natural Gas Pricing (legislative): Current pricing policy evolved at a time when gas was a surplus byproduct of oil. As a result, it is now the Nation's most underpriced and oversold fuel. By helping bring natural gas supply and demand back into balance, this pricing proposal is an important first step toward deregulation. If the oil and gas pricing and taxing initiatives in this Plan succeed, it may be possible to return to a market determined price for new natural gas.

   The new gas pricing policy provides prices for new gas that will reflect future costs and risks associated with finding new supplies, recognizes that the United States constitutes a single market for natural gas, and continues controls on old gas.

   Specifically, this proposal would:

   -- subject all new gas, sold anywhere in United States, to a price limitation of the BTU equivalent of the average refiner acquisition cost (before tax) of all domestic crude oil. That price limitation would be approximately $1.75 per Mcf at the beginning of 1978; the interstate-intrastate distinction would disappear for new gas

   -- define new natural gas using the same standards as are used to define newly

   discovered oil (2 1/2 miles, 1,000 feet, new leases)

   -- guarantee price certainty at current levels for currently flowing gas, with adjustments to reflect inflation

   -- authorize the establishment of higher incentive pricing levels for specific categories of high cost gas

   -- allow gas made available at the expiration of existing interstate contracts or by production from existing reservoirs in excess of contracted volumes to qualify for a price no higher than the current $1.42 Mcf ceiling adjusted for inflation; gas made available under the same circumstances from existing intrastate production would qualify for the same price as new gas; i.e., $1.75 per Mcf at the beginning of 1978.

   -- allocate the cost of the more expensive new gas to industrial users, not to residential and commercial users

   -- extend Federal jurisdiction to SNG facilities guaranteeing them a reasonable rate of return

   This pricing mechanism would not affect the existing intrastate contracts. Because the Nation will remain vulnerable to natural gas supply emergencies during the coldest months of the year, the President will propose the emergency gas allocation authority be extended for three years.

4. Other Oil and Gas Measures

   a. Alaskan crude pricing (legislative) Inclusion of North Slope oil in the domestic composite price under the current provisions in EPCA would introduce a degree of unnecessary uncertainty into domestic crude oil pricing. This is because of the large volume of new Alaskan oil that would intially be moving into the composite average at a wellhead price anticipated to be considerably below the current average. Under the proposed amendments and extension of EPCA, this problem would be eliminated. The $5.25, $11.28 and new oil pricing tiers, adjusted for inflation, would be substituted for the composite average limitation. Alaskan oil would be subject to an $11.28 wellhead ceiling price, but would be treated as foreign oil for purposes of the entitlements program. New Alaskan oil finds would be subject to the new oil wellhead price.

b. Elk Hills production (legislative): Legislation will be sought to limit production from Elk Hills Naval Petroleum Reserve to a ready reserve level at least until the West-to-East transportation systems for moving the Alaskan oil surplus are in place and until California refiners have completed a major refinery retrofit program to enable more Alaskan oil to be used in California.

c. Shale Oil (administrative): Because of the high risks and costs involved in shale oil development, shale oil will be entitled to receive the world price of oil in the United States.

d. Oil Stockpile (administrative/budget): We plan to expand the Strategic Petroleum Reserve to one billion barrels from the currently projected 500,000,000 barrels. Such a reserve would enable the United States to withstand a serious supply interruption for 10 months. In addition, rationing and conservation contingency plans will be submitted to the Congress for its review. The FEA will undertake an analysis of additional contingency plans which would be placed into effect during a severe supply interruption.

e. Liquified Natural Gas (LNG)(administrative):

The limitation on the importation of LNG imposed by the previous Administration is being replaced by a more flexible policy that will provide for a case-by-case analysis of each project. Strict siting criteria would foreclose the location of future tanker docks in densely populated areas.

f. Synthetic natural gas (SNG) (administrative):

Current policy discourages construction of SNG facilities. A Federal task force will be established to identify areas where additional SNG plants should be built. The FEA will ensure that plants built in those areas will receive priority for SNG feedstocks.

g. Gas development (administrative): Federal research and development programs on gas from geopressurized zones will be greatly accelerated. Efforts to develop gas from Devonian shale will also be expanded.

h. Outer Continental Shelf (administrative): The Congress is now considering amendments to the OCS Lands Act which would provide additional authorities to ensure that OCS development is consistent with national energy policies, particularly by providing for a flexible leasing program using bidding systems that enhance competition, assure a fair return to the public, and promote full development of OCS resources. The Administration supports these amendments.

i. Gasoline Decontrol (administtrative): Gasoline prices have never reached their allowable controlled ceilings, and marketers have contended for some time that deregulation of gasoline would increase competition by allowing them to shop among suppliers.

In order to assure the maintenance of such competition, the Administration will support legislation similar in concept to the current "Dealer Day in Court" statute that protects service station dealers from arbitrary cancellation of their leases by major oil suppliers.

In addition, the Administration currently hopes to eliminate gasoline price controls and allocation regulations at the end of the peak driving season this coming fall. Gasoline prices and market competition will be closely monitored and controls will be reimposed if prices rise above a predetermined trigger level. If this action is taken, it would permit the elimination of controls while protecting consumers.

j. Tax Change (legislative): A competitive problem has resulted from an effect of the Tax Reform Act of 1976, which changed the tax treatment of intangible drilling costs. Some independent oil and gas producers have been deprived of a portion of the tax reduction for such expenses, while the major corporate producers continue to enjoy the full deduction. This amomaly should be removed. As part of the President's program for extending oil and gas price controls, the Administration would urge that independent oil and gas producers receive the same tax treatment of intangible drilling costs as their corporate competitors, the major oil companies. Investors who finance oil and exploration in order to obtain a tax shelter for income earned in other occupations should not, however, receive such a benefit.

G. COAL, NUCLEAR AND HYDROELECTRIC POWER

-- Even with vigorous conservation, America's demand for energy will continue to grow for the next decade. Although the United States will eventually make extensive use of solar and other non-conventional energy sources, it will have to rely, for at least the next two decades, on the conventional sources now at hand: oil, natural gas, coal, nuclear power, and hydroelectric power.

1. Oil and Natural Gas Users Tax (legislative):

In order to stimulate the shift away from oil and gas toward coal and the conservation of oil and gas used by utilities and industry legislation will be submitted which would do the following:

-- Beginning in 1979, each industrial user of natural gas (except fertilizer manufacturers and certain agriculture users) would be taxed an amount equal to the difference between his average cost of natural gas and a price target keyed to current price of distillate oil. The target level for the first year's tax in 1979 would be $1.05 below the Btu equivalent price of distillate. The target price would rise to equal the distillate price in 1985 and beyond. Thus, in 1979, an industrial user who paid $1.65 per Mcf would pay a tax of $ .30 per Mcf to bring the total cost of gas up to the target level of $1.95 per Mcf, assuming the BTU equivalent of distillate is $3.00. By 1985, the targe level would rise to approximately $3.30 per Mcf, resulting in an average tax of $1.10 per Mcf based on a projected actua gas cost of $2.20 per Mcf.

-- Utility users of natural gas would be similarly taxed, starting in 1983 at an amount that would bring the cost of gas to them to a level of $ .50 per Mcf below the BTU equivalent price of distillate. The tax would rise so that by 1988 the cost of gas to them would equal the cost of an equivalent amount of distillate. The later starting date for the tax on utility use of natural gas reflects the longer lead time required by utilities to convert to coal.

-- Industrial and utility users of petroleum would be taxed at a flat rate since, unlik natural gas prices, petroleum prices are relatively uniform nationwide. Beginning in 1979, industrial use would be taxed $ .90 per barrel; the tax would rise to $3.00 per barrel by 1985. A tax on utilit use of petroleum would begin in 1983 at $1.50 per barrel and remain at that level thereafter.

-- Industry would be eligible for either an additional 10 percent investment tax credit for conversion expenditures or a rebate of any natural gas or petroleum taxes paid, up to the amount of any expenditures incurred for conversion to coal or other fuels. The rebate in any year could not exceed the amount of taxes paid. However, there would be a carry-forward provision for conversion expenditures that exceeded the tax payments.

-- Oil and gas taxes collected from utilities would be set aside to help utilities accelerate the retirement of their oil and gas burning capacity.

With tax liability delayed until 1979 for industry and 1983 for utilities, prudent investors undertaking an aggressive conversion program should be able to accumulate enough conversion credits to eliminate, or minimize, the actual amounts of tax collected. As a practical matter, only those industrial firms and utilities which lagged behind in conversion would be subject to the tax.

2. Coal Conversion Regulatory Policy (legislative)

In order to assure the greatest possible conversion of utilities and industrial installations to coal and other fuels, while ensuring compliance with applicable environmental standards, legislation will be submitted to:

-- prohibit industry and utilities from burning natural gas or petroleum in new boilers with only limited environmental and economic exceptions; industry could

also be prohibited from burning gas or petroleum in facilities othet than boilers, by regulations applicable to types of installations, or on a case-by-case basis

-- prohibit existing facilities with coal-burning capability from burning gas or oil, by regulations applicable to categories or on a case-by-case basis; with limited temporary exceptions, no utility will be permitted to burn natural gas after 1990

-- require facilities burning coal to obtain approval to shift to petroleum or natural gas;

-- require utilities burning natural gas to obtain a permit to shift to petroleum

-- allow any industrial firm or utility, prohibited from using natural gas, to sell its contract to purchase gas at a price that would provide adequate compensation.

3. Environmental Policy for Coal

-- The Administration supports a strong, but consistent and certain, environmental policy to protect the environment and provide the confidence industry requires to make investments in energy facilities. That policy would:

-- require the installation of the best available control technology in all new coal-fired plants, including those that burn low sulfur coal

-- protect areas where the air is still clean from significant deterioration;

-- encourage States to classify lands to protect against significant deterioration within three years after enactmen of Clean Air Act Amendments

-- require Governors to announce intent to change the classification of the allowable air quality for a given area within 120 days after an application is made to construct a new source in that area

-- require States to approve or disapprove the application within one year thereafter

-- The President believes that further study is needed with regard to the Environmental Protection Agency's current policies allowing offsetting pollution trade-offs for new installations and therefore requests that Congress not write into law a definitive formula for a non-attainment policy until this analysis is completed.

-- The President will appoint a special committee to study the health effects of increased coal production and use, and the environmental constraints on coal mining and on the construction of new coal-burning facilities. The Committee will report to the President by October, 1977 (administrative).

-- The President will request almost $3 million to study the long-term effects of carbon dioxide from coal and other hydrocarbons on the atmosphere (budget).

-- The President reiterated his support for tough, uniform national strip mine legislation.

4. Coal Research and Development (budget)

-- The President has directed ERDA, EPA and the Department of the Interior to undertake a major expansion of the Government's coal research and development program. The program will focus primarily on meeting environmental requirements more effectively and economically, and will seek to expand the substitution of coal for gas and petroleum products.

-- The program will include research on

-- more effective, economical methods to meet air pollution control standards, including flue gas desulfurization systems ("scrubbers");

-- fluidized bed combustion systems,

-- coal cleaning systems;

-- solvent refined coal processes;

-- low BTU gasification processes;

-- synthetic crude technology; and

-- coal mining technology

-- In the long run, synthetic high BTU gas produced from coal may provide a substitute for declining natural gas supplies. The Government does not plan to subsidize existing technologies. The Administration will pursue an active RD&D program for advanced high Btu coal gasification. The program will be conducted with the urgency required to ensure that the new technology will be ready when needed.

5. Nuclear Power

a. Plutonium Economy

-- The United States will make a concerted effort, in association with other countries, to find answers to the problems of nuclear proliferation. As part of this effort, the U.S. will defer indefinitely commercial reprocessing and recycling of spent fuels produced in United States civilian nuclear power plants (administrative).

-- In addition, the President has decided to defer indefinitely construction of the Clinch River Liquid Metal Fast Breeder Reactor Demonstration Project and to cancel all component construction, commercialization, and licensing efforts. The United States breeder program, and redirect efforts toward evaluation of alternate breeders, fuels, and advanced converter reactors with emphasis on non-proliferation and safety concerns (administrative).

-- The United States has asked other countries to join in examining alternate methods of meeting future needs for nuclear power. As part of this program, the United States must restore confidence in its ability and willingness to supply enriched uranium services. The United States is, therefore, taking three steps to restore that confidence.

  -- The United States is re-opening the order books for uranium enrichment services (administrative).

  -- The President is proposing legislation, in a separate submission, to guarantee the sale of enrichment services to any country which agrees to comply with our non-proliferation objectives and is willing to accept certain conditions (legislative).

-- The United States will expand its enrichment capacity. Current capacity consists of gaseous diffusion plants. A centrifuge plant uses only 10 percent as much electrical power as a diffusion plant of equivalent capacity. Accordingly, the next plant that the United States will build, for which funds are already in the proposed fiscal 1978 budget, will be a centrifuge plant (administrative/budget).

-- To resolve uncertainties about the extent of domestic uranium resources, ERDA will modify its National Uranium Resources Evaluation program to improve its uranium resource assessment and to include thorium (administrative).

b. Domestic Nuclear Safety and Storage

-- Light water reactors, the type now being built, are not a proliferation hazard.

-- Although light water nuclear reacto have had a good safety record, the President will request the Nuclear Regulatory Commission to expand its audit and inspection staff, to increase unannounced inspections and to assign a permanent inspector to every nuclear site (administrative/budget).

-- The President will request the NRC to make mandatory the current voluntary reporting of minor mishaps and component failures (administrative).

-- The President also will request the NRC to develop firm siting criteria that contain guidelines to prevent siting in densely populated areas, under potentially hazardous or valuable natural areas (administrat

-- The current licensing process is unsatisfactory to utilities, intervenors, and the Government. Therefore, the President will direct a thorough review of the entire proce As part of this review, he has proposed that reasonable and objective criteria be established for licensi and that plants which are based on standard design not require extensi individual licensing (administrativ

-- The President will direct a review of ERDA's waste disposal program (administrative).

6. Hydroelectric Power

-- The President has directed the Corps of Engineers to report within three months on the potential for additional hydropower installations at existing dams throughout the country -- especially at small sites. Any recommendation will be subject to a thorough environmental and budget review before final decisions are made (administrative).

H. NON-CONVENTIONAL SOURCES OF ENERGY

-- America's hope for long-term economic growth beyond the year 2000 rests on renewable and virtually inexhaustible sources of energy, such as solar and geothermal energy. The Government will promote aggressively the development of renewable resources.

1. Solar Energy

a. Solar tax credits (legislative): To stimulate the development of a large solar market, a tax credit of 40 percent of the first $1,000 and 25 percent of the next $6,400 (maximum of $2,000) paid for the installation of qualifying solar equipment would be provided. The credit would decline over time to 25 percent of the first $1,000 and 15 percent of the next $6,400. The credit, available between April 20, 1977 and December 31, 1984, would be supported by a Federally supported joint Federal/State program of standards development, certification, training information gathering, and public education.

b. Business investment tax credit (legislative): The solar industry will be aided further by the inclusion of investments in solar equipment for industrial and commercial purposes among the approved conservation measures eligible for the proposed 10 percent tax credit for energy-saving investments.

c. Federal Energy Management Program (administrative/budget): The Federal government will demonstrate its confidence in solar technology by undertaking a three year solar program for Federal buildings with up to $100 million.

d. State support: States are urged to amend their property tax laws to exempt solar installations from assessments, to enact legislation to protect access to the sun, and to promote consumer education in the solar field. State public utility commissions would be required to develop guidelines to prevent utilities from discriminating against users of solar energy or other alternative energy sources.

2. Geothermal Energy

a. Tax deducations (legislative): To stimulate geothermal drilling, the President will propose a tax deducation for intangible drilling costs comparable to that now available for oil and gas drilling.

b. Procedural streamlining (administrative): The Departments of Interior and Agriculture will streamline their leasing and environmental review procedures to remove unnecessary barriers to development of geothermal resources.

I. RESEARCH DEVELOPMENT AND DEMONSTRATION OF DECENTRALIZED SYSTEMS

1. Reorganization (administrative/budget): A new Office of Small-Scale Technology is proposed within the Department of Energy in order to tap more fully the great potential of the Nation's individual inventors and small business firms.

2. Solar, Geothermal and Other Technologies (budget): The Government will provide increased funding for photovoltaic systems, solar space cooling and other solar buildings technologies, small wind energy conversion systems, and demonstration projects on wood-derived biomass. The Government will also fund programs for additional work on gas-fired heat pumps and small fuel cells for residential and commercial heating and cooling. Additional funding will be provided to identify new hydrothermal sources which could be tapped for near-term generation of electricity and for direct thermal use. The Government will also support demonstration of direct, non-electric uses of geothermal energy for residential space conditioning and industrial and agricultural process heat in areas where this resource has not previously been exploited.

J. TRANSPORTATION STUDY

During the era of cheap energy, the United States developed a national energy transportation system principally for moving oil and natural gas from the South and the Texas Panhandle to the North and Northeast. With growing prospects for increased supplies of oil and gas from Alaska and the Outer Continental Shelf, as well as the possibility of increases in western coal production, the Nation urgently needs to reassess its energy transportation system. The President will establish a Commission to study and make recommendations concerning the national energy transportation system.

Appendix A

TAX AND REBATE SCHEDULE FOR NEW CAR SALES

Miles Per Gallon		Tax or Rebate							
At Least	But Less Than	1978	1979	1980	1981	1982	1983	1984	1985
--	12.5	*	*	*	935	*	1524	*	2488
12.0	13.0	449	553	666	*	1159	*	1819	*
12.5	13.5	*	*	*	774	*	1294	*	2146
13.0	14.0	345	436	538	*	972	*	1559	*
13.5	14.5	*	*	*	637	*	1098	*	1854
14.0	15.0	256	339	428	*	812	*	1336	*
14.5	15.5	*	*	*	519	*	929	*	1603
15.0	16.0	179	258	333	*	674	*	1143	*
15.5	16.5	*	*	*	416	*	782	*	1384
16.0	17.0	112	176	249	*	553	*	974	*
16.5	17.5	*	*	*	325	*	653	*	1192
17.0	18.0	52	111	176	*	446	*	825	*
17.5	18.5	*	*	*	245	*	539	*	1021
18.0	19.0	0	52	111	*	351	*	693	*
18.5	19.5	*	*	*	174	*	437	*	869
19.0	20.0	-47	0	52	*	266	*	574	*
19.5	20.5	*	*	*	110	*	345	*	733
20.0	21.0	-89	-47	0	*	189	*	467	*
20.5	21.5	*	*	*	52	*	262	*	610
21.0	22.0	-128	-90	-47	*	120	*	371	*
21.5	22.5	*	*	*	0	*	188	*	499
22.0	23.0	-163	-129	-90	*	57	*	283	*
22.5	23.5	*	*	*	-47	*	119	*	397
23.0	24.0	-195	-165	-130	*	0	*	203	*
23.5	24.5	*	*	*	-91	*	57	*	304
24.0	25.0	-224	-197	-166	*	-52	*	129	*
24.5	25.5	*	*	*	-131	*	0	*	219
25.0	26.0	-251	-227	-199	*	-101	*	62	*
25.5	26.5	*	*	*	-168	*	-52	*	140
26.0	27.0	-276	-255	-230	*	-145	*	0	*
26.5	27.5	*	*	*	-202	*	-101	*	67
27.0	28.0	-299	-281	-259	*	-187	*	-57	*
27.5	28.5	*	*	*	-234	*	-147	*	0
28.0	29.0	-321	-305	-285	*	-225	*	-111	*
28.5	29.5	*	*	*	-264	*	-189	*	-62
29.0	30.0	-341	-327	-310	*	-261	*	-161	*
29.5	30.5	*	*	*	-291	*	-228	*	-121
30.0	31.0	-359	-348	-333	*	-295	*	-207	*
30.5	31.5	*	*	*	-317	*	-265	*	-176
31.0	32.0	-377	-367	-354	*	-326	*	-251	*
31.5	32.5	*	*	*	-340	*	-299	*	-227
32.0	33.0	-393	-385	-374	*	-355	*	-292	*
32.5	33.5	*	*	*	-363	*	-331	*	-275
33.0	34.0	-408	-402	-393	*	-383	*	-330	*
33.5	34.5	*	*	*	-385	*	-361	*	-320
34.0	35.0	-423	-416	-411	*	-409	*	-366	*
34.5	35.5	*	*	*	-405	*	-390	*	-362
35.0	36.0	-436	-433	-428	*	-433	*	-400	*
35.5	36.5	*	*	*	-423	*	-417	*	-403
36.0	37.0	-449	-448	-444	*	-456	*	-433	*
36.5	37.5	*	*	*	-441	*	-442	*	-440
37.0	38.0	-461	-461	-459	*	-478	*	-463	*
37.5	38.5	*	*	*	-458	*	-467	*	-476
38.0	39.0	-473	-474	-473	*	-499	*	-492	*
38.5	39.5	*	*	*	-474	*	-490	*	-493
39.0	--	-473	-474	-473	*	-499	*	-492	*
Electric Cars		-47:	-474	-473	-474	-499	-490	-492	-493

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