

dent?
Flanigan?

THE WHITE HOUSE
WASHINGTON

November 15, 1973

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN A. LOVE *JAL*
SUBJECT: First Meeting of Emergency
Energy Action Group (EEAG)

The first meeting of the EEAG was held at 6:00 PM yesterday. Principals in attendance were:

- ✓ John A. Love, Chairman
- ✓ Roy Ash
- Rogers Morton
- Mel Laird
- Claude Brinegar
- Peter Flanigan
- John Tabor (for Fred Dent)
- Bill Clements
- George Shultz
- Gen. Scowcroft

It was agreed that future meetings would be held regularly at 11:00 AM on Mondays and Thursdays. In addition several other items were discussed.

1. Rogers Morton reported on the status of the present mandatory fuel allocation program. Two problems were discussed:

- Fear of anti-trust action and conflict of interest is delaying attempts to get the temporary services of about 225 industry marketing and distribution experts to help in solving anticipated problems. These could be solved by the emergency legislation pending before Congress.
- Fundamental priorities for the program must

be set. The present program was designed to allocate based on historical use. With the greater shortage now anticipated, a form of priority ordering is needed. The objective will be to minimize impact on the economy. An options paper will be prepared by Interior for the next meeting.

2. Recent adverse publicity concerning fuel exports from the U.S. were discussed. It was concluded that these shipments were legal and small in quantity (less than two tenths of one per cent of total U.S. oil consumption). They are, however, politically very unpopular and there is some evidence of recent profiteering. An options paper will be prepared by the Energy Policy Office on ways and implications of limiting exports and ways of dealing with the new allocation legislation which will require a Presidential determination that exports are consistent with the national security before a license is issued. In the interim, a press release will be made stressing the small quantities of oil involved and the fact that action will be forthcoming immediately.

3. OMB reported on State response to the Presidential message regarding conservation measures. State response has been extremely favorable. Eight states have implemented programs while others have requested authority needed from the State legislature.

4. The Department of the Interior and OMB will prepare and distribute prior to Monday's meeting, a paper which sets out an agreed upon estimate of the shortfall caused by the embargo and a broad strategy for dealing with the shortfalls expected in each of the following categories: gasoline, residual fuel oil and distillate fuel oil. This will be done to attain interagency agreement on these important subjects.

5. Regarding near term conservation actions, it was agreed that priority must be placed on making major reductions in gas consumption while pushing refineries towards maximum distillate production and reduced gasoline production. A task group was established to examine alternative rationing and tax measures to reduce gasoline consumption as well as economic incentives for expanding refinery distillate production.

Options will also be sought to cut back on energy consumption now, before shortfalls start appearing in order to lessen the ultimate impact. This will also take advantage of the high level of bipartisan support that currently exists on the hill. OMB will prepare sets of options papers of short term measures that could be taken.

6. Several topics for future meetings were discussed. Work has been started on

- an economic impact study and ways of reducing petroleum consumption to minimize impact;
- impact of cutbacks on airlines;
- anti-trust and conflict of interest problems associated with the mandatory allocation.

A second report with policy recommendations will be forwarded after Monday's meeting.

cc: All attendees

THE WHITE HOUSE

WASHINGTON

November 19, 1973

MEMORANDUM FOR: THE PRESIDENT
FROM: JOHN A. LOVE
SUBJECT: Meeting of the Energy Emergency
Action Group, November 19, 1973

The second meeting of the Energy Emergency Action Group was held today.

All primary objectives of the meeting were accomplished. These included:

- (1) To arrive at an agreed upon government-wide estimate of the magnitude of projected shortfalls through March of next year;
- (2) To develop and agree upon a strategy for adjusting demands in ways that minimize economic impact;
- (3) To decide upon certain initial emergency conservation measures which could be implemented immediately in order to (a) cut consumption prior to the actual impact of the Arab embargo and (b) to provide Federal leadership to State conservation efforts;
- (4) To develop a policy for treating oil exports.

This memo describes these issues, the conclusions reached, as well as outstanding problems and next steps.

Magnitude of Projected Shortfalls

Based on an interagency analysis, it was concluded that petroleum supply deficits of 1.4 billion barrels per day and 3.4 million barrels per day could be expected with the fourth quarter of 1973 and the first quarter of 1974. This is an average shortage of 2.4 to 2.6 million barrels per day over the winter. These estimates assume that the embargo lasts

through the winter and we are designing our program to adjust to them while minimizing the impact on the economy. We agreed upon a strategy dampening demand for each major petroleum product.

Jet Fuel

Airline schedules will be reduced about 19% saving the required 170 thousand barrels per day.

Gasoline

A 30 percent reduction in passenger car use will be needed if we are to avoid impacting commercial needs. This is the area where the largest reductions are needed and we will take mandatory conservation steps immediately (discussed below) to get consumption down before the effects of the embargo are actually felt. Other actions, including tax and rationing measures, will be considered at a later meeting.

Distillate Fuel

A 15 percent reduction in residential and a 25 percent cut in commercial heating will be required. The residential reductions could be attained by lowering thermostats six degrees. The larger 25 percent commercial heating reduction will be attained by limiting commercial establishment hours in addition to a ten degree thermostat reduction. To round out the needed distillate savings, we will aim at a ten degree industrial heating cutback in an attempt to avoid an impact on industrial production and employment. Finally, to expand the production of distillate needed for home heating and other vital areas, a program aimed at getting refineries to increase the production of distillate and other heating oil at the expense of gasoline will be developed. These include (a) immediate requests to all oil refineries to maximize distillate production and (b) review of fuel prices to ensure that switching over not run counter to refinery profitability.

Residual Fuel Oil

Savings will be attained by switching oil burning utilities to coal and making twenty percent cuts in household electrical use. These savings cannot be ordered until we have authority in the Emergency Energy Bill now before the Congress. Some additional tax authority may also be required.

Recommended Immediate Steps

Cutbacks will not be easy to implement and as a first step towards getting an early start in cutting back on gasoline and electrical consumption it was decided that the following immediate actions should be announced:

(1) The retail sale of gasoline will be banned between 9:00 pm on Saturday and 12:00 midnight Sunday. This will have only a marginal economic impact, and will be an explicit demonstration of Federal leadership resulting in significant gasoline savings. This plan will become effective on December 1 and will be announced immediately.

(2) The use of exterior ornamental lighting will be prohibited. This will include exterior Christmas ornamental lights and some gas and electric yard lights. This will be announced immediately but cannot become effective until the energy emergency legislation becomes law.

(3) Finally, lights used for outside advertising will be prohibited except for those needed to identify establishments when they are open. This also requires legislation.

These sorts of emergency conservation measures will continue to be considered by the group with explicit consideration given next Wednesday to a mandated nationwide 50 mph speed limit (more information is needed on the economic impact on buses and trucks and adjustments, if any, which might be made to minimize that impact). Stopping the sale of fuel to corporate jets and other measures will also be examined.

It was also agreed that the mandatory oil allocation program should immediately be extended to provide for reduced allocation to users of home heating and other distillate fuels. This program will be used to backup the implementation of several conservation measures, such as the 6 degree thermostat reduction you announced in your address last week. It will be published in the Federal Register next week, and implemented as soon as possible thereafter. Several issues yet to be addressed will be discussed at Wednesday's meeting including transportation problems and the need to develop a control mechanism for moving large quantities of oil in adjustment to climatic conditions.

Oil Exports

It was decided that future U.S. oil exports would be limited

through either the present mandatory oil allocation program or the new legislation to insure that they do not rise above FY 72 levels (less than two-tenths of one per cent of total petroleum consumption). The basis for this decision is that some of our exports go to countries that are largely net importers to the U.S. (e.g., Canada, Venezuela, etc.). If we cut off our exports to them, retaliation could hurt our net petroleum situation. Commerce, in conjunction with Interior, will work out the details of implementing this decision.

Publication of Oil Import Information

It was decided that in the future, the detailed information on imports of petroleum by country should not be published. The total import figures will continue to be available. This is to protect countries who do not wish to participate in the embargo.

Next Steps

At the next meeting, now scheduled for Wednesday, 2 p.m., the following will be addressed:

-- problems involved with utilities switching from coal to residual fuel oil,

-- steps needed to insure the shift in the refining mix does not run counter economically to refinery profitability, and

-- further steps to be taken in the areas of emergency conservation.

If you agree with these actions, I recommend we conduct a press briefing as soon as possible.

Agree _____ Disagree _____

cc: Energy Emergency Action Group

Amended

THE WHITE HOUSE
WASHINGTON

November 21, 1973

MEMORANDUM FOR: THE PRESIDENT
FROM: JOHN A. LOVE *CALB for JAL*
SUBJECT: Energy Emergency Action Group
Meeting, November 21, 1973

At Wednesday's meeting of the EEAG, the following unanimous recommendations were made:

(1) Activation of National Defense Executive Reserve

To partially activate the National Defense Executive Reserve -- an organization of selected executive reservists to aid in implementing the mandatory allocation program and other programs directly related to the current crisis. This decision will be implemented by the Department of the Interior.

Agree _____ Disagree _____

(2) Civil Aviation

To announce, effective in December, a decision to phase in a 15% reduction of jet fuel below 1972 consumption levels for civil aviation rather than delaying the reduction until January 1974. Departments of Interior and Transportation, in coordination with the Civil Aeronautics Board will administer this decision. In addition, it was decided to develop a program for equitably sharing the burden between U.S. and foreign countries in fueling the international airlines.

Agree _____ Disagree _____

(3) General Aviation

To press through voluntary means for the following percentage cutbacks in general aviation fuel consumption:

- a. 20 percent reduction in agricultural, cargo and air taxis.
- b. 40 percent for business flying.
- c. 50 percent reduction in personal pleasure and instructional flying.

Agree _____ Disagree _____

(4) Uranium Enrichment

To authorize temporary diversions on a case by case basis of up to 1400 megawatts of power from AEC Uranium Enrichment facilities for the following purposes:

- a. To substitute for utilities temporarily shutdown during conversion from oil to coal use.
- b. To supplement inadequate electric power capacity where no other alternative source exists and conservation measures are unable to sufficiently reduce demand.

Agree _____ Disagree _____

(5) Mandatory Allocation Act

The Committee unanimously recommends that mandatory allocation act recently passed by Congress be signed into law Tuesday of next week. There will be some difficulty in meeting the time restraints for setting up the gasoline allocation and crude oil programs. However, the Committee believes these problems can be overcome. You will receive the normal enrolled bill memorandum from OMB on this subject.

Agree _____ Disagree _____

(6) Federally Imposed Speed Limits

There was divergence of opinion regarding the imposition of a mandatory federal speed limit. At least six states have responded to your request to impose speed limit regulations. These range from 50 to 55 mph with some states granting exceptions on interstate highways. Two options were discussed:

- a. Secretary Brinegar, Secretary Morton, Mr. Flanagan and myself recommend a national speed limit of 55 mph for all vehicles to be imposed when the emergency legislation is signed.
- b. Secretary Dent, Deputy Secretary Simon, General Scowcroft and Budget Director Ash and Deputy Secretary Clements recommend the 50 mph speed limit for automobiles but allowing a 55 mph limit for trucks and interstate buses.

The 55 mph exception for trucks and buses is designed to avoid certain problems associated with imposing an across the board 50 mph speed limit. These include:

1. A reopening of wage contracts by the Teamsters who would suffer wage losses with a 50 mph speed limit.
2. Department of Transportation data shows that buses and trucks are more efficient at 55 mph than 50 mph. The dual system will not create serious safety problems.

Approve option a _____

Approve option b _____

The EEAG unanimously agreed that it is important to issue as soon as possible an approved Administration position on the details of the energy shortage and a broad strategy for meeting the shortages. It should be made clear that this strategy is subject to continuing revision, and that specific actions to implement the strategy will be announced over the coming weeks. Herb Stein and Roy Ash

and I agree that it is important to help the public assess the economic consequences of the shortage, and to build public confidence that we are taking command of the situation. I recommend that we release the attached analysis, along with a statement which summarizes and interprets this analysis. The Council of Economic Advisors will issue a preliminary assessment of the impact of our strategy on the economy next week.

The EEAG also recommends that, at the same time, we announce whatever steps you approve from my memorandum of November 19 and this memorandum.

Release statement and announce
approved actions _____

Release statement only _____

Make no announcements _____

See Me _____