

6-20-79

LODGE
RPT



JCS letters to Pres.

Byrd: ① JSLT - telling Sens to
stay uncommitted

② Will lecture Breyer
on the Senate. His no act
stat'x not helpful.

Harry Byrd Act - Byrd
wants wot help.

Help on Goldwater act -
need to construct an
act which will provide
a practical vote - produce
result we need in Govt.

We can't get a vote in the
chuck - Senate act.

P: plea for NWI & HWC

OFFICE OF THE VICE PRESIDENT
WASHINGTON, D.C.

Days of the disasters
have sh ~~that~~. Brief

June 6, 1979 -

V.P. called at 3:30.

"I've gotten down this
day until 3 o'clock.
Is there anything you
can tell me that
will get me from the
rest of the day?"

THE WHITE HOUSE

WASHINGTON

June 5, 1979

CONGRESSIONAL LEADERSHIP BREAKFAST

June 6, 1979

8:00 a.m.

The Family Dining Room

From: Frank Moore *f.m./pd*

I. AGENDA

1. You should stress the importance of the Department of Education vote and thank the Speaker for his help in the Rules Committee on Tuesday.
2. You should advise the Leadership that you spoke with former President Ford and at his recommendation you plan to have a breakfast meeting this Thursday with Republican Leadership.
3. Panama. Anne Wexler will arrive at 8:15 a.m. and will be prepared to brief the Leadership on the scope of her outreach efforts on Panama. Attached at TAB A is a run-down of Congressional contacts which have been made on Panama.
4. Energy. See TAB B.

II. PARTICIPANTS

The Vice President
Senator Byrd
Senator Cranston
Senator Inouye
Senator Magnuson
Senator Jackson
Speaker O'Neill
Cong. Wright
Cong. Brademas
Cong. Foley
Cong. Rostenkowski
Cong. Chisholm
Cong. Dingell
Cong. Udall

Secretary Schlesinger
Frank Moore
Stu Eizenstat
Jim McIntyre
Jody Powell
David Aaron
Bill Smith

CONGRESSIONAL CONTACTS ON PANAMA

1. State/DOD/White House contacts:
 - a. 175 personal visits to Members
 - b. 80 phone calls to Members
 - c. 120 calls or visits to staff
2. 80 phone calls to Members by Cabinet or other high-ranking Administration officials
3. A dinner for 100 Members in early May hosted by the President
4. A second dinner for 100 Members is planned for Monday, 6/11
5. Five briefings for a total of 250 Hill staff (3 held at White House; 2 held on the Hill)
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13. Mailings to 350 newspapers, 20 radio programs and a White House press backgrounder

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Breakfast/Discussion on Energy

Clearly, your discussion with Congressional Leaders tomorrow morning on the subject of energy is likely to be one of the most important conversations this year. Rather than providing "Talking Points" in the usual format, I thought it would be helpful to provide you with a more detailed memorandum covering our thoughts about the course we think the meeting ought to take.

First of all, it is CL's opinion that the following four points accurately describe the context within which any discussion of national energy policies should take place:

- 1) The failure of Congress to face up to the energy problem is due primarily to the fact that public recognition of the severity of the problem lags far behind the need for such recognition. In the absence of a concerned and/or aroused constituency, one which is demanding responsible action on energy, Congress is institutionally incapable of taking on such a complex and painful issue.
- 2) Unfortunately, too many Members of Congress have forgotten, or have chosen to ignore, their responsibility to educate their constituents on important and controversial national issues. Energy is but one example. Most votes and most public statements seem to be based upon short-term, parochial political considerations, rather than upon long-term national needs.
- 3) The American public is deeply suspicious that the so-called "energy crisis" is really a hoax. The people believe most of the problem is attributable to dishonesty and chicanery on the part of energy industries, most especially

the oil companies. However, the suspicion goes even deeper in the minds of too many Americans; in their view, the government is a co-conspirator in the hoax.

- 4) Much of the public and Congressional skepticism and hostility on the entire energy issue stems from a widespread disenchantment with the Department of Energy. In fact, to some extent at least, the House action on rationing and the caucus vote on decontrol were votes of "No Confidence" in the Department of Energy.

While some of these perceptions may be unpleasant -- and others may be flat wrong -- we believe they play important roles in the current debate.

During your opening comments you should cover the following points:

Nature of the Problem

- The most critical aspect of the energy problem is petroleum and the world's heavy reliance on that fuel which is constrained both in availability and in the willingness of some of the major producing countries to supply it. Almost all energy analysts have predicted a "cross-over" between supply and demand sometime in the 1980's.
- That cross-over point has in fact arrived in 1979. The current imbalance between supply and demand has caused spot shortages of oil and oil products here in the United States and has also, and more seriously, substantially increased prices charged for oil. The average price of OPEC oil long-term contract has increased by about 30% since December of last year. Spot market prices are reported well above \$30 for crude oil and above \$40 for refined products. The spot market prices and the surcharge system now being used by most OPEC nations continue to increase pressures for further increases in the long-term contract price for OPEC -- and non-OPEC -- oil. The spiraling of prices threatens the U.S. and other countries with devastating inflation rates and severe economic consequences. 65% of all oil used in the U.S. is bought at the world price, since half of our oil is imported, and about one-third of our domestic production is not, by law, price-controlled.

- The restoration of Iranian production has not restored world supply and demand balances for oil. The current Iranian production level is almost 2 million barrels per day below its pre-Revolution levels, and that deficit is not being fully made up elsewhere. During the cessation of Iranian production, our stocks of crude oil and refined product, as well as those of other countries, were drawn down to very low levels. Given current demand for oil and the need to rebuild stocks, world demand is still 1-2 million barrels per day above available supply.
- We face the chronic condition of living on a thin edge of a demand/supply balance. Variations of as little as 1 or 2% of total world supplies are enough to throw our economies -- and the world oil pricing system -- into disarray. Another disruption such as occurred in Iran would have serious consequences.
- In the United States, the estimated shortfall in supplies is about 500,000 - 700,000 barrels per day, including supplies needed to rebuild currently depleted stocks. This difference has to be made up, in the immediate term, by conservation, either voluntarily taken, or induced through the lack of supplies. We currently estimate that actual demand is over 1 million barrels per day below that which it would have been, reflecting the success of some of our oil to gas switching, power wheeling, other conservation steps, and the lack of supplies. We need to conserve at a rate of 5% below what we would otherwise be using if we are to rebuild stocks for next winter and meet essential priorities for home heating oil, agricultural use, and emergency services.
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- I have directed the Antitrust Division of the Justice Department, along with the Department of Energy, to investigate oil company practices, including use of stocks, to ensure that no supplies are being withheld from the market in order to force prices up.
- In summary, it is essential that we -- and the American public -- recognize that there is a fundamental and underlying energy problem which is related to both supply and to world price increases. If there are violations of the law by the oil companies, we will detect them and bring the full force of the law to enforcement against them. If there are problems created by the way in which the federal government or I handle this situation, we will try our best to correct them. But none of these actions can possibly make the problem go away. We will still need to conserve, to provide incentives for domestic production of oil and other energy sources, and shift from oil to other supplies if we are to resolve our energy problem over the longer term.

(Note: Secretary Schlesinger has charts prepared for an afternoon press briefing. He will bring them into the Dining Room only at your direction).

Proposed Solutions

- This is why I focused on this issue early in my Administration, with the crude oil equalization tax proposal, and why I have continued those efforts with my actions to decontrol oil prices and the proposed windfall profits tax. I believe firmly that every day which we wait to act on these proposals simply compounds the difficulties we face now and in the years ahead.

Lack of Public Understanding

- Pat Cadell did a national poll about two weeks ago which indicated that only 1/3 of the American people describe the energy crisis as resulting from real shortages of petroleum:

How would you describe the energy crisis (open-ended)?

33% - actual natural resources shortages (fossil fuels)

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- While the situation is improving, only slightly more than half of the respondents regard the crisis as being very serious:

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- You could also discuss the changes in perception which have occurred in California as reported by Charles Warren. No longer do they imagine tankers lurking off the coast. No longer do they fear a conspiracy which will deprive them of all gasoline for some indefinite period of time. Instead, Californians now seem to understand that the crisis means 10-15% less than what they had expected. They can deal with that -- they're adjusting their consumption habits. Cooperatively, they're minimizing the adverse effects, not unlike the way they conserved during the drought of '77.

Proposals for Increasing Public Awareness

- You should indicate a willingness to do whatever you can to educate the American people about the nature of the crisis. While you probably should not mention specific steps, we have in mind activities such as:
 - An ambitious series of White House briefings.
 - Regional forums and town hall meetings similar to Kahn's anti-inflation conferences.
 - Publication of an "Energy White Paper" and brochures - distributed widely, especially to editorial boards.

- Greater use of symbolic moves to highlight energy conservation methods.
- You should suggest that Members of Congress can help by:
 - Holding Congressional hearings or community forums around the country highlighting the problem. (They might also assist with Administration sponsored forums and town hall meetings.)
 - Appearancing on TV news talk shows by MC's who believe there is a problem and who are effective advocates.
 - Using Congressional newsletters to highlight energy problems.
- You should suggest that the private sector also be called on to help in the educational process. They could develop and sponsor:
 - Public service announcements
 - Advertisements - newspapers, magazines, outdoor
 - Speaker's Bureaus - labor leaders and corporate officers could seek and coordinate engagements with service clubs, local Chambers of Commerce, community organizations, etc.
- You should conclude by challenging the Members and Senators with something like:

"I have just outlined for you what I think our energy problems are, what I think the reasons are for the problems, what my proposed solutions have been and are now, and what I believe we ought to do to educate the American people. What I want to hear from you are any points of disagreement either on the nature and extent of the problem, the proposed solutions and/or the effort to increase public understanding."
- You should encourage a vigorous dialogue and then bring the discussion to an end by refocusing attention on its most important element - the need to increase the public's understanding of the issue. You should again solicit their active involvement and support - not necessarily for specific legislative or administrative programs - but rather in joining you in accomplishing the difficult task of educating the American people to the severity of the problem.

Bill = joint venture & investment in synth fuels, buy time ads - production oriented approach. Bill next week - way to report by July.

DINGELL

P will have to recognize a hard fact: ~~only~~...
ONLY Defense against decontrol bill = windfall profits tax.

Coal market has gone to hell because of this Admin policies.
In Nixon - had honest energy gas. There are agencies all over for making energy related decs - EPA - Transp.

MO KAHN

- If the meeting goes well, another possibility you might want to consider is a televised discussion of the nature of the crisis between you and Members of Congress. While certainly an unusual approach from an historical perspective, it might be a way to demonstrate the joint responsibility of the Executive and Legislative branches.

(Note: we do not recommend that you discuss conversations which the Vice President and Stu have had with Byrd and O'Neill.)

2
JC
ANN W.

Panama

Pratt: Dorell Jackson
Udall

ENERGY

33% believe oil shortage
62% think there's a problem
+ most think there's
a conspiracy.
Loss confidence in Jim, JC
+ Cong. reaction + votes have
contributed to that.

Spot market prices - only
3-4% of total int'l sales.
We're using 52 m bbl/day +
producing 2-4% less than
that. OPEC can raise
share and produce less oil
at same time - 2 m bbl
shortage in Iran.

At best this summer (or
might get back to K78 levels
which is still 5% less than
enough to supply normal
consumption.

We have an almost total absence
of credibility - no one believes
our figures - my + Jim's
fact.

Need some sort of joint
assessment of the problem and
some sort of joint pre-
sentation.

In addition there's a growing
sense that we won't get
even if there is a crisis.

→ 9:00 Terry Frank in Lee's
Office.

→ Beckel the 9:45 mtg - it
worked - VP - Hart.

Powery Charity + expediting

VP - Davis - Bacon FM letter

Need a day long
Seminar on Energy

Carter's ending was
terrible. He should
say let's go.

"I DON'T THINK we've
accomplished much
this morning". Where
do we go from

Foley - This is the worst
position ever met, we've
ever had.

Pres is really too hell being
taken away from him and
he doesn't understand the
process.

Waterford meeting -
This MAN SHD NOT BE
PRESIDENT.

Burd

-3-

SRC 1 SRC 2: Send up a budget
amendment as SRC 1 + 2 -
Coal pitch. Japs + Germans are
ready. We be a good symbol
+ only cost 8% bill.

SCOOP ① Germans are the No 1
spot market feeders -
when talk to Schmidt - Western
countries ought to agree not to
pay more than 8%. Japs +
Germans are pretty the price
than the rest.

② Last week bill on oil
conservation - good beginning.

③ Scoop is pulling together
an omnibus energy bill. we
need to buy time.

We need to buy time

- (a) Alaska oil = key area. Open
up more fields.
- (b) Synthetic fuel bill - passed
Senate but died in House
- (c) OMB is looking at bookkeeping
- not at long term.

We only have 2 options
Coal + Nuclear

Nuclear - utilities won't
order them - doesn't want
law suits + the baggage

Can I get anything done any-
more

Def E
Panama
Engine Room

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Coal Disaster

Denial

Solution by Production

Both

Expedition: Fast Track

§ - ~~Orig~~ - w/ hds
 § - w/vp - TO LOR, B. hds
 § - Post B. hds | 9 - one

~~LOR, B. hds~~ May 1, 1975

- ②

We're not doing the work in advance. Not told 7 problems in Committee.

B. hds - ~~the~~ 96" cons
 hasn't fallen in 21 Ave.
 Too fast last time
 Want overnight cons.

Don't put on back re. delaying
 budget

Tip - I get called on only when you're in trouble. Where are the problems down the road.

Are we going to get thru this breakfast w/o a single mention of foreign affairs?

Three cheers!

Swap almost qualifies!

Pres.
 Pitch on standby energy - returning plan - Sunday closing.
 Sun. dev. plan
 hds of discussion - state pool - W. Va., etc.

Hosp cost cont.
 Short pitch.

Oil Swap - Tip

Tip
 Name should come up of stronger windfall tax.
 We have no second to run on.
 No cohesiveness - nobody told me you needed help on energy plans. There is not the help & cohesiveness there was at the end of last year.
 The swap isn't ~~for~~ going right. ~~we're~~ we're off the track - You got into foreign affairs.

Have to have
~~that~~ H. cost cont
 Windfall tax.

Need a list of 1/2 doz pieces of legis we're going to run on as our second.

LORST BLOT May 5, 1975

CRADOSTAW: SALT MONITOR STA on
Soviet SOIC.

J.C. Gas rationing pitch. Oil shortage
discussions. Shortage of oil = small
but incr. demand for gas. Potched
bombshell in 1980.
We're buying 80% of Mexico's oil
- negotiating on gas.

Darryl R. - crisis crisis says:
oil co. rep. off Tip - people
believe = oil co rep. off.
Oil co. out gas sta by 20%
yet oil shortage = 2 1/2 %.
C1000 - 70%.

Str's Explant - making up oil
for next winter when Iran
cut off -

Alaska in hands J.C. - Cecil Peter
Deep East Cont - J.C. pitch

SKOT

BYRD: Shd retract statement
that won't veto a ~~law~~.
bill to keep controls on oil
prices - Byrd will help
revisions

BYRD - Alaskan lands - prospects
as dim as last session.

Rodes

JC - Taxes, windfall profits
tax

Tough when on gas
rationing.

Byrd - let's on gas sub's.
to filibuster.

Tip - Not a rationing
plan in House - Today's
is a rationing plan.

Byrd - avoid a filibuster

Chris Dodd - add to some
bill giving Pres power
who Cong. approval
or 15 day emergency
submission.

This is a besieged, frustrated
and beleaguered president
on energy.

5.8 m bbl \times (2) =
5.8 - import / day
6.5 = '78 barrels

= shortage of crude oil
every day - & that
doesn't include demand
increase.

Kuwait - \$30 / bbl spot
market

it takes:

7% more crude to make
unleaded gas = good
part of short fall.

why 20% less to gas
star:
(1) Deliveries = ~~90%~~ 93%
but, bombers, fighters,
Hosp, etc get 100% -
 \therefore average motorist =
85%

• (3)

Our domestic production
is going down at the rate
of 6-8% per year

Decentral

could ~~one~~ come in
as a non-germane add
on another bill on which
there's a true agreement
permitting non-germane
adds.



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