

ENERGY EMERGENCY ACT

VETO MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RETURNING

WITHOUT APPROVAL THE BILL (S. 2589) ENTITLED
"THE ENERGY EMERGENCY ACT"



MARCH 6, 1974.—Read and ordered to be printed

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WASHINGTON : 1974

To the Senate of the United States:

It is with a deep sense of disappointment that I return the Energy Emergency Act to the Congress without my approval.

For almost four months the Congress has considered urgently needed legislation to deal with the Nation's energy problem. After all the hearings and speeches, all the investigations, accusations and re-criminations, the Congress has succeeded only in producing legislation which solves none of the problems, threatens to undo the progress we have already made, and creates a host of new problems.

I share the sense of frustration and discouragement which must be felt by the many conscientious legislators who spent so many laborious hours trying to draft a responsible bill, only to see their efforts wasted.

Rolling back gas supplies

The Energy Emergency Act would set domestic crude oil prices at such low levels that the oil industry would be unable to sustain its present production of petroleum products, including gasoline. It would result in reduced energy supplies, longer lines at the gas pumps, minimal, if any, reduction in gasoline prices, and worst of all, serious damage to jobs in America. Unemployment would go up, and incomes would go down.

Certainly everyone shares the goal of increasing energy supplies, and our present policies are directed toward this end.

We now have a system for controlling crude oil prices at a level consistent with maintaining and increasing production. To do this, we are permitting higher prices for "new" crude oil in order to encourage greater domestic production.

Our experience in administering the crude oil allocation program passed by the Congress last fall has shown how difficult it can be if enough flexibility is not provided by statute. It is our hope that we can work with the Congress in the coming weeks to develop a more flexible allocation program.

The net effect of the price provision of the Energy Emergency Act would be to cut the supply of gasoline and other oil products, and make compulsory rationing of gasoline much more likely. I am sure the vast majority of Americans want to avoid an expensive gasoline rationing program which would do nothing to increase the supply, would cost \$1.5 billion a year to manage, would require a bureaucracy of as many as 17,000 people, and would create problems of fairness and enforcement.

The rollback would not only cut domestic oil production, but would also retard imports since in the present environment oil companies are reluctant to import oil and gasoline that would have to be sold at prices far above the domestic prices.

Further, the effects of the price rollback would not be confined to the immediate situation. The longer-run consequences could be even more serious. If we are to achieve energy independence, hundreds of bil-

lions of private dollars will have to be invested in the development of energy from U.S. sources. This money will not be invested if investors do not have reasonable assurance of being able to earn a return in the marketplace. To make the price of oil a political football, as this act does, would be a serious setback for Project Independence.

As we call upon industry to provide these supplies, I feel very strongly that we must also insure that oil companies do not benefit excessively from the energy problem. I continue to believe that the most effective remedy for unreasonably high profits is the windfall profits tax which I have proposed. That tax would eliminate unjust profits for the oil companies, but instead of reducing supplies, it would encourage expanded research, exploration and production of new energy resources. The Congress is holding hearings on this proposal, and I hope it will move rapidly toward passage. I urge the Congress to enact this windfall profits tax as quickly as possible.

Objectionable program for unemployment

Beyond the rollback provision, the Energy Emergency Act is also objectionable because it would establish an unworkable and inequitable program of unemployment payments. Under it, the Government would be saddled with the impossible task of determining whether the unemployment of each of the Nation's jobless workers is "energy related." In addition, eligibility for these benefits would not take into account the availability of jobs in the area. There is no excuse for shoveling out the taxpayer's money under a standard so vague and in a fashion so arbitrary.

The correct answer to the problem of those who become temporarily unemployed for any reason, energy or otherwise, is to strengthen our regular unemployment insurance program, extend it to workers not now covered, and provide additional benefits to those who lose jobs in areas where high unemployment rates show that other jobs will be hard to find. I asked the Congress to strengthen and extend the unemployment insurance system last year. I recently expanded this request to provide additional benefits in areas of high unemployment.

I urge the Congress to enact this latest, expanded proposal.

Low interest loans

In addition, this legislation contains authority for the Department of Housing and Urban Development and the Small Business Administration to make low interest loans to homeowners and small businesses to finance insulation, storm windows and heating units. If every eligible homeowner and small businessman took advantage of this section, the result could be an outlay for federally-guaranteed, low interest loans of many billions of dollars. The actual energy savings produced by these vast expenditures would not justify such an enormous loan program.

Facing up to our needs

The energy shortage has been a pressing problem for the American people for several months now. We have made every effort to soften the impact of this problem. We have come through this winter without serious hardship due to heating oil shortages. We have tried to distribute gasoline shortages equally. Many are concerned about rising

costs of such energy supplies as propane, and we have taken action to reduce these prices while continuing to increase supplies. Above all, we have tried to insure that basic industries would not be severely affected and that unemployment due to the energy shortage would be kept to a minimum. We have been largely successful in these endeavors. But we must be able to approach this situation in a systematic fashion that aims not at symptoms, but at solutions to the problem itself.

The time has passed for political debate and posturing that raise false hopes. It's time for all of us to face up to this problem with a greater sense of realism and responsibility.

Unfortunately, there are some who have chosen to capitalize on the Nation's energy problems in an effort to obtain purely political benefits. Regrettably, the few who are so motivated have managed to produce the delays, confusion, and finally the tangled and ineffective result which is before me today. The amendments, counter-amendments, and parliamentary puzzles which have marked the stumbling route of this bill through the Congress must well make Americans wonder what has been going on in Washington while they confront their own very real problems. We must now join together to show the country what good government means.

We need the authority to require energy conservation measures. We need the direct authority to ration gasoline if, and only if, rationing becomes necessary, which it has not. We need the authority to require conversion of power plants, where possible, to permit the use of our abundant coal reserves. We need a well-conceived Federal Energy Administration capable of managing national energy programs and not the woefully inadequate Federal Energy Emergency Administration mandated in S. 2589.

We must, above all else, act to increase our supplies of energy. To meet this important goal, I have submitted to the Congress a comprehensive package of legislative initiatives which I have repeatedly urged the Congress to pass. I have offered every possible kind of cooperation with the Congress in shaping this vital legislation.

In addition to my requests for a windfall profits tax and unemployment insurance plan, the Congress has many other Administration proposals before it, including:

Mandatory reporting of energy information, a proposal which requires energy companies to report on inventories, production, cost, and reserves with information to be made public in most cases.

The Natural Gas Supply Act to allow competitive pricing of new gas supplies and encourage exploration.

A resolution permitting limited production of oil from Naval Petroleum Reserve #1 (Elk Hills) and providing funds for further exploration and development of Reserve #1 and exploration of Reserve #4 (Alaska).

The Mined Area Protection Act, establishing standards that would permit mining of coal to go forward while minimizing environmental impact.

The Deepwater Port Facilities Act, authorizing the Secretary of the Interior to grant permits for the construction and operation of ports beyond the three-mile limit.

The Minerals Leasing Act, placing all mineral exploration and mining activities on Federal lands under a modernized leasing system.

A drilling investment tax credit to provide an incentive for exploratory drilling for new oil and gas fields.

Creation of a Federal Energy Administration to deal with the current energy problem and to carry out major new activities in energy resource development, energy information and energy conservation.

Creation of an Energy Research and Development Administration to provide a central agency for Federal energy research and development programs.

Creation of a Department of Energy and Natural Resources to provide a new Cabinet department for the comprehensive management of energy and natural resource programs.

Further key measures will be proposed to the Congress in the very near future, including a set of amendments to our environmental legislation that would provide the flexibility necessary to acquire and use our fuel resources most efficiently in times of shortage. I will continue to propose legislative initiatives in order to respond to the changing needs and priorities generated by the energy problem.

In enacting this Energy Emergency Act after long months of waiting by the American people, the Congress has sadly failed in its responsibility. I believe the Nation expects better. It deserves better.

In returning this bill, I pledge once again the full cooperation of my Administration in the effort to provide energy legislation which is responsive to the problems we face and responsible in its impact on the economy and on the American people.

RICHARD NIXON.

THE WHITE HOUSE, *March 6, 1974.*