

VETO—S. 1503

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RETURNING

WITHOUT MY APPROVAL S. 1503, A BILL REQUIRING PROMULGATION OF STANDBY PETROLEUM ALLOCATION AND PRICE CONTROLS, INCLUDING SHARING OF CRUDE OIL AMONG REFINERS AT CONTROLLED PRICES



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To the Senate of the United States :

Although I appreciate the good faith efforts of the sponsors of this legislation, I am returning without my approval S. 1503, the "Standby Petroleum Allocation Act of 1982."

While I am sympathetic to the assertion that this bill responds to an understandable concern that our nation must prepare against the possible disruption of energy supplies, this legislation grew from an assumption, which has been demonstrated to be invalid, that giving the Federal Government the power to allocate and set prices will result in an equitable and orderly response to a supply interruption. We can all still recall that sincere efforts to allow bureaucratic allocation of fuel supplies actually harmed our citizens and economy, adding to inequity and turmoil. Further, the threat of such controls will discourage the very steps that are needed to provide real protection against such emergencies.

The Act would require the promulgation of standby petroleum allocation and price controls, including a specific program for the sharing of crude oil among refiners at controlled prices. Those controls could be imposed in the event of future petroleum supply shortages, subject to Congressional approval. The Act would also require the Federal Government to continue extensive and burdensome data collection even when the regulations were not in effect.

Today I have ample powers to take the steps necessary to protect national security, meet our treaty obligations and assure essential public health and safety functions. The supplies in the Strategic Petroleum Reserve and significant production in the National Petroleum Reserve also ensure that petroleum for truly essential needs will be available. What I do not have, do not want and do not need is general power to reimpose on all Americans another web of price controls and mandatory allocations.

We must recognize that an interruption of a significant portion of foreign energy supplies, whether because of armed strife, human choice or natural disaster, will involve real costs to the United States and the world. Proper preparation beforehand, and free trade among our citizens afterward, can mitigate these costs, but no magic federal plan can simply make them go away. Controls can only shift losses from one set of Americans to others, with vast dislocation and loss of efficiency along the way. This was very amply demonstrated during the supply interruptions of 1973-74 and 1978-79. Those interruptions precipitated much higher oil prices, but they did not cause gas lines and shortages. It took government to do that.

The bill could be counterproductive to our preparedness efforts. In the event of a supply interruption, the best protection will be stockpiling and plans for switching to less costly ways to achieve our goals. This bill would discourage self-protective measures, because it tells the public that those measures will be nullified by government allo-

cations and controls or that such measures are unnecessary because the government will guarantee them low-priced energy in the event of any disruption.

The current world oil situation, with declining prices and ample supplies, provides the best opportunity for future preparedness. This is why the Administration continues to add to the Strategic Petroleum Reserve as fast as permanent storage becomes available. By the end of this year we will have nearly tripled the size of the Reserve in two years. All citizens who are concerned about the possibility of shortages and higher prices in the future should use the current opportunity to prepare in ways that are appropriate to their situation.

This legislation does contain one important feature, which should be adopted immediately as a separate Act. Since 1974 the United States has participated with other countries in the International Energy Agency, in an effort to improve our effectiveness in combatting international energy problems. A coordinated response to any international oil supply disruption through the IEA requires cooperation by private American oil companies in ways that are not possible absent statutory authorization. This authorization, contained in Section 252 of the Energy Policy and Conservation Act, has been extended routinely since its enactment in 1975. The most recent extension expires on April 1st of this year. This authority should again be extended, and H.R. 5789 and S. 1937 are now pending in Congress for this purpose.

RONALD REAGAN.

THE WHITE HOUSE, *March 20, 1982.*