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THE WHITE HOUSE
WASHINGTON

October 14, 1973

MEMORANDUM FOR: HENRY A. KISSINGER
SUBJECT: Emergency Oil Contingency Program

I have compiled an emergency oil contingency program designed to compensate for a supply shortfall on the order of magnitude we could expect if Arab oil supplies to the U.S. were cut-off --about 10 to 12 per cent of total U.S. oil consumption. The program assumes none of our non-Arab oil imports are diverted to compensate for European and Japanese losses which would far exceed those of the U.S. - about 70 to 45 per cent respectively.

All of the actions outlined at Tab A would be required to adjust to a large-scale cut-off of Arabian oil (e.g. greater than 25 per cent). These would have a major impact on a wide-range of our economic and other domestic policies. Actual effectiveness would depend, to a large measure, on public compliance with voluntary conservation measures and other uncertainties such as speed of implementation including Congressional action, and level of compliance and other factors, which cannot now be determined.

Table III at Tab A presents an estimate of the effectiveness of the program against the three illustrative levels of cut-off. It shows that if public compliance is high and if the program is speedily implemented it is possible that a full cut-off could be accommodated.

Since there is no single action we can take to meet the effects of a cut-off, the program (listed at Tab A) would include actions on several fronts and would require extensive Congressional, State and public support. Some of the most important actions required include:

- (1) Immediate extension of the mandatory allocation program to all refined products to control the serious regional imbalances in fuel supplies.

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- (2) Relaxation of air pollution standards by (a) amending the Clean Air Act to permit a federal override of State pollution regulations, and (b) using Eagleton Amendment authority to require all utilities and industrial facilities which are able to do so to burn coal.
- (3) Tax legislation designed to dampen energy use, and shift demand away from petroleum.
- (4) Other legislation enacted by Congress in several areas that are further defined at Tab A.
- (5) A wide-range of mandatory and voluntary conservation measures which would effect the life style of most people.
- (6) Development of a standby gasoline rationing program similar to that implemented during World War II.

In order to mobilize the necessary political and public support as well as organize the government to implement this program in the necessary time frame, I would recommend to the President the following executing steps as part of a coordinated program:

- A bi-partisan Congressional leadership meeting to acquaint Congressional leaders with the seriousness of the problem and press for passage of existing legislation (particularly deregulation of natural gas) as well as the large amount of new legislation required.
- A major Presidential address on TV or radio launching the program.
- A massive public relations effort aimed at encouraging voluntary energy conservation.
- Presidential meeting with Mayors and Governors to encourage conservation and relaxation of State environmental laws.

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I have not yet investigated sufficiently the full implications of Presidential declaration of a state of national emergency to know whether or not such a statement would be required. However, I believe now that a declaration would be required in order to provide the necessary near-term executive authority to override State environmental regulations and existing Federal laws.

Over the coming weeks the interagency task force will, under my direction, be investigating several areas:

- The necessity for declaring a state of national emergency.
- Consultations with Canada and Venezuela regarding the surging of their production and increasing their exports to us.
- Several legal and regulatory questions which must be resolved in the detailed development of the program.

I am also taking steps to create several standby task forces in various agencies which will be required to implement the full program. These groups will be created as part of our domestic energy strategy and acceleration of their creation will not be linked to the development of the oil contingency program.

Also attached (Tab B) is a copy of the detailed analysis prepared by the interagency group.

To put this program in context, I believe that we should recognize that there is substantial doubt about how successful the programs outlined here will be in reducing demand and increasing supply. Therefore, while we are not ready to institute a formal system of rationing now, I believe it is necessary to set up the machinery so that it will be ready if needed. We should also recognize that it may be necessary to implement rationing.

John A. Love
Assistant to the President

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REC'D
 Authority **E 012958**
 BY **MS** NARA Date **5-3-15**

TABLE I

MEASURES TO INCREASE SUPPLY

<u>Measure</u>	<u>Production Increase</u> (Thousand barrels per day)	<u>Immediate Action Required</u> (Responsible Agency)	<u>Actions to be Further Investigated</u> (Responsible Agency)
1 Produce Elk Hills Naval Reserve	100	1a Brief Congressman Hebert (Love & Kissinger) 1b Draft legislation to authorize production (OMB)	1 Determine if President can activate without legislation if emergency declared (OMB/Justice)
2 Increase domestic oil production	100 - 200	2 Contact state regulatory agencies regarding increase in "most economic rate" for fields (Interior & FCC)	2 Investigate unitization legislation needed to surge secondary recovery (Interior/Justice)
3 Encourage greater use of coal	200 - 300	3a Amend Clean Air Act to allow Federal override of State implementation plans in emergencies (OMB) 3b Invoke Eagleton Amendment to force switching of boilers back to coal from petroleum (EPO) 3c Relax state strip mining regulations through new legislation (Interior)	3b Investigate economic incentives to be used to increase coal production (Treasury/Interior)
4 Increase imports from Canada and Venezuela	unknown	4 Consult with Canada and Venezuela regarding increased production (State)	
<u>TOTAL</u>	400 - 600		

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TABLE II

MEASURES TO REDUCE DEMAND

<u>Measure</u>	<u>Reduction Effect</u> (Thousands MB/D)	<u>Immediate Action Required</u> (Responsible Agency)	<u>Action to be Investigated</u> (Responsible Agency)
1. Reduce home energy consumption	1a 200 - 400	1a Launch advertising/public information campaign to urge voluntary 4 ⁰ reduction (DOI is now initiating such a campaign) 1b Restrict ornamental gas lights - requires voluntary efforts or emergency powers (DOI for voluntary; Congress for emergency powers)	1a Take steps to accelerate campaign (DOI) 1b Investigate additional consumer related programs (DOI)
2 Restrict commercial energy use	2a 200 - 400	2a Launch campaign with States to reduce commercial use (Interior/Commerce) by steps such as: - closing schools for short periods during the winter and extending sessions in summer - banning outdoor signs, night sports events, etc. - limiting hours for retail stores, public building, etc. - authorizing utilities to interrupt electrical service for short periods 2b Enact emergency powers necessary to make certain of the above steps mandatory (OMB, Congress)	2a Applicability of Eagleton Amendment or other existing emergency powers to enforce commercial conservation measures (OMB)

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|---|---|----|------------------|----|--|---|---|
| 3 | Reduce automotive fuel consumption | 3a | 100 | 3a | Reduce speed limits on interstate highways to 50 MPH - requires legislation (White House, Congress) | 3 | Develop additional ways to encourage car pooling and use of mass transit |
| | | 3b | 250 - 500 | 3b | Increase gasoline tax by 10¢/gallon - requires legislation (OMB, Treasury, Congress) | | - Allow 1/5 of the autos in a metropolitan area to enter the city on any week-day (State Registries of Motor Vehicles for week-day permit tags) |
| | | 3c | | 3c | Raise parking charges for Federal employees to commercial levels and encourage states to take similar action (OMB) | | - Increase Federal subsidies for mass-transit (DOT/OMB) |
| | | 3d | | 3d | Further relax price restrictions on crude oil and products | | |
| 4 | Increase commercial transport energy-efficiency | 4a | 150 | 4a | Increase aircraft load factors (CAB) | | |
| | | 4b | | 4b | Eliminate truck back-haul and gateway city restrictions (ICC) | | |
| 5 | Reduce industrial | 5 | 250 - 625 (2-5%) | 5 | Government sponsored education campaign (DOC) is now under way, aiming at 5% goal | 5 | Investigate and develop |
| | | | | | | | - Incentives |
| | | | | | | | - Allocation procedures to accelerate progress toward/beyond 5% goal (OMB/Treasury/DOC/White House) |

TOTAL DEMAND
REDUCTION EFFECT 1,170 - 2,195

Note: An additional possible action with long-run negative impact would be to draw down stocks of crude and product by 100 million barrels over the winter resulting in 550 thousand barrels a day for 6 months.

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TABLE III

ESTIMATED PROGRAM EFFECTIVENESS
 (Thousands of barrels per day)

	<u>Case I</u>	<u>Case II</u>	<u>Case III</u>
	<u>Imports Direct</u> <u>from Arabs</u>	<u>Direct Arab</u> <u>plus European</u> <u>Refined</u>	<u>Maximum Vulnerability</u>
<u>Level of Cut-off:</u>	1,200	1,790	2,180
Possible additional winter needs	0 - 500	0 - 500	0 - +500
<u>Range of Shortfall:</u>	1,200 - 1,700	1,790 - 2,290	2,180 - 2,680
<u>Range of Adjusting</u> <u>Action:</u>	1,570 - 2,795	1,570 - 2,795	1,570 - 2,795
<u>Net Effect:</u>			
Poor Compliance with severe winter	-130	-720	1,110
Good compliance with mild winter	+	+	+

¹Includes cut-off of all Arab oil exported direct to the U.S., all products refined in Europe and a reduction in Canadian exports to the U.S. equal to the cut-off of Arab oil imported by Canada.