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# Congressional Record S. 15087 - Energy Legislation

Mike Mansfield 1903-2001

# Senate

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## ENERGY LEGISLATION

Mr. MANSFIELD. Mr. President, on Friday last, on my own initiative, I requested a meeting with the President of the United States to discuss energy legislation and the approaching September 1 deadline, at which time decontrols and allocations would automatically expire. As I say, I went down there in my own capacity, on my own initiative. As a result of the conversations I had with the President, I informed him that it was my intention to call a conference of the Democratic Senators on either Wednesday or Thursday to discuss his suggestions and my conversation. That meeting will be held at noon tomorrow, at which time I will make a full report to the Democrats assembled, and whatever action will be taken at that time will be taken by the Democrats in conference assembled.

Mr. President, I ask unanimous consent that I may have printed in the RECORD at this time a statement I made on the price of gasoline and what I proposed, dated July 22, 1975; also, a letter to the President dated August 1, 1975; a letter to the President dated August 29, 1975; a paper on the Energy Allocation Act and why it should be extended; a paper entitled "The National Interest Would Best Be Served by Extending the Emergency Petroleum Allocation Act"; and also a paper entitled "Settling the Oil Price Issue With a Program of Gradual Decontrol Is Possible," stating that it would be enacted in 30 days under certain circumstances. All the material from August 29, 1975, has been sent to every Senator in this body, both Republican and Democrat, including our newest Member (Mr. COTTON), and also to the House leadership, so that everybody will be aware of what I was attempting to do on my own initiative and be informed thereby.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR MIKE MANSFIELD, JULY 22, 1975

There is no question but that the price of gasoline is going to increase, no matter which way we turn. The President has proposed a gradual decontrol of prices on oil produced in this country from fields that were in operation in 1973, that is "old" oil. The price of that oil is $5.25 per barrel, while the "new" oil produced sells for roughly $13.50 a barrel, the same, in effect, as imported foreign oil. There are no price controls on crude oil produced from new fields, from small stripper wells in old fields, or on above-1972 production levels for old wells.

There is little or no incentive for owners of wells which produce an average of 15-20 barrels a day to keep on producing under present circumstances. They could let their production decline below ten barrels daily so that they could qualify for the free-market stripper-well prices and, as a result, could make more money from producing less oil. They will not invest in secondary or tertiary recovery methods because they could not afford to do so while they receive $5.25 per barrel.

The existing controls expire on August 31. If they do, there will be a very abrupt increase in prices which will tend to halt the economic recovery which now seems to be in progress and turn it into a backward slide. The President has proposed a plan to gradually lift controls on a month by month basis over a thirty-month period. Federal Energy Administrator Zarb estimates that prices would increase by 1½ cents per gallon by the end of this year, by 2½ cents more in 1976 and by 3 cents more in 1977, for a total increase of 7 cents a gallon. This, in my opinion, is an underestimation of the price rises which would very likely occur.

I would suggest that, instead of decontrols being phased out over a thirty-month period, that serious consideration should be given to phase them out over a 4–6 year period. The President also should put an end to the $2 a barrel tax on imported oil. An excess profits tax should apply not just on producers of decontrolled oil, but on profits from new oil as well.

It appears to me that there is room for compromise between the Congressional and the Administration points of view. If something is not done and this deadlock is allowed to continue, the people will suffer more and more. The oil produced will be less and less and the consequences, based on the effect this would have throughout the economy, would be disastrous. The President cannot and must not allow all controls to expire on August 31. The deadlock which now exists must be broken and perhaps some of the suggestions I have made could be used as the basis for a compromise which would benefit the people of the nation and the economy. If we cannot, as representatives of the two branches of government, work towards such a possibility for the common good, then what I have said at the beginning would still hold, except that the "rippling" economic results would be catastrophic.

No matter what we do, it is going to call for increased costs. What we ought to endeavor to do is to handle these increased costs on a prolonged basis so that the economic effect will be minimal. I repeat, no matter which way we turn, the cost of oil is going to increase. There is no way to avoid this and with that fact in mind, the Congress and the President have a duty to get together to work out an agreement which will be best for the nation.

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OFFICE OF THE MAJORITY LEADER,
*Washington, D.C., August 1, 1975.*

THE PRESIDENT
*The White House,*
*Washington, D.C.*

DEAR MR. PRESIDENT: As we enter the statutory August adjournment, an assessment of national energy policy is essential. During the past six (6) months, the federal government has attempted to overcome 40 years of inattention by giving the highest priority to the development of a national energy policy. You have provided great focus and stimulus to these efforts. I personally have never witnessed a more intensive undertaking by any Congress and I believe these efforts by so many have been most productive. However, there remain certain aspects of the comprehensive program that have yet to be resolved. Among these are pricing aspects with regard to domestic oil. I believe, however, that even this difficult determination will soon be achieved. This is particularly so in view of the fact that on so many energy policy issues there has been substantial cooperation and accord between the Congress and the Administration.

We have all become more informed on the details of the energy problem and especially on how energy decisions precipitate economic consequences. I, myself, have advocated a policy of gradual removal of controls and I believe the development of such a policy will evolve as the legislative process is permitted to work its will. Over what period and to what price are questions that can be answered in a legislative forum.

As you know, in the last several days, many of us here in the Congress have been meeting with Mr. Greenspan, Mr. Zarb and others within the Administration to the end that a mutually agreeable solution along these lines would emerge. My impression is that we have come close—very close—to arriving at a satisfactory answer; one that all sides could live with and one that would demonstrate to the American people that their government—both branches, both houses of Congress and both parties—is working in harmony to resolve this most difficult issue. As close as we have come, however, time did not permit the solution to emerge. As a result, we are left in an extraordinary position.

Without restraint, oil price increases could seriously damage the economy at a time when some hopeful signs are beginning to develop in certain sectors. Without restraint, oil price increases would provide profit rewards of inordinate and unconscionable dimensions and at the cruel expense of those of our citizens least able to afford enormous price increases. No single economist, in or out of government, welcomes the all-at-once spectre of unrestrained oil prices with unrestrained impact on the American consumer. That the final details of an agreeable pricing formula have not been worked out, however, does not mean that, at least for the interim, we should not seek together to prevent what all agree would be the disasterous consequences brought on by the full economic impact of abrupt decontrol and no restraining or mitigating levers at all, be they aimed at equitable allocations, prices or profits or offsetting rebates. If allowed to happen, in my judgment, the damage occasioned would not and could not be rectified.

To avoid such an occurrence is the reason I write this letter. It is to provide you with my thoughts on this issue which I view with the greatest degree of concern. It is to advise you that in my judgment the opportunity exists to enact a sensible oil price policy; one perhaps that will not give all sides everything they seek, but one which does not leave the Nation with the worst of all possible worlds—as is the situation we face if the Emergency Allocation Act is not extended. In my judgment, an extension of the Allocation Act would avoid for the Nation the "worst of all" options. I am confident that you will provide the leadership that will permit the constructive process of the past six months to continue.

Sincerely,

MIKE MANSFIELD.

P.S.—I believe the added time will permit the completion of a truly national policy on energy worked out between the branches. We have come a long way since January, both on energy and economic recovery.

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OFFICE OF THE MAJORITY LEADER,
*Washington, D.C., August 29, 1975.*

THE PRESIDENT,
*The White House,*
*Washington, D.C.*

DEAR MR. PRESIDENT: On August 1, I wrote you expressing my personal view that the national interest could best be served at this time by an extension of oil price restraints beyond the current month. Since that time I have had an opportunity to consider the matter further and am even more firmly convinced of the impending peril to the economy posed by unrestrained across-the-board price increases in petroleum products. I am convinced as well that if given a little time the Executive and Legislative Branches can come to terms with a solution to the energy price problem agreeable to all sides.

It is for these reasons that I again write you to the end that the Nation might avoid the extraordinary position now faced. Neither the Administration nor the Congress seek abrupt and total decontrol. Together, both Branches and both parties have worked diligently to produce a solution to the energy pricing issue. I am frank to say that it has been your effort that has provided the primary impetus to the energy issue and to the need to develop a comprehensive energy policy for the Nation. Because of your effort, much has been done to shape and implement such a policy; more, in fact, in the past six months than ever before in the Nation's history. Before the August adjournment it was clear that we had come close to resolving the only major energy issue remaining to be resolved—the question of phasing out price controls in the most orderly and non-disruptive manner possible.

On July 15, the Senate passed S–1849, the Emergency Petroleum Allocation Extension Act of 1975, by a vote of 62 to 29 with eight Senators not voting. On July 31, the House of Representatives passed the Senate bill by a vote of 303 to 117 with 14 not voting. Thus, the Congress has overwhelmingly expressed its view with regard to the pressing need for an extension of the Act for a 6-month period. The issue now centers on whether or not there will be a veto of the Act when it is presented for your signature, which brings me directly to the point of major concern.

What I suggest is that simply because the final details of an agreeable pricing policy have not emerged, the Nation should not be made to suffer the consequences of no pricing policy at all as is the case with total decontrol, nor should the efforts to work out the final details of such a policy be abandoned.

I am frank to say that I do not know what will happen come Labor Day with winter close behind, when, barring an extension, all controls will end. There are as many views on this matter as there are "experts." What further confuses the picture is the fact that no one knows what will happen when the OPEC cartel meets three weeks from now to discuss further price increases. What is clear to me, however, in spite of the ifs, ands and buts, is that the consumer will be hurt come September if controls are not extended, that the price of petroleum and all of its by-products will go up, that the prices of other energy sources will go up, that inflation will be rekindled throughout the economy, that the burden of all of this will be borne most by those in our society who can least afford it, that the flickers of economic recovery now indicated could well be snuffed out and that we might expect a return to double-digit inflation, close to double-digit unemployment and a much greater budget deficit than already projected. What is also compelling in these circumstances is that there are absolutely no measures on the books that would serve to mitigate the adverse impact of total decontrol, be they in the form of windfall profits taxes, tax rebates to particularly hard-pressed consumers or protection for small, independent producers who might otherwise be driven out of the marketplace.

In short, the potential perils posed by abrupt and total decontrol are clear enough to me to urge that we in the Congress be permitted to continue to explore with the Executive the possibility of a more orderly and less disruptive approach to the pricing issue. That we have come close to agreement already is encouraging. For the sake of the Nation, I hope we are allowed to continue these negotiations. To them and to their success I stand firmly committed.

Respectfully,

MIKE MANSFIELD.

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THE ENERGY ALLOCATION ACT SHOULD BE EXTENDED

1. The Congress and the Administration can produce a reasonable solution to the

oil price question which includes an orderly phase-out of controls and far less disruption to the economy than would occur from total and abrupt decontrol.

2. Total decontrol with the ripple effect means a return to double-digit inflation with higher costs for food, gasoline, clothing, air transportation, medical costs, home heating oil, etc.

3. Total decontrol means a return to 9 percent unemployment and, very likely, double digits.

4. Total decontrol means a budget deficit even larger than now projected.

5. Total decontrol falls hardest on the poor, the unemployed—those least able to bear the burden.

6. There are no mitigating measures; no windfall profits taxes; no tax cuts or rebates; and no competitive protections for small, independent producers who will be driven out of the market.

7. OPEC intends to raise prices—it meets September 23—thus creating even greater disruption to the economy.

THE NATIONAL INTEREST WOULD BEST BE SERVED BY EXTENDING THE EMERGENCY PETROLEUM ALLOCATION ACT

1. Virtually all economists agree that if the Petroleum Allocation Act is not extended, it means chaos and disruption to the economy.

(a) Even without the $2 per barrel tariff on imported oil, oil decontrol will directly inflate oil prices by $13 billion annually.

(b) The multiplier and ripple effect could cause between $20 and $30 billion in inflationary impact on the economy.

(c) The stimulus of the tax cut would be wiped out.

(d) It will drain consumer spending power for all other goods and services and will badly hurt economic recovery.

As Examples: The costs of propane, of fertilizers, of air transportation, of auto transportation, of synthetic fibers will all increase.

2. OPEC is scheduled to meet September 23 to discuss increases.

(a) A $1.50 per barrel OPEC increase will add another $8 to $10 billion annually to inflation—further increasing the costs of all goods and services dependent upon petroleum and its by-products.

(b) Domestic decontrol of oil prices signals OPEC that high prices are o.k. Decontrolling domestic prices and removal of the tariff provides OPEC with an opportunity to increase their prices by $2 and claim they are not increasing the total price for the United States consumers.

(c) In the absence of domestic controls, any increase posted by OPEC may be quickly followed by increases in domestic prices as well. Veto of the Petroleum Allocation Act removes the FEA's authority to establish domestic oil prices and effectively substitutes OPEC price control over domestic energy.

(d) Steeply higher petroleum prices will reduce the demand for all other goods and services. As a consequence, the impact on employment has been estimated to be a loss of up to 500,000 jobs. The transportation industry, food producers, medical services, universities that can't pass on costs, and many other sectors will be especially hard hit.

3. Winter is approaching. The loss of petroleum allocation authority will severely impact the nation this winter.

(a) With the expiration of allocation authority, controls over propane will lapse. Propane prices to farmers and rural residents will steeply rise and supplies of propane will be very tight to household consumers. Without allocation, utilities and large industrial users that are experiencing natural gas curtailments will monopolize available supplies.

(b) With projected shortages of natural gas, it is imperative to have a petroleum allocation program in place to assure that alternative fuel supplies are made available to curtailed gas customers. This will help minimize the number of plant closings due to fuel shortages.

(c) The availability of oil products to sparsely settled sections of the country will be endangered in the absence of a mandatory petroleum allocation program.

(d) In the event of a severe winter, or in case of a future oil embargo, it is essential that the machinery for allocating petroleum products be continually in place.

4. There are no measures on the books that would mitigate the adverse impact of total/abrupt decontrol.

(a) Congress has not passed windfall profits taxes.

(b) Congress has not passed further tax cuts to alleviate the consumer's burden.

(c) There are no protections for small independent producers.

5. The termination of the Emergency Petroleum Allocation Act threatens to severely reduce competition in the petroleum industry.

(a) Elimination of controls will mean that many independent refiners will be squeezed out of business because major integrated petroleum companies will have access to much lower cost crude oil. The old oil will not go up in cost to the integrated producer, but only to the independent purchasers.

(b) Elimination of controls will mean the independent service station operators will be further squeezed out of business because of the cost and supply advantages that will accrue to the major integrated petroleum companies.

6. There is already evidence of the damage to the economy of decontrol.

(a) Many petroleum companies have already substantially increased their prices in recent months by passing through costs.

(b) This has created much greater public hostility to even further price increases.

(c) The most recent reports on inflation indicate that food and fuel prices are again causing rapid inflation throughout the economy. To prevent this cycle from getting out of hand, it is imperative that oil prices be controlled.

(d) Even the petroleum industry no longer speaks with one voice. The Mobil Oil Corporation, in a letter to the members of the Senate dated August 22, 1975, calls for phased decontrol of oil prices over an extended period of time and indicates that immediate decontrol as would occur with the expiration of the Emergency Petroleum Allocation Act "might cause a shock to America's fragile economic recovery."

(e) Arthur Burns has indicated that oil price decontrol may result in a 2-percent increase in inflation, substantially more than the Administration's estimate. All of these factors may shift the balance in favor of overriding the President's veto.

7. A veto will hurt the chances for enacting a national energy program. A veto at this time means a total commitment to sky-high prices by the President. Signing the bill provides the opportunity for the compromise (simply because it is only a six-month extension). The House is currently considering H.R. 7014, which is scheduled to be completed on an urgent basis. To that measure can be added the product of any compromise worked out between the Congress and the Administration.

SETTLING THE OIL PRICE ISSUE WITH A PROGRAM OF GRADUAL DECONTROL IS POSSIBLE—IT COULD BE ENACTED WITHIN 30 DAYS

I. Only a short time is needed to settle the decontrol issue.

The House voted 228 to 189 on the President's proposal to phase out controls over a 39-month period. A needed switch of 20 members indicates that the two branches are coming closer to settling the oil price issue. In the national interest this effort must be continued to avoid the economic disruption of total and abrupt decontrol and to prevent the OPEC cartel from setting oil price policy for the nation. A phase-out over what period of time and to what price lid are issues that can be resolved.

It is reasonable to propose that the matter can be settled within 30 days. But time is needed.

If signed into law and not vetoed, S. 1849 would provide the time. It would extend current controls for six months. Six months may be too long. But the two Houses could act on a measure for an orderly, less-disruptive phase-out well within the next 30 days. When it returns on Wednesday, the House will have under consideration H.R. 7014, the energy bill to which a phase-out program could be added. For its part, the Senate could consider a phase-out proposal well within the next 30 days and the Leadership is willing to commit the Senate to that undertaking.

The alternative of veto (unless overridden) provides no time for cooperation and compromise. This alternative moves the nation into total and abrupt decontrol on Labor Day. OPEC meets in three weeks and oil prices then and thereafter would be dictated by the OPEC cartel. In 30 days, Congress and the Executive together can settle on an oil price policy for American consumers. The veto alternative would vest the OPEC cartel with this power.

II. Time is needed to act on other essential measures related to decontrol.

Gradual decontrol is part of a comprehensive program requiring other legislative action. Time is required to enact these proposals needed to offset the adversity of decontrol.

Only if S. 1849 is not vetoed would Congress have the time—the opportunity to enact other essential elements of the President's program which complement decontrol and provide protection for consumers and the economy.

These include windfall profits taxes, tax rebates/cuts and the preservation of competition (protection for small, independent producers from predatory practices by large companies).

None of these measures are now on the books. They too could be considered and disposed of within 30 days.