

9/17/81

MEMORANDUM TO THE PRESIDENT

FROM EDWIN MEESE, III
COUNSELOR TO THE PRESIDENT

THE ATTACHED WHITE PAPER DEVELOPS A TECHNICAL AND ECONOMIC RATIONALE THAT SHOULD BE USED AS A BASIS FOR THE REASONED DISMEMBERMENT OF THE DEPARTMENT OF ENERGY (DOE). SINCE THE ISSUES INVOLVED ARE BROADER THAN THE PRESENT RESPONSIBILITIES OF THE SECRETARY OF ENERGY, IT IS PROPOSED TO FORM AN INTER DEPARTMENTAL TASK FORCE TO MAKE RECOMMENDATIONS AND GUIDE THIS ACTIVITY. I PROPOSE THAT THE TASK FORCE BE HEADED BY GEORGE KEYWORTH IN HIS ROLE AS PRESIDENTIAL SCIENCE ADVISOR WITH REPRESENTATION FROM DOE, DOD, DOI, OMB, EPA, AND CONGRESSIONAL LIAISON.

DR. KEYWORTH SHOULD BE CHARGED TO CONSTRUCT A CHARTER FOR THE TASK FORCE AND PROVIDE RECOMMENDATION FOR MEMBERSHIP BY THE NEXT SCHEDULED CABINET MEETING.

_____ APPROVE

_____ DISAPPROVE

REQUIRES MORE DISCUSSION.

September 17, 1981

NEW PRIORITIES FOR ENERGY

Enlightened energy policies and programs to support our economic recovery goals are a critical ingredient to future national prosperity because:

- Energy is the lifeblood of our economy and security;
- Continued economic growth is dependent on the cost and supply of energy; and,
- International political and economic leadership will be determined in part by our response to the energy challenge.

Prolonged disruption of domestic or foreign energy markets could halt economic growth and render our new budgetary and tax policies ineffective. Therefore, the role of the Federal government in energy management is crucial to our economic recovery program and to our foreign policy.

During his election campaign, President Reagan made a commitment to remove government interference from the energy market and to provide financial incentives to private industry to develop the nation's energy resources and explore new sources of energy. In this context, he promised to restructure or abolish the DOE, since the Carter-organized agency is not appropriate to perform the primary government tasks in the energy field, namely:

- Conducting high-risk, long-term research and development of sustainable domestic energy systems where costs and risks preclude private enterprise involvement; and,
- Assuring timely technology transfer to a free market environment to insure competitive energy markets.

Today, DOE is a collection of regulatory, research, and an assortment of "social engineering" oriented functions. It is bureaucratically large, lethargic in response, and doomed if it continues in its present form as a deterrent to energy development rather than an asset to our economic recovery program. In the last

five years, DOE has prevented more energy production in the marketplace than it has promoted! DOE has:

- Interfered with oil production allocations and developments through regulations, taxation, and new legislation;
- Deferred gas pricing deregulation and complicated inter/intra state transmission and distribution;
- Mismanaged coal conversion (synfuels), requiring the formation of the Synfuel Corporation;
- Stopped nuclear plant deployment by delaying reprocessing, waste disposal development, and licensing and siting legislative reforms;
- Irresponsibly promoted solar and renewables as a near-term solution to our national energy problems; and,
- Utilized over \$50 billion without providing a basis for a sustainable national energy system.

The Department of Energy should be abolished; regulatory functions should be shed and matured energy deployment left to market forces.

The DOE enabling legislation requires the agency to provide a comprehensive review of its programs to Congress no later than January 1982. It is thus timely to examine which present DOE functions are necessary to support the President's energy policy and the possible disposition of the remaining functions. The surviving energy organization should support our economic and national security goals by:

Primary Functions:

- Developing, coordinating, and enunciating national energy policy (near and long term);
- Establishing and implementing policies dealing with international energy issues;
- Planning, coordinating, supporting, and managing comprehensive energy research, development, and demonstration programs structured to provide a basis for a sustainable national energy supply system;
- Carrying on research, development, testing, production, and surveillance of nuclear weapons systems; and,

- Developing programs and plans for dealing with energy supply interruptions.

Secondary Functions:

- Providing for central energy data collection and analysis;
- Establishing Federal focus for nuclear waste management;
- Developing and administering strategic petroleum reserve; and,
- Supporting national security objectives in test verification and nuclear safeguards.

Three present DOE functions should be reassigned to other agencies:

- Manage government-owned energy resources - Department of Interior.
- Ensure national environmental protection goals in energy development - Environmental Protection Agency.
- Administer price controls and regulations - independent regulatory agency.

Eight current DOE functions can be dropped since they are either inappropriate for government to pursue, unnecessary to achieve our economic goals, or best accomplished through unrestricted energy markets:

- Develop plans and programs dealing with domestic energy production.
- Create and implement comprehensive national conservation strategy.
- Coordinate energy policy within Federal government agencies and encourage maximum possible conservation in their specific areas of jurisdiction.
- Power marketing
- Commercialize solar, geothermal, and other renewable energy resources.
- Promote interests of consumers in adequate and reliable energy supply at lowest reasonable cost.
- Ensure cooperation of Federal, state, and local governments in development and implementation of national energy policies and programs.

- Foster and assure competition in production of energy and fuels.

This approach streamlines present DOE functions by focusing attention on key areas for developing and supporting Reagan energy policy along with national programs which require high visibility for their successful execution. A remaining issue is how to position the new energy agency in the Executive branch. The importance of its national security mission and the need to provide a focal point for energy R&D policy warrants independent agency status. This would provide the technical competence and continuity needed for program execution without the political inertia exhibited by DOE. Since the President's campaign promise was to restructure or abolish DOE, a streamlined independent agency retaining key energy functions fulfills that promise while providing the necessary clout to accomplish the mission.

Recommendation: The President's Science Advisor should be assigned the responsibility of formulating a plan to disestablish DOE, reassign or abolish its functions, and recommend the scope and form of the successor agency.

The disadvantages of this arrangement include:

- Maintains a high profile federal role in energy.
- May exacerbate the already substantial tensions in the Interior Department between development and conservation needs.
- Congress has in the past tended to reject DNR options, and is likely to react even more strongly against this proposal.
- Department may be viewed as even more incoherent than DOE, as it would range from Indians and fish to nuclear weapons and fusion.

Summary and Recommendation

The working group is of the opinion that Option 1 best combines the features of a proper limitation of the government role in energy and strong scientific direction for energy research projects, with a politically feasible approach. The group believes that the DNR option is no more politically feasible now than it has been in the past, and includes too many disparate and competing functions to be successful. Option 1's placement of the energy policy functions within the Commerce Department emphasizes the position of energy as one of a number of items important to the general business economy, rather than an area specially suited to government direction and control.

The disadvantages of this arrangement include:

- Maintains a high profile federal role in energy.
- May exacerbate the already substantial tensions in the Interior Department between development and conservation needs.
- Congress has in the past tended to reject DNR options, and is likely to react even more strongly against this proposal.
- Department may be viewed as even more incoherent than DOE, as it would range from Indians and fish to nuclear weapons and fusion.

~~REDACTED~~

~~RE~~

~~REDACTED~~

~~REDACTED~~

~~ACTED~~

~~REDACTED~~

~~RE~~

~~REDACTED~~

~~REDACTED~~

~~ACTED~~

~~REDACTED~~

~~RE~~

~~REDACTED~~

~~REDACTED~~

~~ACTED~~

~~REDACTED~~