

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

WASHINGTON, D.C. 20500

2 November 1981

MEMORANDUM FOR ED MEESE

FROM: G. A. Keyworth *gay*

SUBJECT: Department of Energy (DoE) Reorganization

As you requested, I received from Jim Edwards a briefing on his analysis of the available options for the reorganization of the DoE. The following is a brief summary of an analysis that we in turn have conducted, including our fundamental objectives, constraints, and my recommendations.

Objectives

Two principal reasons for abolishing DoE are: (1) to remove the Federal government from involvement in activities which belong in the private sector; and (2) to minimize the visibility of Federal programs that have served as a surrogate for the solutions of real energy problems.

Constraints

-- We must minimize any requirement for the President's personal involvement in selling the new plan to Congress.

-- We must maintain healthy efforts in the good long-range energy research that is consistent with our objectives (for example: high-energy physics, basic materials research, fusion).

-- We should maintain the integrity of the nuclear weapons program with the nuclear power and long-term research programs. Transferring the weapons program to DoD would be unwise because military management is not conducive to dynamic and creative long-term research. In addition, House Armed Services Committee opposition to transferring the weapons program to DoD would be intense during a crucial period for Congressional consideration of our strategic systems package.

-- In view of their commitment to preserving central energy planning and programs, we must replace the current DoE leadership (Edwards, Davis, and Rusche), both to assure consistency with the President's objectives and to avoid hidden agendas.

There are a number of other goals we wish to serve by the reconstitution of DoE that are neither overall objectives nor strict constraints to our decision:

-- Uranium enrichment, currently a \$2 billion enterprise annually, should be moved toward the private sector, where we wish it to reside.

-- A common nuclear waste management program should replace the inefficient separation of defense and civilian programs.

-- Implementation of the President's nuclear policy statement should be facilitated.

### Options

Given these objectives and constraints, I believe that we have only two reasonable options: (1) transfer the elements of DoE we wish to preserve to an existing Cabinet-level department, such as Commerce or Interior; or (2) create an independent research agency. In either case, the retained elements would comprise, essentially, the nuclear weapons program, nuclear energy programs, and the long-range energy research I have referred to. The regulatory and emergency functions should be housed elsewhere in the government, and technology demonstrations and implementations should be left to the private sector.

### Analysis and Recommendations

In choosing between these two fundamental options, there are a number of considerations such as ease of management transition, domestic and foreign visibility of our resolve to deal with energy problems, budgetary flexibility, and the appearance of regression in government policy. However, I consider that these, and many other more narrowly focused issues are subordinate to two overriding observations:

-- An independent agency is almost certain to be subjected to strong influence and even control by Congressional and public constituencies, whereas inclusion in an existing department minimizes this tendency.

-- Department Secretaries report to and owe their allegiance directly to the President. Agency heads, not having such strong interaction with the President, possess more autonomy, and are more likely actually to choose to align themselves with Congressional or private constituencies.

Therefore, I conclude that integration into an existing department is the correct choice. However, you should be aware that Edward's option for accomplishing this involves maintaining in an integral energy unit a number of functions that should be either abolished or transferred elsewhere. Also, although he limited his departmental options to Interior, I believe that Commerce is at least equally viable. If you agree, we will join with OMB and DoE to assess as soon as possible the choice of Department and functions that should be added to it. With OMB and Max Friedersdorf's staff, we would also consult with the Hill on the Congressional reaction to either the independent agency or Cabinet department approach, bearing in mind the goal of minimizing the President's personal involvement.