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WHITE HOUSE STAFFING MEMORANDUMDATE: 10/12/89ACTION/CONCURRENCE/COMMENT DUE BY: 10/16/89 10:00 AMSUBJECT: PRESIDENTIAL REMARKS: NATURAL GAS SUPPLY ASSOCIATION BRIEFING

| | ACTION FYI | | | ACTION FYI | |
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| SUNUNU | <input type="checkbox"/> | <input checked="" type="checkbox"/> | NEWMAN | <input type="checkbox"/> | <input type="checkbox"/> |
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| DEMAREST | <input checked="" type="checkbox"/> | <input type="checkbox"/> | PINKERTON <i>N/C</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
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REMARKS:

Please forward any comments directly to Chriss Winston, Rm. 122, x2930, no later than 10:00 AM, Monday, October 16, with a copy to my office. Thank you.

RESPONSE:

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
Ext. 2702

Jim Coardes - Newly-elected chair INGA
Jerry Halvorsen - INGA Pres
Bud Lawrence - Pres AGA
Gene Tracey - Chair AGA

(Lange/Dooley)
October 12, 1989
4:30 p.m.
[GAS.DOC]

1989 OCT 12 PM 4:52

PRESIDENTIAL REMARKS: BRIEFING, NATURAL GAS SUPPLY ASSOCIATION
ROOM 450, OEOB
WEDNESDAY, OCTOBER 18, 1989
1:15 P.M.

Nick Bush
331-8900

It's a pleasure to have you here today. I see some familiar faces out there. Jim Middleton, Chairman of the N.G.S.A.; and Nick Bush, your President... To all of you: welcome.

offer refs of cu

[[Years ago, your industry added an agent to natural gas that gave it a characteristic scent. That way, if there was ever a leak in someone's house, they'd have a better chance of knowing about it.

Nick Bush
NGSA
331-8900

Well, it doesn't work that way here in the White House. We have leaks in here all the time. They're usually odorless. Sometimes they're colorless. Sometimes even tasteless... [PAUSE]

But there's no truth to the rumor that we're putting canaries in all the West Wing offices...]]

You know, just over a year ago I spoke to a group out in Midland, Texas. Said I was proud that our administration had decontrolled oil prices -- but that we hadn't yet been able to prevail in Congress, to decontrol natural gas.

Petroleum Basin
Museum
Midland, TX
10/14/88

m
Bud Lawrence - Pres.
AGA
Interstate
NG Assn.
Jerry Halvorsen
1989-1 NGAA

Well, you know what happened next. The wisdom of the marketplace prevailed. After decades of disagreement, we were able to eliminate an entire **system** of artificial price controls, for one of America's cleanest energy resources.

*Nick Bush
NGSA
331-890*

That was this administration's first major energy initiative -- and it was a good one.

Good for developing domestic energy resources, so imperative to national security. **Good for consumers**, who will enjoy reliable energy at reasonable prices over the longer term. And **good for the environment**, which can only benefit from the broader use of clean-burning natural gas.

Some of you were with me in the East Room when I signed the Natural Gas Wellhead Decontrol Act into law -- but **all** of you deserve credit and congratulations for that achievement.

*Nick Bush
NGSA
331-890*

By supporting decontrol of gas prices, you've helped build diversity, flexibility, economy, and security into our energy picture -- now, and for the future.

Natural gas is -- and will continue to be -- essential to our domestic energy security. [With growing difficulties in oil

*dwindling supplies of ~~oil~~
domestic oil, w/ long ~~delays~~
in leasing (OGS leasing)
+ siting*
Nick Bush
NGS A
331-8900

X

and gas leasing, and difficulties in siting nuclear plants, we will depend more than ever on a balanced mix of energy sources.

That will mean **more** than deregulating the cost of gas at the pipeline, of course -- it will also demand that we pave the way for broader use of natural gas.

[Possible topical insert on C.A.A. / environment]

Your industry is as clearly oriented toward the future as any in America. You understand that we can't wait for the next energy crisis -- that a secure future demands that we plan, **now**.

That's why I've asked the Secretary of Energy, Admiral Watkins, to develop a comprehensive National Energy Strategy for the nation.

*Nat. Gas Bill
Signing Ceremony
12/21/89*

X

For such a strategy to succeed -- and it **must** succeed -- we'll need bi-partisan Federal and local support. It will be crucial that industry leaders like yourselves work closely with Admiral Watkins on that strategy -- and I know we can count on you.

In the coming months, we will be looking for your thoughts and guidance. With gas prices set by market forces -- and new technologies offering new uses for this fuel -- natural gas is on

*Susan Cobb
Energy
586-5316
Nick Bush
NGS A
331-8900*

Susan Cobb
586 - 5316

the verge of reaching its fullest potential as an economic, clean, and efficient source of energy.

I think all of us can be confident that natural gas will help power this nation well into the next century. Let me offer you my every best wish for a successful Annual Meeting.

And now I'm going to turn this briefing over to two outstanding members of the Cabinet -- Jim Watkins and Bill Reilly.

*Nick Bush
NGSA
331-8900*

#

NATURAL GAS SUPPLY ASSOCIATION

Ref Fariveth

6827

Nicholas J. Bush
President



Suite 300
1129 20th Street, N.W.
Washington, DC 20036-3403
(202) 331-8900

October 13, 1989

Mark Lavey

Wayne Valis
Valis Associates
1747 Pennsylvania Avenue, N.W.
Suite 1201
Washington, D.C. 20006

*FYT, as a supplement
to my earlier comments*
Bob Crank

Dear Wayne:

News that the President wishes to use our meeting as a forum for a major address is terrific. We are honored and flattered. This will be a great opportunity for the President to reaffirm his commitment to his Clean Air bill. As you know, NGSA has worked hard with other organizations to support the Administration's effort, particularly in the acid rain provisions.

Some of those attending the Presidential speech, however, will be from integrated petroleum companies and may have some sensitivity to the ongoing debate over the methanol question. It would be a shame if this opportunity was not an entirely positive one for the President.

Couldn't the President's remarks:

- o Stress the great job that Bill Reilly has done at EPA along with the White House staff in bringing together the first significant, comprehensive Clean Air bill amendments that have won bipartisan support since the passage of the original measure.
- o Reiterate his personal support for his proposal and his commitment to working with Congress to achieve the very best Clean Air bill possible.
- o Reiterate his commitment to the principles of freedom of choice in meeting standards, no subsidization or preference for one particular fuel over another; and, no new taxes to achieve these objectives.
- o Stress the importance of natural gas and its potential contributions to a cleaner environment. Point out that it is not the sole answer but an important part of the total solution which will include a multiplicity of fuels and technologies. Bright days for natural gas are ahead.
- o Avoid open shop comments about the dispute over the "methanol" or alternative fuel issue -- the Clean Air fight has a long way to go and the President could use this occasion to firm up support among some of his biggest helpers. Confrontation on the methanol issue would only jeopardize that.

Sincerely,

NJB/jct

**REMARKS: NATURAL GAS BILL SIGNING CEREMONY
THE EAST ROOM
WEDNESDAY, JULY 26, 1989, 2:05 P.M.**

**THANK YOU. THANKS ALL OF YOU. AND THANKS ALSO TO
MY FRIEND JIM WATKINS, WHO IS OFF TO SUCH AN
OUTSTANDING START AT ENERGY. TO MARTHA HESSE
[[HESS-SEE]], FOR HER GOOD EFFORTS AT THE FEDERAL
ENERGY REGULATORY COMMISSION.**

- 2 -

**AND TO THE FORWARD-LOOKING LEADERS FROM BOTH SIDES OF
THE AISLE -- LEADERS LIKE MY FRIENDS JIM McCLURE AND
BENNETT JOHNSTON, NORM LENT AND JOHN DINGELL, PHIL
SHARP AND CARLOS MOORHEAD -- AND MANY OTHER LEADERS
HERE TODAY WHOSE COMMITMENT TO SAFEGUARDING AMERICA'S
ENERGY AND ENVIRONMENT HAVE MADE THIS LANDMARK
LEGISLATION POSSIBLE.**

NATURAL GAS -- METHANE -- IS ONE OF THE BEST FUELS ON THE WORLD'S ENERGY MENU. IT IS CLEAN. IT IS EFFICIENT. IT IS ABUNDANT.

BUT FOR 35 YEARS, CONSUMERS AND PRODUCERS OF NATURAL GAS HAVE STRUGGLED UNDER THE BURDEN OF OPPRESSIVE PRICE REGULATIONS. THIS WAS DIRECTLY RESPONSIBLE FOR THE DAMAGING NATURAL GAS SHORTAGES OF THE 1970'S -- AND FOR GAS MARKET DISTORTIONS THAT EXIST TO THIS DAY.

IT IS INSTRUCTIVE TO LOOK AT WHAT NATURAL GAS PRICE CONTROLS BROUGHT US. THEY BROUGHT US SHORTAGES -- NOT INCREASED SUPPLIES. THEY BROUGHT US HIGHER GAS PRICES -- NOT THE LOWER CONSUMER PRICES THEIR SUPPORTERS PROMISED.

WHAT WAS TRUE FOR OIL DEREGULATION IN 1981 IS ALSO TRUE FOR GAS DEREGULATION IN 1989. EXPERIENCE SHOWS THAT DEREGULATION WORKS TO SERVE CONSUMERS AND AN EXPANDING ECONOMY.

IT IS A TRIBUTE TO THE AMERICAN POLITICAL SYSTEM THAT, AFTER DECADES OF DISAGREEMENT OVER THE MERITS OF GAS DECONTROL, WE CAN GATHER HERE TODAY TO STATE A CLEAR MESSAGE FOR ALL TO HEAR: WE HAVE LEARNED FROM THE PAST. WE ARE UNITED IN THE CONVICTION THAT THE BEST WAY TO DEAL WITH OUR ENERGY PROBLEMS AND SERVE THE AMERICAN PEOPLE IS TO LET OUR MARKET ECONOMY WORK.

AND SO TODAY'S LEGISLATION REPRESENTS THE BIPARTISAN ATTAINMENT OF THE ADMINISTRATION'S FIRST MAJOR ENERGY INITIATIVE -- THE ELIMINATION OF AN ENTIRE SYSTEM OF ARTIFICIAL PRICE CONTROLS FOR ONE OF AMERICA'S CLEANEST ENERGY RESOURCES.

THIS MEASURE REFLECTS A STRONG BIPARTISAN BELIEF THAT ELIMINATING PRICE CONTROLS WILL HELP THIS NATION TAKE FULL ADVANTAGE OF OUR PLENTIFUL DOMESTIC RESOURCES.

EVEN AT TODAY'S PRICES -- IT IS ESTIMATED THAT THE UNITED STATES HAS NATURAL GAS RESERVES THAT WILL TAKE US TO THE YEAR 2025 AND BEYOND.

INDUSTRY AND THE DEPARTMENT OF ENERGY ARE RESPONDING TO THIS OPPORTUNITY WITH IMAGINATION -- SEEKING TO TAP NEW SOURCES OF CLEAN-BURNING NATURAL GAS AND DEVELOPING NEW USES -- LIKE POWERING CARS AND BUSES.

WITH PRICES SET BY MARKET FORCES, AND IMPROVEMENTS IN GAS EXPLORATION PRODUCTION TECHNOLOGIES, NATURAL GAS CAN HELP POWER THIS NATION WELL INTO THE NEXT CENTURY.

IT MAY BE SAID BY SOME THAT THIS LEGISLATION COULD ONLY HAVE HAPPENED WHEN ENERGY PRICES ARE RELATIVELY LOW. NOT TRUE. LEGISLATION LIKE THIS -- RELYING ON MARKET INCENTIVES TO PRODUCE DOMESTIC ENERGY -- CAN HELP KEEP PRICES LOW.

IT IS THE BEST WAY TO ASSURE CONSUMERS OF ADEQUATE AND RELIABLE SUPPLIES OF CLEAN ENERGY AT THE LOWEST REASONABLE PRICE.

AND THIS IS NOT JUST ECONOMICAL LEGISLATION -- IT IS ENVIRONMENTAL LEGISLATION. NATURAL GAS BURNS MUCH MORE CLEANLY THAN OTHER FOSSIL FUELS -- AND PRODUCES LITTLE AIR OR WATER POLLUTION. AND IT CAN PLAY A LARGER ROLE IN OUR EFFORTS TO CLEAN UP OUR AIR AND WATER.

THE ENVIRONMENTAL OPPORTUNITIES CAN BE GLOBAL. WITH A FREE MARKET FOR THIS FUEL, WE CAN FORESEE AMERICA AND THE WORLD USING MORE OF IT. AMERICA AND HER ALLIES MUST WORK TOGETHER NOW TO EXPAND THE INFRASTRUCTURE TO USE THIS FUEL. ON THIS CONTINENT -- ACROSS THE ATLANTIC -- ACROSS THE PACIFIC -- THESE ARE OPPORTUNITIES FOR COOPERATION THAT CAN BE HELPED BY A FREER MARKET.

WHERE WE CAN ADD DIVERSITY, FLEXIBILITY, ECONOMY, AND SECURITY TO THE WORLD'S ENERGY PICTURE -- WE SHOULD DO IT. AND NATURAL GAS IS AN IMPORTANT ELEMENT.

BUT DESPITE TODAY'S GOOD NEWS, THIS IS NO TIME FOR COMPLACENCY. OUR ENERGY SECURITY PROBLEM CONTINUES. CONSERVATION ACHIEVEMENTS ARE LEVELLING OFF. DOMESTIC OIL PRODUCTION IS CONTINUING ITS DOWNWARD TREND. PETROLEUM IMPORTS ARE INCREASING. AND OUR NEED FOR A CLEANER ENVIRONMENT IS OBVIOUS TO ALL.

AND SO TODAY I HAVE ANOTHER ANNOUNCEMENT -- WHICH, LIKE THE DEREGULATION OF NATURAL GAS -- IS GOOD NEWS FOR AMERICA'S ENERGY FUTURE.

I AM DIRECTING THE SECRETARY OF ENERGY TO TAKE THE LEAD IN DEVELOPING A COMPREHENSIVE NATIONAL ENERGY STRATEGY.

WE CANNOT AND WILL NOT WAIT FOR THE NEXT ENERGY CRISIS TO FORCE US TO RESPOND.

I HAVE ASKED ADMIRAL WATKINS TO CRAFT THIS STRATEGY IN CLOSE CONSULTATION WITH THE CABINET AND THE CONGRESS, WITH OUR CITIES AND OUR STATES. OUR TASK -- OUR BI-PARTISAN TASK -- IS TO BUILD THE NATIONAL CONSENSUS NECESSARY TO SUPPORT THIS STRATEGY. AND TO MAKE THE STRATEGY A LIVING AND DYNAMIC DOCUMENT, RESPONSIVE TO NEW KNOWLEDGE AND NEW IDEAS, AND TO GLOBAL, ENVIRONMENTAL AND INTERNATIONAL CHANGES.

A KEYSTONE OF THIS STRATEGY WILL BE THE CONTINUATION OF THE SUCCESSFUL POLICY OF MARKET RELIANCE.

THIS TASK WILL NOT BE EASY. AMERICA MUST BALANCE: OUR INCREASING NEED FOR ENERGY AT REASONABLE PRICES. OUR COMMITMENT TO A SAFER, HEALTHIER ENVIRONMENT. OUR DETERMINATION TO MAINTAIN AN ECONOMY THAT IS SECOND TO NONE. AND OUR GOAL TO REDUCE DEPENDENCE, BY OURSELVES AND OUR FRIENDS AND ALLIES, ON POTENTIALLY UNRELIABLE ENERGY SUPPLIERS.

ONE IMPORTANT STEP TOWARDS PROTECTING AMERICA FROM FOREIGN ENERGY SUPPLY INTERRUPTIONS IS TO PROVIDE MORE INCENTIVES FOR DRILLING RIGHT HERE AT HOME. THOUGH IT IS UNLIKELY CONGRESS WILL ACT THIS YEAR -- I WILL CONTINUE TO WORK TO PUT MORE INCENTIVE INTO THE TAX CODE FOR DOMESTIC WILDCAT DRILLING. THE BOTTOM LINE IS: A STRONG DOMESTIC DRILLING AND PRODUCING BUSINESS IS ESSENTIAL TO OUR NATIONAL SECURITY.

I AM CONFIDENT THAT AMERICA'S CAN-DO ATTITUDE, SCIENTIFIC KNOW-HOW, AND OLD-FASHIONED COMMON SENSE WILL PREVAIL. BY ACTING NOW -- WE CAN BEQUEATH A LEGACY TO THE NEXT CENTURY OF A CLEANER, MORE PROSPEROUS AND SECURE AMERICA.

TODAY'S LEGISLATION IS A GOOD START DOWN THAT PATH. DOMESTICALLY, NATURAL GAS CAN NOW REACH ITS FULLEST POTENTIAL AS AN ECONOMIC, CLEAN AND CONVENIENT ENERGY SOURCE.

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I CONGRATULATE THOSE OF YOU IN CONGRESS WHO HAVE WORKED SO HARD AND SO LONG TO BRING THIS LEGISLATION TO MY DESK.

AND WITH THAT -- IT IS WITH GREAT PRIDE THAT I NOW SIGN THE NATURAL GAS WELLHEAD DECONTROL ACT INTO LAW.

#

PERMIAN BASIN PETROLEUM MUSEUM
Midland Texas
October 6, 1988

The foremost responsibility of any President is the national security of the United States. And I know -- from conviction and personal experience -- that a strong domestic oil industry is vital to our national security.

Oil imports climbing to 10 million barrels a day by 1995 -- 60 percent of our consumption -- because we aren't finding and producing enough at home: That's not an acceptable energy policy for this country.

Lines at gas stations or thousands of energy-state families out of work and out of hope: That's not acceptable, either.

An energy policy for America must rely on many sources.

In the years ahead we will use more coal. We must move ahead with the safe use of nuclear power and be willing to look at the more exotic energy sources. But a strong America will, for a long time, depend on oil and gas.

An oil and gas policy for America must do three things:

- o find more and conserve more;
- o apply our best technology and ingenuity to our energy problems; and,
- o protect the environment in the process.

Here's what I support to get the oil and gas business back on track:

First, greater use of natural gas. It's clean, and it's abundant. We should fully decontrol natural gas and find ways to move it to the customer more competitively.

I am proud that our Administration decontrolled oil prices. We have urged the Democrat Congress to decontrol natural gas. But we have so far been unable to overcome the liberals in Congress on natural gas.

I believe it's as simple as this: Price controls should go. That's what would be best for both the industry and the American people.

We must also expand the market for natural gas. Last year we finally repealed the Carter-era Fuel Use Act, opening up additional markets to gas. That's good for consumers and good for the environment. I've also been a leader of the effort to encourage the development of alternative fuels for cars -- compressed natural gas, methanol, and ethanol.

I'm pleased to say that Congress recently passed legislation to encourage the production of alternative-fuel cars. There has been a chicken-and-egg problem here -- there's no market for such cars if the fuel's not widely available, and the fuel won't be widely available until the cars are on the road.

But new dual-fuel cars -- cars that can run on any combination of methanol, for example, and gasoline -- have been developed and could break that impasse. Where air pollution is heavy -- Southern California, Denver, and Phoenix, for example -- greater use of these alternative fuels is just about the only answer that doesn't put extraordinary limits on how much people can drive their cars.

Natural gas is a key part of my energy policy for America. Another key involves oil.

The past few years have been tough ones in the oil fields. Now prices are falling again, and that is cause for serious concern.

The American oil industry is too important to our national security to have its economic underpinnings totally dependent on the political climate of the Middle East.

We must take decisive action to halt the deterioration of the oil reserve base in this country.

Almost 100,000 oil wells have been abandoned because they are not economic at low prices and high taxes. The rig count languishes at pre-World War II levels because independents can't afford to drill.

Now we should provide more stability to the industry by reducing the cost of domestic exploration and production for both oil and gas -- with the objective of saving marginal wells, stimulating exploration, and encouraging enhanced oil and gas recovery. I favor:

- o Tax incentives for stripper wells.
- o A 10 percent tax credit for oil and gas exploration -- up to \$10 million of costs, and 5 percent thereafter -- creditable to the alternative minimum tax. The cost of this will be offset by the revenues that flow to the government from increases in drilling, in production and in employment.
- o Clarification of the R&D tax credit to include enhanced recovery techniques.
- o Elimination of 80 percent of intangible drilling costs as an alternative minimum tax preference item for independent producers.
- o Repeal of the Transfer Rule prohibiting independents from using percentage depletion on acquired properties.

These incentives can keep our independents in business when times are tough; after all it's the independents who are out there taking most of the risks. The nation needs the men and women of its independent oil and gas industry, and it needs them fully employed in the oil fields of America. Again our national security is at stake.

My list used to include elimination of the windfall profits tax, but I'm proud to say we've moved that one from the "in" box to the "out" box this past month.

There's no security for the United States in foreign oil. We must encourage domestic production, we must turn to alternatives like natural gas, methanol, nuclear power and coal -- and we must continue our efforts to be more efficient in the Strategic Petroleum Reserve, with a goal of 740 million barrels by 1993. I will also encourage our allies to create similar reserves.

* * *

NATIONAL ENERGY SECURITY

- Goals: o Abundant energy supplies at reasonable prices.
- o Reduced reliance on unstable foreign energy by encouraging greater domestic energy production and conservation through continued deregulation, tax incentives, and research and development, in order to:
- Increase competitiveness.
 - Strengthen national security.
 - Reduce the trade deficit by cutting oil imports and increasing U.S. energy exports.
 - Improve environmental quality.
- o Stimulate Domestic Production:
- Tax incentives for returning non-producing, temporarily abandoned stripper wells to production.
 - Encourage discovery of new energy sources with a 10% tax credit for oil and gas exploration. The exploration credit would be equal to 10% of the first \$10 million of costs and 5% of costs exceeding \$10 million. This tax credit would be fully creditable against alternative minimum tax liability to the extent of 80% of such minimum tax. The credit would be non-refundable and would be phased out as the domestic energy industry recovers.
 - Encourage research and development, in particular enhanced recovery of oil and gas, by expanding the R&D tax credit to include enhanced recovery techniques.

-- For independent producers, exempt intangible drilling costs as a preference item under the alternative minimum tax to the extent of 80% of such costs.

-- Repeal the "Transfer Rule" prohibiting independent producers from using percentage depletion on acquired properties.

o Deregulation:

-- Repeal the Windfall Profits Tax.

-- Continue Outer Continental Shelf leasing for oil drilling, contingent on environmental safeguards. Certain environmentally or aesthetically sensitive blocks,, such as #91 off California, should not be leased. We should consider the whole economy and environment when deciding on leasing contracts.

-- Encourage competition wherever feasible within the electric utility industry, allowing all users to benefit from rates that are as low as possible without sacrificing reliable service.

o Alternative Fuels/Conservation:

-- Encourage R&D for conservation and renewable energy resources such as geo-thermal, solar and wind-power. Pursue continued basic research in fusion, superconductivity, and particle acceleration with the Superconducting Supercollider.

-- Greater emphasis on alternative fuels including removing regulatory barriers to use of compressed natural gas, methanol from natural gas and ethanol from grain.

o Strategic Petroleum Reserve:

-- Increase the fill rate of the Strategic Petroleum Reserve with a goal of 750 million barrels by 1993.

-- Encourage U.S. allies to create comparable strategic reserves.

o Environment:

-- Strengthen international efforts to develop solutions to the global problems associated with energy use, including acid rain and increased CO2 levels.

o Natural Gas:

-- Comprehensive deregulation of natural gas including decontrol of natural gas prices and more competitive transportation of natural gas.

-- Encourage the development and use of compressed natural gas and methanol from natural gas (along with ethanol from grain) as alternative fuels at competitive prices to meet pollution standards.

-- Complete current deregulatory initiatives to encourage use of natural gas and deployment of clean coal technology to improve environmental quality and enhance energy security.

o Coal:

-- Support administration's \$2.5 billion Clean Coal demonstration project and deregulatory initiatives to encourage deployment of clean coal technologies.

-- Achieve a cleaner environment through greater implementation of clean coal technology as opposed to more stringent regulations on power plants.

-- Encourage coal exports by tough negotiating with our trading partners who subsidize coal and by promoting long-term contracts with U.S. suppliers.

-- Coordinate clean coal technology program with natural gas development under repeal of the Fuel Use Act to permit full competitive opportunity for combined cycle coal gasification projects.

o Nuclear Energy:

-- Support a uniform national approach to safe development and operation of facilities through the NRC working with state and local governments. As long as the highest safety standards are maintained, nuclear power must be a part of our energy mix.

o Oppose An Oil Import Tax:

-- Bogs the domestic industry down in endless red tape.

-- Costs jobs, causes inflation and hurts economic growth.

-- Amounts to a tax on all energy users.

-- Tax incentives give us the energy security benefits of an oil import tax without its extreme costs.

* * *

October 12, 1989

TO: Wayne Valis

FROM: Mike Waters

Here are the VIPs who will be at the White House briefing:

From NGSA:

James A. Middleton, Chairman of NGSA,
President ARCO Oil & Gas Company

Nicholas J. Bush, President of NGSA

From Louisiana Land & Exploration Company:

H. Leighton Steward, Chairman and Chief
Executive Officer of LL&E

From South Oak Production Company:

Rutledge H. Deas, Jr. President of South Oak
Production Company

From the Mid-Continent Oil and Gas Association:

Wayne Gibbens, President of the Mid-Continent
Oil and Gas Association

From the Independent Petroleum Association of America:

Harold Scoggins, President of IPAA

Danny Conklin, Chairman of IPAA, Partner
PhilCon Development Co.

From the American Gas Association:

George Lawrence, President of AGA

From the Interstate Natural Gas Association of America:

Jerald V. Halvorsen, President of INGAA

From Columbia Gas Transmission Corporation:

John Daly, Chairman of Columbia Gas
Transmission Corporation

JAY HASS

41 West Springfield Ave.
Philadelphia, PA 19118
(215) 242-4484
(215) 864-1860

TO: STEPHANIE BLESSEY
RE: NATURAL GAS SUPPLIERS

A FEW DAYS AGO I HAD A CONVERSATION WITH AN EXPERT WHILE TRYING TO PREPARE FOR THIS SPEECH, AND CAME ACROSS SOME TERMS I THOUGHT MANY OF YOU WOULD BE FAMILIAR WITH, SUCH AS "TAKE-OR-PAY CONTRACTS", "LOSS CARRYFORWARDS", "FREE OPTIONS", "RESERVES", AND "INFILL DRILLS".....BUT ENOUGH ABOUT COACH GIBBS AND THE REDSKINS....

IT'S TOO BAD WE COULDN'T BE OUTDOORS FOR THIS EVENT, WHICH REMINDS ME OF HOW THE BASKETBALL COACH EXPLAINED HIS TEAM'S DISMAL PERFORMANCE: HE SAID "WE HAVE A GREAT BUNCH OF OUTSIDE SHOOTERS, BUT UNFORTUNATELY ALL OUR GAMES ARE PLAYED INDOORS."

YOU KNOW, A LOT OF EVENTS ARE STARTED WITH THE PLEDGE OF ALLEGIANCE, WHICH REMINDS ME OF THE STORY ABOUT THE GRANDFATHER WHO ASKED HIS GRANDDAUGHTER WHAT SHE HAD LEARNED IN SCHOOL THAT DAY. "THE PLEDGE OF ALLEGIANCE," SHE REPLIED, AND WHEN ASKED TO RECITE IT, SAID "I PLEDGE ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA, AND TO THE REPUBLIC FOR WHICH IT STANDS, ONE NATION UNDER GOD, INDIVISIBLE, WITH LIBERTY AND JUSTICE FOR ALL, YOU MAY BE SEATED."

(Lange/Dooley)
October 11, 1989
3:30 p.m.
[GAS.DOC]

PRESIDENTIAL REMARKS: BRIEFING, NATURAL GAS SUPPLY ASSOCIATION
ROOM 450, OEOB
WEDNESDAY, OCTOBER 18, 1989
1:15 P.M.

It's a pleasure to have you here today. I see some familiar faces out there. Nick Bush, President of the N.G.S.A... Bud Lawrence, A.G.A. President... To all of you: welcome.

[[Years ago, your industry added [an agent] to natural gas that gave it a characteristic scent. That way, if there was ever a leak in someone's house, they'd have a better chance of knowing about it.

Well, it doesn't work that way here in the White House. We have leaks in here all the time -- the kind that only reporters notice. They're usually odorless. Sometimes they're colorless. Sometimes even tasteless... [PAUSE]

And every now and then, you just want to explode.]]

You know, just over a year ago I spoke to a group out in Midland, Texas. Said I was proud that our administration had decontrolled oil prices -- but that we hadn't yet been able to prevail in Congress, to decontrol natural gas.

Well, you know what happened next. The wisdom of the marketplace prevailed. After decades of disagreement, we were able to eliminate an entire **system** of artificial price controls, for one of America's cleanest energy resources.

That was this administration's first major energy initiative -- and it was a good one.

Good for developing domestic energy resources, so imperative to national security. **Good for consumers**, who will enjoy reliable energy at reasonable prices over the longer term. And **good for the environment**, which can only benefit from the broader use of clean-burning natural gas.

Some of you were with me in the East Room when I signed the Natural Gas Wellhead Decontrol Act into law -- but **all** of you deserve credit and congratulations for that achievement.

By supporting decontrol of gas prices, you've helped build diversity, flexibility, economy, and security into our energy picture -- now, and for the future.

Natural gas is -- and will continue to be -- essential to our domestic energy security. With growing difficulties in oil and gas leasing, and difficulties in siting nuclear plants, we will depend more than ever on a balanced mix of energy sources.

That will mean **more** than deregulating the cost of gas at the pipeline, of course -- it will also demand that we pave the way for broader use of natural gas. Our proposals for the new Clean Air Act were aimed in that direction.

[Insert on C.A.A., depending on outcome of vote Oct. 11 -- our proposal to introduce half a million alternative-fueled vehicles by 1995 -- and a million a year beginning in 1997. Those vehicles would use methanol, ethanol, or compressed natural gas... want to keep alt. fuels as part of C.A.A. as a "fuel-neutral" bill...]

Your industry is as clearly oriented toward the future as any in America. You understand that we can't wait for the next energy crisis -- that a secure future demands that we plan, **now**.

That's why I've asked the Secretary of Energy, Admiral Watkins, to develop a comprehensive National Energy Strategy for the nation.

For such a strategy to succeed -- and it **must** succeed -- we'll need bi-partisan Federal and local support. It will be crucial that industry leaders like yourselves work closely with Admiral Watkins on that strategy -- and I know we can count on you.

With gas prices set by market forces, and new technologies providing new uses of this fuel, I think all of us can be confident that natural gas will help power this nation well into the next century.

[Q & A?]

#

5 min

- signing pro. and food traffic, mtg w/ wp,
- Indian 1989 World Food Prize
- 12 Pres End Hunger Awards - AID
- 1 = Mickey Island
- AID Admins did of cancer long.

8 long present - sponsors of World Food Day Proc.

4526 4218

VALIS ASSOCIATES
Suite 1201
1747 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

TELECOPY COVER SHEET

DATE : 10/11
TO : Scott Sutherland
COMPANY: DPL
FROM : Wendy Valis
NUMBER OF PAGES (including this cover sheet) 4

IF YOU HAVE ANY PROBLEMS WITH TRANSMISSION OF THIS TELECOPY,
PLEASE CONTACT Jennifer Lynch AT 202/833-5055.

10:00

Jarboin

**SUGGESTED REMARKS
PRESIDENT GEORGE H. W. BUSH
ON THE OCCASION OF THE
ANNUAL MEETING
OF THE
NATURAL GAS SUPPLY ASSOCIATION
October 18, 1989**

Thank you. Good afternoon. It's a pleasure to be with the members and guests of the Natural Gas Supply Association once again.

This has been quite a year for your organization and for all those who have labored so long to achieve the total deregulation of natural gas at the wellhead. My sincere thanks and congratulations to all of you, but especially to your chairman Jim Middleton and to your president Nick Bush. I'd also like to thank Nick and NGSA for the splendid help you have given us on the Clean Air bill -- we couldn't do it without you.

Six years ago -- almost to the day -- I spoke to you as Vice President and talked about free enterprise and free markets. Of course, then the context was the Administration's pending proposal to decontrol natural gas. Isn't it fitting that this year we as a nation again reaffirmed our commitment to free markets at a time when the world seems to be virtually exploding with hope for new freedoms and new economic opportunities. The dramatic changes occurring in the Soviet Union and Eastern Europe are not driven by

a revolution against ideology. Rather, there is an increased awareness throughout the world that free markets work -- time and again they spur productivity and bring products to consumers more cheaply and efficiently. Freedom in economic endeavors, as in political activities, inspires men and women to the benefit of all.

Certainly this has been the case in our domestic natural gas markets. Removing price controls and pursuing more market-driven decisionmaking in regulatory policies have led to a more competitive natural gas industry -- one for which every current news analysis forecasts a very bright future.

I realize that the transition to fully deregulated markets is a painful one for some, particularly for many domestic producers. But the long-term benefits to the industry and to the economy will be significant and real. The natural gas industry is on the brink of making an even more significant contribution to a cleaner national environment and a continued growing economy. And as you know, the success of your industry is inextricably linked to a prosperous U.S. economy.

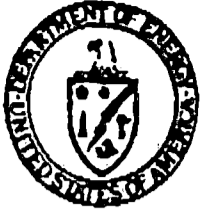
We are doing very well on that front. The economy is in its _____ month of expansion. Unemployment is low, and this year alone _____ million new jobs have been created for American workers. There are now more people working than at any other time in our nation's history. Inflation is well under control.

Virtually every sector of the economy -- from housing to the auto industry to high technology -- is expanding, creating better chances for a brighter future for all America.

We plan to keep this record of unparalleled economic growth on track and we are counting on the natural gas industry to help us do so.

You have my every best wish for a successful Annual Meeting. I'm going to turn this briefly over now to two of the very ablest members of the Cabinet -- Jim Watkins and Bill Reilly.

Thank you again for your help and support.



The Secretary of Energy
Washington, DC 20585

June 2, 1989

To: Bob Simon

X 7753

Room 111 1/2

The Honorable Howell Heflin
United States Senate
Washington, D.C. 20510

Dear Senator Heflin:

The Congress and the Administration have a unique opportunity this year to forge a bipartisan consensus to eliminate unnecessary and burdensome regulation of the natural gas industry.

A natural gas wellhead decontrol measure, the Natural Gas Wellhead Decontrol Act of 1989, was reported by the Senate Energy Committee by a vote of 17-2, and is now moving to the Senate floor for a vote in early June. This measure essentially would eliminate remaining natural gas wellhead price controls as contracts expire or are renegotiated, with all wellhead price controls eliminated by January 1, 1993.

In the interest of relieving the natural gas industry and consumers of a continuing regulatory burden and in the interest of furthering competition in the industry, all remaining wellhead price controls on natural gas should be removed. In his first budget message to Congress, President Bush expressed the belief that "...at long last the Federal Government should fully decontrol natural gas."

Recent changes in the natural gas and oil markets have resulted in current natural gas prices that are significantly below most of the ceiling prices established in the Natural Gas Policy Act of 1978 (NGPA). Although about 40% of 1988 production was subject to NGPA price ceilings, the Energy Information Administration estimates that only about 6% of 1988 production was constrained by binding price ceilings below the market price.

After full decontrol takes effect on January 1, 1993, gas markets will function more efficiently and rationally in sending correct price signals to consumers and producers. Correct price signals are indispensable if natural gas is to play its appropriate role effectively in national energy policy. Natural gas provides a competitive, domestic alternative to imports of oil from insecure sources.

Natural gas decontrol can also be an integral part of our environmental policy. Natural gas burns much more cleanly than other fossil fuels. In addition, natural gas combustion produces

almost no solid waste, sludge or water pollution. By allowing gas markets to function more efficiently, we will allow natural gas to contribute towards our clean air goals.

The market is currently the predominant force setting prices of natural gas. It is sending fairly accurate signals to consumers on when to consume gas as opposed to when to consume oil, coal, or engage in conservation. It is sending fairly accurate signals to producers on when to produce. The experience of the last several years in the gas market shows that it has been very responsive to supply and demand conditions.

If natural gas prices are decontrolled, downward price pressure will be the result over the longer term. Thus, prices will be lower than they would otherwise be without decontrol. The downward pressure will result from two factors. First, lower cost reserves will be produced more efficiently under decontrol and thus postpone the production of higher cost reserves. This will result in prices lower than would otherwise be the case. Second, producers will be relieved from regulatory burdens which would otherwise add to their costs. In a highly competitive market such as the current gas market, lower production costs will result in lower prices, all other things being equal. Given that many of the benefits of decontrol already have been realized by lowered gas prices and recent Federal Energy Regulatory Commission actions, we would not expect the difference between decontrol and no decontrol to be dramatic.

The reported legislation represents a consensus of parties that have long been at odds on natural gas decontrol legislation. It is supported by the Natural Gas Supply Association and Independent Petroleum Association of America representing producers, the Interstate Natural Gas Association of America representing interstate natural gas pipelines, the American Gas Association representing natural gas pipelines and local distribution companies, and various organizations representing industrial consumers.

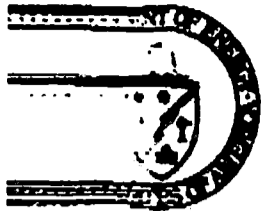
The Department of Energy has advocated immediate wellhead price decontrol. In the interest of keeping the consensus intact, however, the Department is supporting the January 1, 1993, date for total elimination of natural gas wellhead price controls.

It has come to my attention that amendments that address other gas issues may be offered on the Senate floor. The Administration strongly opposes amendments to the consensus bill and would prefer to see unrelated gas issues addressed in a context other than wellhead decontrol legislation. Amendments to the wellhead decontrol legislation could make it difficult to maintain this consensus. Thus, I urge you to support the Senate Energy Committee's gas wellhead decontrol legislation when it reaches the Senate floor.

Thank you for your attention to this important issue.

Sincerely,

James D. Watkins
Admiral, U.S. Navy (Retired)



The Deputy Secretary of Energy
Washington, DC 20585

July 10, 1989

The Honorable Richard G. Darman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. *Darman*:

This responds to your request for Department of Energy views on H.R. 1722, an enrolled bill "[t]o amend the Natural Gas Policy Act of 1978 to eliminate wellhead price and nonprice controls on the first sale of natural gas."

In ending 35 years of natural gas wellhead price controls, this bill will accomplish one of the President's major energy policy objectives. By allowing market forces to set the price of natural gas at the wellhead, H.R. 1722 will enable producers to get a fair price for their gas. This, in turn, will help consumers receive an adequate and reliable supply of clean burning natural gas at the lowest reasonable price. We strongly recommend that the President approve this legislation.

Sincerely,


W. Henson Moore

STATEMENT ON SIGNING H.R. 1722 INTO LAW

Today I am very pleased to sign H.R. 1722 into law. This legislation represents the bipartisan achievement of this Administration's first major energy initiative - the elimination of natural gas price controls. Through bipartisan cooperation, we have moved forward toward our goal of a more stable domestic energy future.

*the Natural Gas
Deregulation
Act
of
1989*

For 35 years producers and consumers of natural gas have struggled under a pervasive scheme of wellhead price regulation. This regulation was largely responsible for the damaging natural gas shortages of the 1970s and for the gas market distortions that exist even today. H.R. 1722 will eliminate the remaining natural gas wellhead price controls by January 1, 1993.

This measure reflects a strong bipartisan belief that eliminating price controls on natural gas will help this nation take maximum advantage of our abundant reserves of clean burning natural gas. Even at today's depressed prices, the Department of Energy estimates that the United States has 35 years worth of natural gas supplies. With prices set by market forces and improvements in our ability to produce gas from unconventional sources, natural gas could help power this country for decades.

The complete deregulation of natural gas wellhead prices will allow natural gas to reach its fullest potential as a competitive, domestic alternative to imports of oil from insecure sources. Natural gas can also play a larger role in our efforts to clean up our air and water. It burns much more cleanly than other fossil fuels, and its combustion produces ~~little solid~~ ~~water, sludge,~~ or water pollution.

*little
air*

This long overdue legislation is an important step in enhancing domestic energy supplies. I congratulate those of you in Congress, on both sides of the aisle, who have worked so hard to bring this legislation to my desk.

- o Energy is essential to a vibrant and growing economy

- o We, as a Nation, have come a long way from the 1970's decade of energy crises
 - We use energy more efficiently
 - We are now buffered from extreme market disruptions by the Strategic Petroleum Reserve
 - We have diversified our mix of fuels and technology

- o But this is no time for complacency:
 - Conservation achievements have leveled off
 - Domestic production of oil is down
 - Imports of petroleum are increasing
 - Our need for a cleaner environment is evident.

- o I have directed the Secretary of Energy, Admiral Watkins, to develop a comprehensive National Energy Strategy for the Nation

- o I have asked him to craft this strategy in close consultation with other Federal Agencies, the Congress, State and local governments.

- o I have asked Admiral Watkins to build the national consensus necessary to support such a strategy, and to make the strategy a living and dynamic document responsive to unfolding new knowledge about global climate change.

- o This task will not be easy. We will need to reconcile:
 - Our increasing need for energy at reasonable prices
 - Our commitment to a safer, healthier environment
 - Our obligation to maintain a competitive economy
 - Our goal to reduce reliance on insecure energy supplies.

- o I am confident, however, that American common sense will prevail

- o I want to call on America's historical willingness to solve its problems:
 - on our ability to mobilize our science and technology to overcome natural resources limitations;

 - on our willingness to improve the energy system that drives our economic growth;

 - on our ability to learn from the lessons of the past.

- o Our record of achievement in the energy sector is good. Our legacy will need to be better.

- o I ask for bi-partisan Federal and local support in the development of the National Energy Strategy.