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THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

00001-07

INCOMING

DATE RECEIVED: AUGUST 13, 1990

NAME OF CORRESPONDENT: THE HONORABLE CLAUDINE SCHNEIDER

SUBJECT: SUPPORTS THE PRESIDENT'S DECISIVE STEPS TO
HALT THE IRAQI THREAT; ATTACHES A LIST OF
CONSERVATION OPPORTUNITIES AND POLICIES THAT
HAVE BEEN IDENTIFIED BY VARIOUS DEPARTMENTS

ROUTE TO:		ACTION		DISPOSITION	
OFFICE/AGENCY	(STAFF NAME)	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
FREDERICK MCCLURE		ORG	90/08/13	FM	A 9008/15
99 Energy	REFERRAL NOTE:	R	900817	TC	90/09/18
99 DOJ	REFERRAL NOTE:	I	900817		C 90/08/17 TC
99 Port	REFERRAL NOTE:	I	900817		C 90/08/17 TC
LAMC	REFERRAL NOTE:	A	90/9/20	IS	C 90/09/20 DJ
	REFERRAL NOTE:				

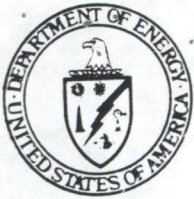
COMMENTS:

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1240

MAIL USER CODES: (A) (B) (C)

*ACTION CODES:	*DISPOSITION	*OUTGOING	*
*	*	*CORRESPONDENCE:	*
*A-APPROPRIATE ACTION	*A-ANSWERED	*TYPE RESP=INITIALS	*
*C-COMMENT/RECOM	*B-NON-SPEC-REFERRAL	*OF SIGNER	*
*D-DRAFT RESPONSE	*C-COMPLETED	*CODE = A	*
*F-FURNISH FACT SHEET	*S-SUSPENDED	*COMPLETED = DATE OF	*
*I-INFO COPY/NO ACT NEC		*OUTGOING	*
*R-DIRECT REPLY W/COPY			*
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LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.



The Secretary of Energy

Washington, DC 20585

September 18, 1990

The Honorable Claudine Schneider
U. S. House of Representatives
Washington, D.C. 20515

Dear Congresswoman Schneider:

We are pleased to respond to your recent letter to the President, a copy of which was forwarded to the Department of Energy for reply. This letter will update you on conditions in the oil market, and on steps we have taken to mitigate the impact of events in the Middle East on the U.S. economy. We view the problem as one of three parts - short-term, medium-term and long-term.

Current oil supplies on the world market have been sufficient to meet short-term requirements. The shut-off of Iraqi and Kuwaiti oil took place coincidentally at a time when world oil stocks were at high levels. In addition, we estimate that the excess production capacity outside of Iraq and Kuwait could nearly equal the current loss of production from those two countries, if such worldwide capacity would be brought on-line. The Administration has urged countries in the Middle East, South America, Africa, and elsewhere, with excess capacity, to increase their oil production, as well as producers here at home.

The DOE itself has been actively engaged in responding to the current situation in a variety of ways. For the short-term (next 120 days), we announced, on August 15, 1990, a balanced plan of increasing oil production, fuel switching and reduction in consumption which could offset much of the combined loss of U.S. imports of Iraqi and Kuwaiti oil. Enclosed is a copy of this initial plan of action. We have met with members of the domestic petroleum industry, as well as representatives of oil-consuming industries, in an effort to determine the most effective ways both to increase domestic production and reduce U.S. demand for oil.

In this regard, several projects have already been identified that will enhance domestic production without damaging our environment. We initially approached producers in Alaska about increasing their output, expecting them to lift 50,000 - 100,000 new barrels per day (b/d). After subsequent discussions with them, we now foresee an increase there of roughly 225,000 b/d. The Elk Hills Naval Petroleum Reserve in California is also expected to increase its production by 5,000 b/d. Additionally, the relaxation of State "allowables" will result in increased oil production in the State

of Texas. The Texas Railroad Commission has already adopted an emergency rule which is expected to increase production by 20,000 - 30,000 b/d. We estimate that these efforts could increase domestic supplies by 250,000 b/d by the end of the year.

DOE also is encouraging domestic energy conservation and fuel switching by commercial as well as private consumers. This initiative includes helping utilities and industry switch from petroleum to domestic fuels, like natural gas and coal. It also includes a national public information campaign, scheduled to begin very shortly, which will illustrate simple steps Americans can take to conserve energy by maintaining proper tire pressure, obeying speed limits, using the most efficient car in the household and taking advantage of mass transit and car pooling. We will also seek to take advantage of the 10,000 b/d of currently unused ethanol capacity.

We are completing work on additional measures for the medium term (1-2 years). It, too, will be a balanced approach of energy production, reduction in demand and fuel switching.

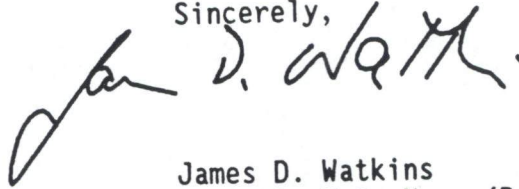
The Department has echoed the President's call to petroleum industry leaders for price restraint. While past experience has shown the folly of government intervention in the market to price or allocate fuel supplies, we are concerned about the recent increases in the price of petroleum products and the hardships they may be causing. DOE is gathering data on the commercial oil market to track any sharp fluctuations in the marketplace and will provide this information to the Department of Justice, Congress, and the American people.

We stand ready to draw on our Strategic Petroleum Reserve to redress any severe oil supply disruption. The Administration has already led consultations with the International Energy Agency to prepare for the coordinated use of government-controlled and strategic oil stocks held by the U.S. and its Allies, if it becomes necessary.

The Iraqi invasion points to the need for long-term solutions to energy issues. In July 1989, the President directed me to lead the development of a comprehensive National Energy Strategy. The principal objective of this strategy is to reduce our dependence and that of our Allies on unstable supplies of oil. We are well along in completing this task, and will make a report to the President in December, as scheduled.

I appreciate your views regarding these issues. Please be assured that we will continue to monitor the impacts of changing market conditions and report our findings to Congress and the American people.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. D. Watkins", written over the word "Sincerely,".

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

DEPARTMENT OF ENERGY -- ACTION ITEMS

The Department of Energy has taken the following actions:

- o Assist the parties in resolving their differences in order to begin production at Point Arguello (Central California Coastline) -- Crude oil production from the Pt. Arguello offshore platform can be brought on line quickly by successfully negotiating pending permits for transporting the oil by tanker to Los Angeles, or developing existing onshore pipeline alternatives. DOE intends to work closely with the Minerals Management Service, the California Coastal Commission, the County of Santa Barbara, the U.S. Coast Guard, the Chevron Corporation, and others to help resolve outstanding problems with the permitting process and assure the earliest possible flow of oil from Pt. Arguello. Industry estimates that production from the platform could be at 75,000 barrels per day within 90 days.

- o Increase Alaskan production -- DOE has requested the management of Alaska's oil production system to increase flow by 50,000 to 100,000 barrels per day. This level of increased production is feasible without damaging future production capabilities.

- o Increase Naval Petroleum Reserve (NPR) production -- The Department of Energy and Chevron (the operating partner) have agreed to increase production at the Elk Hills Naval Petroleum reserve by 5,000 barrels per day by October, 1990. This is made possible by recently completed upgrades in the system.

- o Request states to increase "allowables" -- DOE will be contacting state officials in Texas, New Mexico, Kansas, Alabama, Mississippi, and other states to urge adjustments to the allowable production levels in certain fields (such as Austin Chalk in Texas) which are under their regulatory jurisdiction. Increasing "allowables" will add a minimum of 30,000 barrels per day to the domestic supply.

- o Maximize Fuel Switching A substantial capability for fuel switching exists in the U.S. DOE and FERC will work with state authorities to identify natural gas pipeline projects that will enable fuel switching to occur and be sustained. DOE and FERC also will work with state authorities to make sure that switching to domestic fuels is not disadvantaged by the regulatory process. DOE

(MORE)

believes that 100,000 barrels per day of oil could be backed out by other fuels in the short term. Over the longer term, more savings are possible.

o The Secretary of Energy also encouraged Americans to voluntarily increase energy efficiency and reduce domestic demand for oil. Practical, common sense suggestions to save energy include:

o Maintaining proper tire pressure. Up to 100,000 barrels a day of oil could be saved by the simple measure of maintaining recommended automobile tire pressure. DOE will request dealers, service facilities, and gas station operators to remind consumers of the benefits of maintaining proper tire pressure. Fleet operators will be asked to ensure tire pressure checks are part of routine maintenance.

o Observing posted speed limits. Every American can save lives, money, and energy by driving at posted speed limits. Each MPH driven above the speed limits consumes 2% more fuel than necessary. Currently, average speed on non-congested highways exceeds posted speed limits by more than 5 MPH. Voluntary compliance with posted speed limits can save at least 50,000 barrels of oil per day.

o Using the more efficient vehicle. Over half of U.S. households have two or more vehicles, one of which is an average of 5 MPG more fuel efficient than the other. If just 20% of these vehicle owners would shift driving patterns so that the more efficient vehicle was utilized for the major portion of vehicle miles traveled, 40,000 barrels of oil per day could be saved.

o Carpool/Vanpool/Public Transit. States, metropolitan areas, and employers can encourage and facilitate the use of carpools and vanpools and the use of public transit service. A 20 percent increase in car/van pool and public transit use can reduce oil consumption by 90,000 barrels per day.

o Increase Alternative Fuel Use. Current U.S. ethanol facilities are operating at 80% capacity. An increase in alternative fuel use would have the effect of offsetting crude oil use by an estimated 10,000 b/d in the near term. DOE is exploring other options to increase the use of alternative fuels over the longer term.

o The Department of Energy is also working with all federal agencies to lower Federal energy use.

T H E W H I T E H O U S E O F F I C E

REFERRAL

AUGUST 17, 1990

TO: DEPARTMENT OF ENERGY

ACTION REQUESTED:

DIRECT REPLY, FURNISH INFO COPY

REMARKS: ALSO REFERRED TO JUSTICE FOR INFORMATION ONLY

DESCRIPTION OF INCOMING:

ID: 166191

MEDIA: LETTER, DATED AUGUST 8, 1990

TO: PRESIDENT BUSH

FROM: THE HONORABLE CLAUDINE SCHNEIDER
U.S. HOUSE OF REPRESENTATIVES

WASHINGTON DC 20515

SUBJECT: SUPPORTS THE PRESIDENT'S DECISIVE STEPS TO
HALT THE IRAQI THREAT; ATTACHES A LIST OF
CONSERVATION OPPORTUNITIES AND POLICIES THAT
HAVE BEEN IDENTIFIED BY VARIOUS DEPARTMENTS

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE
(OR DRAFT) TO:

AGENCY LIAISON, ROOM 91, THE WHITE HOUSE, 20500

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

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August 15, 1990

Dear Claudine:

Thank you for your recent letter to the President expressing both your support for his handling of the crisis in the Middle East and your concern about increased oil prices.

President Bush appreciates the interest which prompted you to write. I have taken the liberty of sharing your comments about the Strategic Petroleum Reserve and your recommendation about an investigation into gasoline price increases with the President's energy policy advisors for their careful consideration.

Thank you again for writing.

With best regards,

Sincerely,

Frederick D. McClure
Assistant to the President
for Legislative Affairs

The Honorable Claudine Schneider
House of Representatives
Washington, D.C. 20515

FDM:HGP:

bcc: w/ copy of inc to ENERGY - for Direct
Response

bcc: w/ copy of inc to JUSTICE - FYI

bcc: w/ copy of inc to OEDP - FYI

bcc: w/ copy of inc to JUSTICE - FYI

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TREASURER



Congress of the United States

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

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AGING
HEALTH & LONG TERM CARE

August 8, 1990

The Honorable George H. Bush
President of the United States
The White House
Washington, D.C.

Dear Mr. President:

I want to applaud your handling of the Iraqi military threat. A tyrant like Saddam Hussein shows no respect for the rights of the small, unprotected countries in the Middle East, nor the severe damage that his bellicose actions could unleash on the world economy. Your firm show of strength and rallying international condemnation of Iraq's aggression is necessary to bring about a swift resolution to this threat.

Clearly, many actions will have to occur if we are to reduce the ongoing threat of Middle East oil supply disruptions. Iraq's invasion of Kuwait has already triggered panic price increases on the part of oil companies. As you know, nationwide gasoline prices have risen 13 cents per gallon, home heating oil by 17 cents per gallon, and in some areas prices have jumped by 30 cents a gallon. This is occurring during a time of year when gas prices normally drop, and in spite of the fact that the United States has available a three month reserve supply of oil. In sharp contrast, Japan's oil prices have remained steady, despite importing 99 percent of their oil.

Your continued leadership in calling on oil companies not to artificially raise their prices is absolutely imperative if we are to avert a worsening of this crisis far beyond what need otherwise occur. I strongly urge you to direct the Attorney General to initiate a Justice Department investigation into predatory pricing practices, in order to assure the American people that oil company price fixing is not occurring.

In addition, the 600 million barrel Strategic Petroleum Reserve was set up as a key mechanism for dealing with this kind of crisis. Japan is using exactly this mechanism to maintain stable oil prices, by allowing companies to draw down oil supplies from their nation's four month reserve supply.

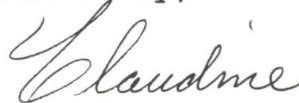
The Honorable George Bush
page two

I also want to urge you to move as swiftly as possible to implement the federal government's energy emergency contingency plan. In broad terms, 15 years of strategic planning efforts on the part of the Department of Energy (DOE) have identified a range of no-cost and low-cost conservation measures that can be implemented by consumers, many of them very rapidly.

I commend you for noting in your speech from the Oval Office the valuable role that conservation can play in keeping oil prices from rising. There is a definite need to mobilize your Administration's various departmental resources to provide extensive educational materials to the public on how they can conserve oil resources. Plentiful experience has been accumulated, and information compiled, that shows how oil consumption can be reduced without hardship on consumers. On the contrary, most of these measures lead to financial savings and a reduction in environmental pollutants.

I am taking the liberty of attaching a list of conservation opportunities and policies that have been identified in various departmental reports and congressional hearings. Your leadership in promoting these policies will have a powerful effect on not only on reducing the current problem of rising oil prices, but also in preventing future threats of oil disruptions. Again, my congratulations on your decisive steps to halt the Iraqi threat of aggression, and please call upon me if I can be of any assistance.

Sincerely,



Claudine Schneider
Member of Congress

ENERGY EFFICIENCY:

America's Strategic Energy Reserve

Prepared by

The Honorable Claudine Schneider

Iraq's invasion of Kuwait has once again galvanized public attention on the problem of U.S. vulnerability to foreign oil price shocks and disruptions. The nation cannot sit idly, hoping for Iraq to come to its senses. On the contrary, it is clear that continued dependency on vulnerable foreign oil supplies poses an ever present threat to U.S. energy and economic security. We must begin now to wean ourselves of these imports.

In taking action, however, we must avoid a crisis mentality and guard against the impulse to throw money at any and every energy option, regardless of cost or environmental problems. We must exercise fiscal responsibility, and maintain environmental integrity, as we move away from foreign oil dependency. We know, for example, that America is rich in energy options -- conservation, fossil, solar, renewables, synthetic fuels and nuclear -- but that these options vary in cost by more than a factor of ten. Our task is to select and promote the least cost, and lowest risk, energy options first and foremost.

There is unanimous agreement, expressed in report after report submitted to Congress, that energy efficiency measures represent an untapped "invisible Strategic Energy Reserve" located where it is most needed: within American homes, vehicles, offices and factories. Americans have already taken significant steps to conserve energy by insulating buildings, installing efficient lights and motors, and purchasing more efficient vehicles. But studies show we have just tapped a fraction of available savings. It is incumbent upon us in light of recent Mid-East events, to pursue all available means for expediting these energy-saving opportunities. With transportation consuming two-thirds of all oil, this one sector demands special attention.

One immediate action is to coordinate an accelerated information campaign through the Department of Energy (DOE) and the Department of Transportation (DOT) to encourage commuters to car pool and/or switch from cars to mass transit options, and to reduce unnecessary trips. As DOT studies have shown, one train can remove as many as 100 cars from the road during rush-hour, a bus can eliminate 40 cars, a van-pool reduce up to 13 cars, and a car-pool remove two to three cars. These shifts would conserve substantial sums of energy -- from 30 to 70 percent, depending on the type of shift. Diverting the average auto commuter to Bike&Ride travel would achieve energy savings of over 400 gallons of gasoline each year.

The U.S. has had a history of modest success with ridesharing. In 1983, for example, one in five commuters car- and van-pooled, resulting in a four percent reduction (400,000 barrels of oil per day) in U.S. transportation energy consumption. By 1985, there were

some 3000 to 5000 individually-owned and operated vanpools. There remains tremendous opportunity for working with the private sector, and public sector, to increase participation in this option. ARCO's two decades of successful experience and incentive programs should be tapped as a model of how other large organizations can actively spur ridesharing.

Ridesharing can be furthered by promoting High Occupancy Vehicle (HOV) lane use through preferential treatment, such as HOV bypasses to ramp metering, as done in Los Angeles. DOT and EPA have identified many similar opportunities, which should receive prominent attention so we can more swiftly reduce oil consumption.

In addition to encouraging shifts to more energy-conserving transit options, DOT and DOE need to mount a broadscale public awareness campaign of how proper maintenance procedures and driving skills can cut car fuel consumption by several tens of percents. This includes proper inflation of tires (3% savings), tuned engines (3 to 7%), changing motor oil regularly (5%), correct wheel alignment (2%), maintaining proper carburetor air/fuel mixtures (5 to 20%), using radial tires (5 to 10%), and avoiding unnecessarily rapid acceleration and high speeds. These may be individually small savings, but as Benjamin Franklin once remarked, "little strokes fell great oaks."

These measures can be particularly effective if directed to the nation's 10 million vehicles in public and private fleets. Preventative vehicle maintenance, optimized routing, record-keeping, and training and technical assistance on driving techniques can have a very immediate, beneficial effect. Many of the nation's 125,000 taxis, for example, waste upwards of 20 percent of their fuel because of failing to follow these straightforward procedures.

DOT and DOE, in conjunction with the Environmental Protection Agency (EPA), can also help state and local governments expedite innovative and highly successful energy-conserving Transportation Demand Management (TDM) and Transportation System Management (TSM) strategies operating in communities across the country. For example, southern California is saving energy by rescheduling and rerouting truck deliveries away from congested areas during peak-commute hours, a time well-known for a precipitous decline in fuel mileage because vehicles idle in traffic.

Argonne National Lab has found an excellent potential to reduce trucking fuel losses by more than 70 million gallons per year simply by turning off their engines while parked! Many truckers are under the false impression that running engines while parked saves fuel, when in fact it not only wastes fuel but leads to premature repair costs.

Signal synchronization is an old and proven option that shows the greatest potential for near-term energy savings of all TSMs. Signal synchronization saves an estimated 3.5 percent of all fuel consumed in an urban area. An estimated 25 gallons of fuel is saved for every project dollar expended.

Parking management strategies comprise one of the most important variables in promoting energy-efficient transportation services. DOT and EPA studies have found that three-fourths of all commuters in the

U.S. park in free, employer-provided, off-street parking spaces, and an additional one-fifth park for free in on-street parking spaces. These highly subsidized rates undermine the incentive to take advantage of energy-conserving mass transit options. Introducing paid parking or removing parking subsidies can reduce single passenger driving shares by as much as 30 percent. DOT has identified a range of parking management strategies, including: residential parking permit programs, preferential parking for High Occupancy Vehicles (HOVs), restrictive parking caps, flexible off-street parking requirements, parking pricing mechanisms, parking fringe benefits, and parking violation enforcement.

The Treasury Secretary can review and help expedite tax measures useful for accelerating shifts to mass transit. For example, under current federal law, employers must report as taxable earnings any transit passes exceeding \$15 per month to employees, while substantial parking subsidies (which can range from \$160 to \$1,600 per space per year) are not taxable at all. Legislation is pending in the House and Senate to remove this disincentive to mass transit, and the Administration could help expedite this change.

Particularly valuable would be an Executive Order issued by the President directing all federal agencies to implement energy efficiency improvements that are cost-effective on a life-cycle basis. Studies by U.S. national laboratories show an enormous energy-savings potential remains untapped.

At least half of the \$4 billion per year spent on energy for federal buildings could be saved, as could half of the \$2 billion spent each year in federal energy payments for HUD-assisted Public Housing Authorities. Additional billions could be saved by ensuring that the federal vehicle fleet procures the most fuel-efficient vehicles available. By the federal government setting an example of procuring the most energy efficient devices that are cost-effective, we are sure to have state and local governments and private industry follow suit. Indeed, several states and many corporations are well along in this endeavor.

Similarly, issuing an Executive Order directing all federal agencies to implement comprehensive recycling programs would help reduce oil consumption. Recycled materials require a fraction of the energy to produce the same product from virgin materials. Recycled paper consumes 50% less energy, and aluminum cans over 90% less. Most federal agencies continue to fail to recycle their waste streams, and also fail to procure products made from recycled materials.

As a national energy policy option, it is entirely reasonable to encourage commuters to take advantage of bicycling. As communities in Denmark, the Netherlands, West Germany, Japan, Finland and other countries have demonstrated, upwards of 50 percent of commuter needs can be accommodated with bicycles. Argentine President Carlos Menem has urged citizens to ease the shock of soaring gasoline prices by riding bicycles--and is a cyclist himself. Cities like San Francisco are paying employees seven cents a mile for all business travel by bicycle, and sponsors a city-wide monthly "Leave Your Car at Home Day." Several large employers in Palo Alto, CA, pay bicycle commuters \$1 for each day they ride to work. Twenty percent of Xerox employees in Palo Alto cycle to work, promoted in part by a towel

service in the shower room. Bicycles comprise 25% of all trips in Davis, CA -- the nation's highest rate.

Currently, 2.7 million U.S. bicycle commuters save an estimated 568 million gallons of gasoline. Yet, EPA estimates this comprises just .7 percent of U.S. trips. Over 100 million Americans own bicycles and an estimated 35 million commuters live within several miles of work or a mass transit system that could be reached by bicycle. Unlike the average U.S. car which gets less than 20 miles to the gallon, a bicyclist achieves some 1400 miles to the gallon (equivalent in extra kilocalories of food required for the exercise).

In 1978, the Congress expressly endorsed the role of bicycles in our nation's transport system, stating in the Energy Policy Conservation Act that bicycles are "the most efficient means of transportation" and "represent a viable commuting alternative to many people, offer mobility at speeds as fast as that of cars in urban areas, provide health benefits through daily exercise, reduce noise and air pollution, are relatively inexpensive, and deserve consideration in a comprehensive national energy plan."

In 1980, DOT estimated that bicycle use could be increased 200 to 400 percent for work trips and by 50 to 100 percent for other transportation purposes within five years, with resultant fuel savings of up to 23.5 million barrels per year. DOT was directed in the FY90 appropriations to appoint a bicycle specialist to spur this option, but this position remains unfilled. The Secretary of Transportation should expedite appointment of this position.

Longer range measures

The above mentioned suggestions represent measures that provide immediate or near-term opportunities for reducing oil imports at low or no cost. There is an even larger pool of savings available over the intermediate and long term that we should initiate now so as to maintain steady progress towards the ultimate goal of entirely eliminating foreign oil imports. Such a move would not only reduce our trade deficit by more than \$80 billion per year, but would insulate us from the unforeseen price shocks and potential disruptions caused by tyrants like Iraq's Saddam Hussein.

One of the most fruitful efforts we could undertake is to establish a national least-cost energy plan. The least-cost energy strategy, which is being successfully applied by more than a dozen public utility commissions for meeting growing electricity demand, essentially ranks all supply and demand-side energy options in order of their cost-effectiveness. The importance of this approach is to avoid the disastrous policy decisions of the 1970s, when utilities overbuilt power plants, only to abandon many of them as energy conservation reduced demand. According to DOE, the economic losses from abandoned powerplants exceeds \$20 billion.

The need for rigorous least-cost energy planning methods was forcefully delivered many times by myself and scores of other witnesses who testified before DOE Secretary Watkins' public hearings on the National Energy Strategy. Expediting the release of this strategy, with the least cost planning provision as its fundamental underpinning, would be highly beneficial given current events. In

the utility sector, alone, the savings from least-cost planning could amount to over \$30 billion per year in avoided powerplant construction. There are exemplary least-cost utility planning models operating around the country, such as the New England Collaborative set up by utilities and the Conservation Law Foundation, or the Northwest Power Planning Council's decade long effort, and the California Collaborative set up by environmental groups and California utilities; these models should be shared with other states in order to expedite the planning process nationwide.

Detailed studies have been prepared and submitted as part of the preparation of DOE's National Energy Strategy, which show energy efficiency improvements to be America's unequivocal least-cost energy option. Commercially available technologies currently exist for cutting the nation's \$400 billion energy bill in half by improving the stock of America's appliances, buildings, vehicles and factories.

This will take several decades to achieve, but it can be accelerated through the implementation of new tax and budgetary policies. For example, as of the mid-1980s the government was providing over \$40 billion per year in federal energy subsidies, yet less than one percent of that sum goes towards promoting greater reliance on energy efficiency, and only a few percent goes to develop solar and renewable resources.

We need to create a more level playing field by reducing or shifting these subsidies, which currently subsidize the development of more expensive fossil and nuclear resources. For example, why not provide a performance-based tax incentive for consumers to reduce their energy demand, whether in a home, office, factory or vehicle? The Japanese provide a 30 percent tax break for any industry that cuts their energy consumption by 30 percent. We should most definitely increase the current gas-guzzler tax on inefficient vehicles, and institute a tax rebate to consumers to purchase fuel efficient vehicles. These two measures can be designed to remain revenue neutral, with the guzzler tax paying for the tax rebate. My legislation, the Global Warming Prevention Act (HR 1078), does exactly this.

Secondly, we need to incorporate the "external" costs caused by each energy source which is not currently reflected in its price. Fossil fuels, for example, cause tens of billions of dollars in pollution and health damage each year. Failure to capture these costs imposes that burden on the taxpayers and society, and undermines the use of less polluting and less costly energy efficiency and solar options.

Third, we can greatly reduce oil consumption by improving the federal energy efficiency standards for vehicles, appliances, buildings, and other energy-consuming devices. This is a very cost-effective policy option. Federal vehicle fuel economy standards were first passed in 1975 (the Corporate Average Fuel Economy, or CAFE, standards), and according to DOE the standards had accrued consumers net cumulative savings in excess of \$180 billion as of 1988.

Studies by the Natural Resources Defense Council (NRDC) indicate that raising the current standards for light cars from 27 miles per gallon (mpg) to 45 mpg, and light trucks from 20 mpg to 35 mpg would

achieve cumulative savings of 14.8 billion barrels over the next three decades. This is more energy than could be extracted off the Pacific and Atlantic coasts, as well as in Alaska and the Arctic National Wildlife Refuge. Studies done by DOT and others indicate that this mileage increase can be done while maintaining large-sized sedans, and without compromising crashworthiness, emissions standards, or other amenities like acceleration and roominess. This measure is long overdue and should move forward as swiftly as possible.

DOE is in the midst of a number of rulemakings to increase the Residential Appliance Energy Efficiency Standards, as required by the National Appliance Energy Conservation Act of 1987. These rulemakings should be reassessed in light of the heightened need to reduce foreign oil imports. Earlier estimates submitted to the rulemakings by groups such as the American Council for an Energy Efficient Economy (ACEEE) and NRDC find additional savings in excess of four quads are available (beyond those identified by DOE).

DOE should also do a much more active outreach effort in promoting the federal voluntary Building Energy Performance Standards. Many states remain unfamiliar with the development of these model building standards, which are based on cutting energy consumption by tens of percent with paybacks of several years or less.

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Obviously there are many other options that could be mentioned.

My ten years on the House Science, Space and Technology Committee, which annually reviews the nation's energy technology options in extensive detail, has convinced me that there is a win-win energy strategy we can pursue which cuts energy bills, enhances economic productivity and competitiveness, and reduces a range of environmental pollutants.

It is now widely recognized that the U.S. could produce a dollar of Gross National Product while consuming half as much energy (as is already being done in Japan and many West European countries). The multi-hundred billion dollar annual energy savings would help keep down inflation and interest rates, while enhancing our economic productivity and global competitiveness. They would prevent the generation of millions of tons of pollutants, and the need for tax dollars to control and dispose of these pollutants. And, equally important, they offer a painless means of reducing U.S. vulnerability to volatile foreign oil price shocks and disruptions.

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

COODIGT

INCOMING

DATE RECEIVED: AUGUST 13, 1990

NAME OF CORRESPONDENT: THE HONORABLE CLAUDINE SCHNEIDER

SUBJECT: SUPPORTS THE PRESIDENT'S DECISIVE STEPS TO
HALT THE IRAQI THREAT; ATTACHES A LIST OF
CONSERVATION OPPORTUNITIES AND POLICIES THAT
HAVE BEEN IDENTIFIED BY VARIOUS DEPARTMENTS

		ACTION		DISPOSITION	
ROUTE TO:		ACT	DATE	TYPE	C COMPLETED
OFFICE/AGENCY	(STAFF NAME)	CODE	YY/MM/DD	RESP	D YY/MM/DD
FREDERICK MCCLURE		ORG	90/08/13	FM	A 9008/15 TC
99 Energy	REFERRAL NOTE: _____	R	900818		T /
99 DOJ	REFERRAL NOTE: _____	I	900818		C 90/08/17 TC
99 Port	REFERRAL NOTE: _____	I	900818		C 90 08/17 TC
	REFERRAL NOTE: _____		/ /		/ /
	REFERRAL NOTE: _____		/ /		/ /

COMMENTS: _____

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1240 _____

MAIL USER CODES: (A) _____ (B) _____ (C) _____

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*ACTION CODES:          *DISPOSITION          *OUTGOING          *
*                      *                      *CORRESPONDENCE:   *
*A-APPROPRIATE ACTION  *A-ANSWERED          *TYPE RESP=INITIALS *
*C-COMMENT/RECOM       *B-NON-SPEC-REFERRAL  *                OF SIGNER *
*D-DRAFT RESPONSE      *C-COMPLETED          *                CODE = A   *
*F-FURNISH FACT SHEET  *S-SUSPENDED          *COMPLETED = DATE OF   *
*I-INFO COPY/NO ACT NEC*                      *                OUTGOING *
*R-DIRECT REPLY W/COPY *                      *                      *
*S-FOR-SIGNATURE       *                      *                      *
*X-INTERIM REPLY       *                      *                      *
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(ROOM 75, OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.

August 15, 1990

Dear Claudine:

Thank you for your recent letter to the President expressing both your support for his handling of the crisis in the Middle East and your concern about increased oil prices.

President Bush appreciates the interest which prompted you to write. I have taken the liberty of sharing your comments about the Strategic Petroleum Reserve and your recommendation about an investigation into gasoline price increases with the President's energy policy advisors for their careful consideration.

Thank you again for writing.

With best regards,

Sincerely,

Frederick D. McClure
Assistant to the President
for Legislative Affairs

The Honorable Claudine Schneider
House of Representatives
Washington, D.C. 20515

FDM:HGP:

bcc: w/ copy of inc to ENERGY - for Direct
Response

bcc: w/ copy of inc to JUSTICE - FYI

bcc: w/ copy of inc to OEDP - FYI

bcc: w/ copy of inc to JUSTICE - FYI

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NORTHEAST-MIDWEST CONGRESSIONAL COALITION
TREASURER



Congress of the United States

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

16.6/91
COMMITTEES:
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AGING
HEALTH & LONG TERM CARE

August 8, 1990

F McClure
The Honorable George H. Bush
President of the United States
The White House
Washington, D.C.

Dear Mr. President:

I want to applaud your handling of the Iraqi military threat. A tyrant like Saddam Hussein shows no respect for the rights of the small, unprotected countries in the Middle East, nor the severe damage that his bellicose actions could unleash on the world economy. Your firm show of strength and rallying international condemnation of Iraq's aggression is necessary to bring about a swift resolution to this threat.

Clearly, many actions will have to occur if we are to reduce the ongoing threat of Middle East oil supply disruptions. Iraq's invasion of Kuwait has already triggered panic price increases on the part of oil companies. As you know, nationwide gasoline prices have risen 13 cents per gallon, home heating oil by 17 cents per gallon, and in some areas prices have jumped by 30 cents a gallon. This is occurring during a time of year when gas prices normally drop, and in spite of the fact that the United States has available a three month reserve supply of oil. In sharp contrast, Japan's oil prices have remained steady, despite importing 99 percent of their oil.

Your continued leadership in calling on oil companies not to artificially raise their prices is absolutely imperative if we are to avert a worsening of this crisis far beyond what need otherwise occur. I strongly urge you to direct the Attorney General to initiate a Justice Department investigation into predatory pricing practices, in order to assure the American people that oil company price fixing is not occurring.

In addition, the 600 million barrel Strategic Petroleum Reserve was set up as a key mechanism for dealing with this kind of crisis. Japan is using exactly this mechanism to maintain stable oil prices, by allowing companies to draw down oil supplies from their nation's four month reserve supply.

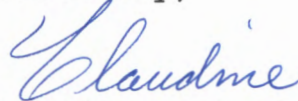
The Honorable George Bush
page two

I also want to urge you to move as swiftly as possible to implement the federal government's energy emergency contingency plan. In broad terms, 15 years of strategic planning efforts on the part of the Department of Energy (DOE) have identified a range of no-cost and low-cost conservation measures that can be implemented by consumers, many of them very rapidly.

I commend you for noting in your speech from the Oval Office the valuable role that conservation can play in keeping oil prices from rising. There is a definite need to mobilize your Administration's various departmental resources to provide extensive educational materials to the public on how they can conserve oil resources. Plentiful experience has been accumulated, and information compiled, that shows how oil consumption can be reduced without hardship on consumers. On the contrary, most of these measures lead to financial savings and a reduction in environmental pollutants.

I am taking the liberty of attaching a list of conservation opportunities and policies that have been identified in various departmental reports and congressional hearings. Your leadership in promoting these policies will have a powerful effect on not only on reducing the current problem of rising oil prices, but also in preventing future threats of oil disruptions. Again, my congratulations on your decisive steps to halt the Iraqi threat of aggression, and please call upon me if I can be of any assistance.

Sincerely,



Claudine Schneider
Member of Congress

ENERGY EFFICIENCY:

America's Strategic Energy Reserve

Prepared by

The Honorable Claudine Schneider

Iraq's invasion of Kuwait has once again galvanized public attention on the problem of U.S. vulnerability to foreign oil price shocks and disruptions. The nation cannot sit idly, hoping for Iraq to come to its senses. On the contrary, it is clear that continued dependency on vulnerable foreign oil supplies poses an ever present threat to U.S. energy and economic security. We must begin now to wean ourselves of these imports.

In taking action, however, we must avoid a crisis mentality and guard against the impulse to throw money at any and every energy option, regardless of cost or environmental problems. We must exercise fiscal responsibility, and maintain environmental integrity, as we move away from foreign oil dependency. We know, for example, that America is rich in energy options -- conservation, fossil, solar, renewables, synthetic fuels and nuclear -- but that these options vary in cost by more than a factor of ten. Our task is to select and promote the least cost, and lowest risk, energy options first and foremost.

There is unanimous agreement, expressed in report after report submitted to Congress, that energy efficiency measures represent an untapped "invisible Strategic Energy Reserve" located where it is most needed: within American homes, vehicles, offices and factories. Americans have already taken significant steps to conserve energy by insulating buildings, installing efficient lights and motors, and purchasing more efficient vehicles. But studies show we have just tapped a fraction of available savings. It is incumbent upon us in light of recent Mid-East events, to pursue all available means for expediting these energy-saving opportunities. With transportation consuming two-thirds of all oil, this one sector demands special attention.

One immediate action is to coordinate an accelerated information campaign through the Department of Energy (DOE) and the Department of Transportation (DOT) to encourage commuters to car pool and/or switch from cars to mass transit options, and to reduce unnecessary trips. As DOT studies have shown, one train can remove as many as 100 cars from the road during rush-hour, a bus can eliminate 40 cars, a van-pool reduce up to 13 cars, and a car-pool remove two to three cars. These shifts would conserve substantial sums of energy -- from 30 to 70 percent, depending on the type of shift. Diverting the average auto commuter to Bike&Ride travel would achieve energy savings of over 400 gallons of gasoline each year.

The U.S. has had a history of modest success with ridesharing. In 1983, for example, one in five commuters car- and van-pooled, resulting in a four percent reduction (400,000 barrels of oil per day) in U.S. transportation energy consumption. By 1985, there were

some 3000 to 5000 individually-owned and operated vanpools. There remains tremendous opportunity for working with the private sector, and public sector, to increase participation in this option. ARCO's two decades of successful experience and incentive programs should be tapped as a model of how other large organizations can actively spur ridesharing.

Ridesharing can be furthered by promoting High Occupancy Vehicle (HOV) lane use through preferential treatment, such as HOV bypasses to ramp metering, as done in Los Angeles. DOT and EPA have identified many similar opportunities, which should receive prominent attention so we can more swiftly reduce oil consumption.

In addition to encouraging shifts to more energy-conserving transit options, DOT and DOE need to mount a broadscale public awareness campaign of how proper maintenance procedures and driving skills can cut car fuel consumption by several tens of percents. This includes proper inflation of tires (3% savings), tuned engines (3 to 7%), changing motor oil regularly (5%), correct wheel alignment (2%), maintaining proper carburetor air/fuel mixtures (5 to 20%), using radial tires (5 to 10%), and avoiding unnecessarily rapid acceleration and high speeds. These may be individually small savings, but as Benjamin Franklin once remarked, "little strokes fell great oaks."

These measures can be particularly effective if directed to the nation's 10 million vehicles in public and private fleets. Preventative vehicle maintenance, optimized routing, record-keeping, and training and technical assistance on driving techniques can have a very immediate, beneficial effect. Many of the nation's 125,000 taxis, for example, waste upwards of 20 percent of their fuel because of failing to follow these straightforward procedures.

DOT and DOE, in conjunction with the Environmental Protection Agency (EPA), can also help state and local governments expedite innovative and highly successful energy-conserving Transportation Demand Management (TDM) and Transportation System Management (TSM) strategies operating in communities across the country. For example, southern California is saving energy by rescheduling and rerouting truck deliveries away from congested areas during peak-commute hours, a time well-known for a precipitous decline in fuel mileage because vehicles idle in traffic.

Argonne National Lab has found an excellent potential to reduce trucking fuel losses by more than 70 million gallons per year simply by turning off their engines while parked! Many truckers are under the false impression that running engines while parked saves fuel, when in fact it not only wastes fuel but leads to premature repair costs.

Signal synchronization is an old and proven option that shows the greatest potential for near-term energy savings of all TSMs. Signal synchronization saves an estimated 3.5 percent of all fuel consumed in an urban area. An estimated 25 gallons of fuel is saved for every project dollar expended.

Parking management strategies comprise one of the most important variables in promoting energy-efficient transportation services. DOT and EPA studies have found that three-fourths of all commuters in the

U.S. park in free, employer-provided, off-street parking spaces, and an additional one-fifth park for free in on-street parking spaces. These highly subsidized rates undermine the incentive to take advantage of energy-conserving mass transit options. Introducing paid parking or removing parking subsidies can reduce single passenger driving shares by as much as 30 percent. DOT has identified a range of parking management strategies, including: residential parking permit programs, preferential parking for High Occupancy Vehicles (HOVs), restrictive parking caps, flexible off-street parking requirements, parking pricing mechanisms, parking fringe benefits, and parking violation enforcement.

The Treasury Secretary can review and help expedite tax measures useful for accelerating shifts to mass transit. For example, under current federal law, employers must report as taxable earnings any transit passes exceeding \$15 per month to employees, while substantial parking subsidies (which can range from \$160 to \$1,600 per space per year) are not taxable at all. Legislation is pending in the House and Senate to remove this disincentive to mass transit, and the Administration could help expedite this change.

Particularly valuable would be an Executive Order issued by the President directing all federal agencies to implement energy efficiency improvements that are cost-effective on a life-cycle basis. Studies by U.S. national laboratories show an enormous energy-savings potential remains untapped.

At least half of the \$4 billion per year spent on energy for federal buildings could be saved, as could half of the \$2 billion spent each year in federal energy payments for HUD-assisted Public Housing Authorities. Additional billions could be saved by ensuring that the federal vehicle fleet procures the most fuel-efficient vehicles available. By the federal government setting an example of procuring the most energy efficient devices that are cost-effective, we are sure to have state and local governments and private industry follow suit. Indeed, several states and many corporations are well along in this endeavor.

Similarly, issuing an Executive Order directing all federal agencies to implement comprehensive recycling programs would help reduce oil consumption. Recycled materials require a fraction of the energy to produce the same product from virgin materials. Recycled paper consumes 50% less energy, and aluminum cans over 90% less. Most federal agencies continue to fail to recycle their waste streams, and also fail to procure products made from recycled materials.

As a national energy policy option, it is entirely reasonable to encourage commuters to take advantage of bicycling. As communities in Denmark, the Netherlands, West Germany, Japan, Finland and other countries have demonstrated, upwards of 50 percent of commuter needs can be accommodated with bicycles. Argentine President Carlos Menem has urged citizens to ease the shock of soaring gasoline prices by riding bicycles--and is a cyclist himself. Cities like San Francisco are paying employees seven cents a mile for all business travel by bicycle, and sponsors a city-wide monthly "Leave Your Car at Home Day." Several large employers in Palo Alto, CA, pay bicycle commuters \$1 for each day they ride to work. Twenty percent of Xerox employees in Palo Alto cycle to work, promoted in part by a towel

service in the shower room. Bicycles comprise 25% of all trips in Davis, CA -- the nation's highest rate.

Currently, 2.7 million U.S. bicycle commuters save an estimated 568 million gallons of gasoline. Yet, EPA estimates this comprises just .7 percent of U.S. trips. Over 100 million Americans own bicycles and an estimated 35 million commuters live within several miles of work or a mass transit system that could be reached by bicycle. Unlike the average U.S. car which gets less than 20 miles to the gallon, a bicyclist achieves some 1400 miles to the gallon (equivalent in extra kilocalories of food required for the exercise).

In 1978, the Congress expressly endorsed the role of bicycles in our nation's transport system, stating in the Energy Policy Conservation Act that bicycles are "the most efficient means of transportation" and "represent a viable commuting alternative to many people, offer mobility at speeds as fast as that of cars in urban areas, provide health benefits through daily exercise, reduce noise and air pollution, are relatively inexpensive, and deserve consideration in a comprehensive national energy plan."

In 1980, DOT estimated that bicycle use could be increased 200 to 400 percent for work trips and by 50 to 100 percent for other transportation purposes within five years, with resultant fuel savings of up to 23.5 million barrels per year. DOT was directed in the FY90 appropriations to appoint a bicycle specialist to spur this option, but this position remains unfilled. The Secretary of Transportation should expedite appointment of this position.

Longer range measures

The above mentioned suggestions represent measures that provide immediate or near-term opportunities for reducing oil imports at low or no cost. There is an even larger pool of savings available over the intermediate and long term that we should initiate now so as to maintain steady progress towards the ultimate goal of entirely eliminating foreign oil imports. Such a move would not only reduce our trade deficit by more than \$80 billion per year, but would insulate us from the unforeseen price shocks and potential disruptions caused by tyrants like Iraq's Saddam Hussein.

One of the most fruitful efforts we could undertake is to establish a national least-cost energy plan. The least-cost energy strategy, which is being successfully applied by more than a dozen public utility commissions for meeting growing electricity demand, essentially ranks all supply and demand-side energy options in order of their cost-effectiveness. The importance of this approach is to avoid the disastrous policy decisions of the 1970s, when utilities overbuilt power plants, only to abandon many of them as energy conservation reduced demand. According to DOE, the economic losses from abandoned powerplants exceeds \$20 billion.

The need for rigorous least-cost energy planning methods was forcefully delivered many times by myself and scores of other witnesses who testified before DOE Secretary Watkins' public hearings on the National Energy Strategy. Expediting the release of this strategy, with the least cost planning provision as its fundamental underpinning, would be highly beneficial given current events. In

the utility sector, alone, the savings from least-cost planning could amount to over \$30 billion per year in avoided powerplant construction. There are exemplary least-cost utility planning models operating around the country, such as the New England Collaborative set up by utilities and the Conservation Law Foundation, or the Northwest Power Planning Council's decade long effort, and the California Collaborative set up by environmental groups and California utilities; these models should be shared with other states in order to expedite the planning process nationwide.

Detailed studies have been prepared and submitted as part of the preparation of DOE's National Energy Strategy, which show energy efficiency improvements to be America's unequivocal least-cost energy option. Commercially available technologies currently exist for cutting the nation's \$400 billion energy bill in half by improving the stock of America's appliances, buildings, vehicles and factories.

This will take several decades to achieve, but it can be accelerated through the implementation of new tax and budgetary policies. For example, as of the mid-1980s the government was providing over \$40 billion per year in federal energy subsidies, yet less than one percent of that sum goes towards promoting greater reliance on energy efficiency, and only a few percent goes to develop solar and renewable resources.

We need to create a more level playing field by reducing or shifting these subsidies, which currently subsidize the development of more expensive fossil and nuclear resources. For example, why not provide a performance-based tax incentive for consumers to reduce their energy demand, whether in a home, office, factory or vehicle? The Japanese provide a 30 percent tax break for any industry that cuts their energy consumption by 30 percent. We should most definitely increase the current gas-guzzler tax on inefficient vehicles, and institute a tax rebate to consumers to purchase fuel efficient vehicles. These two measures can be designed to remain revenue neutral, with the guzzler tax paying for the tax rebate. My legislation, the Global Warming Prevention Act (HR 1078), does exactly this.

Secondly, we need to incorporate the "external" costs caused by each energy source which is not currently reflected in its price. Fossil fuels, for example, cause tens of billions of dollars in pollution and health damage each year. Failure to capture these costs imposes that burden on the taxpayers and society, and undermines the use of less polluting and less costly energy efficiency and solar options.

Third, we can greatly reduce oil consumption by improving the federal energy efficiency standards for vehicles, appliances, buildings, and other energy-consuming devices. This is a very cost-effective policy option. Federal vehicle fuel economy standards were first passed in 1975 (the Corporate Average Fuel Economy, or CAFE, standards), and according to DOE the standards had accrued consumers net cumulative savings in excess of \$180 billion as of 1988.

Studies by the Natural Resources Defense Council (NRDC) indicate that raising the current standards for light cars from 27 miles per gallon (mpg) to 45 mpg, and light trucks from 20 mpg to 35 mpg would

achieve cumulative savings of 14.8 billion barrels over the next three decades. This is more energy than could be extracted off the Pacific and Atlantic coasts, as well as in Alaska and the Arctic National Wildlife Refuge. Studies done by DOT and others indicate that this mileage increase can be done while maintaining large-sized sedans, and without compromising crashworthiness, emissions standards, or other amenities like acceleration and roominess. This measure is long overdue and should move forward as swiftly as possible.

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