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06-Apr-93

Environmental Budget: Major Items

(changes to baseline)

	(dollars in millions)
I. Stimulus	**1993 BA**
Watershed Projects (USDA)	47
Enhanced Natural Resource Protection (USDA/Forest Service)	188
Rural Water/Wastewater Loans and Grants (USDA)	348
Increase Weatherization Grants (DOE)	47
Schools and Hospitals Weatherization (DOE)	19
Federal Alternative-Fuel Vehicle Acquisition (DOE)	28
Enhanced Natural Resource Protection (Interior)	349
Historic Preservation Repair and Maintenance (Interior)	23
Watershed Resource Restoration Grants (EPA)	47
"Green" Programs (EPA)	23
Wastewater State Revolving Funds (EPA)	845
Federal Buildings Energy Efficiency (multi-agency)	19
TOTAL Stimulus (budget authority)	1,983
II. Investment	**1994 BA**
Drinking Water State Revolving Funds (EPA)	599
Clean Water State Revolving Funds (EPA)	1,198
Wastewater Grants to Cities with Extraordinary Needs (EPA)	100
Safety of Dams on Indian Reservations (Interior)	18
Water Resources Development (Army Corps of Engineers)	96
Watershed Resource Restoration (EPA)	30
Defense Environmental Cleanup and Compliance (DOD)	1,400
Environmental Restoration and Waste Management (DOE)	481
Forests for the Future (USDA)	30
Weather Service Modernization (NOAA)	217
Environmental Technology (EPA)	36
"Green" Programs (EPA)	15
Natural Res. Protection & Env. Infrastructure (Interior/USDA)	252
Tree Planting Initiative (USDA/SBA)	41
National Research Initiative (USDA)	30

06-Apr-93

Environmental Budget: Major Items

(changes to baseline)

	(dollars in millions)
II. Investment (continued)	**1994 BA**
Forestry Research Initiative (USDA)	20
Rural Water/Wastewater Loans and Grants (USDA)	172
Federal Alternative-Fuel Vehicle Acquisition (DOE)	18
Energy Efficiency in Federal Buildings (multi-agency)	94
Increase Weatherization Grants (DOE)	60
Energy Conservation and Renewable Energy Programs (DOE)	120
Natural Gas R&D: Emphasize Utilization (DOE)	14
U.S. Global Change Research Program (multi-agency)	133
Wetlands Reserve Program (USDA)	--
TOTAL Investment (budget authority)	**5,174**
III. Savings	**1997 Outlays**
Complete Wastewater Treatment Grants Authorization (EPA)	1,947
Reduce Construction Funding for Water Projects (Interior/Army)	92
* Phaseout Below-Cost Timber Sales (Forest Service)	28
Increase Private Sector Superfund Financing (EPA)	109
Phase-in Increased Inland Waterway User Fees (Army)	460
* Increase Grazing Fees (Interior/USDA)	35
Implement a Federal Irrigation Water Surcharge (Interior)	15
* Hardrock Mining Royalties (Interior)	277
Hardrock Mining Holding Fees (Interior)	80
TOTAL Savings (outlays)	**3,043**
IV. Revenue	**1997 Revenue**
Introduce a Broad-Based Energy Tax	22,147
V. Other	**1994 BA**
DOI Federal Land Acquisition (LWCF)	-77

* Not in the reconciliation package, but will be either implemented administratively (below-cost timber and grazing fees) or through comprehensive legislation (hardrock royalties).

Revised
April 6, 1993

Environmental Budget: Major Items
(changes to baseline)

I. Stimulus

Watershed Projects (USDA) -- ($47M in 1993 BA)

This proposal would provide an additional $47 million in FY 1993 to help reduce a backlog of Soil Conservation Service (SCS) emergency watershed projects that are currently eligible for Federal assistance. These projects address local watershed problems caused by soil erosion, sedimentation, and flood damage. SCS projects may also improve water quality and supply in rural areas.

Enhanced Natural Resource Protection (USDA/Forest Service) -- ($188M in 1993 BA)

This proposal would provide $188 million in FY 1993 to protect and rehabilitate America's inventory of natural and rural assets, restore facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction, and other similar projects that stimulate economic growth and employment in rural areas.

Rural Water/Wastewater Loans and Grants (USDA) -- ($348M in 1993 BA)

This proposal would increase the Rural Development Administration's FY 1993 loan authority from $600 million to $1.1 billion and its grant authority from $390 million to $672. To comply with clean water standards set by EPA, rural America's water and wastewater needs total roughly $10 billion by the year 2000. Often many small, poor, rural communities are unable to meet these clean water and wastewater standards without Federal assistance.

Increase Weatherization Assistance Program (DOE) -- ($47M in 1993 BA)

This proposal would increase funds by $47 million in FY 1993 BA to States to help pay for home weatherization improvements for low-income citizens. Matching funds (at least 1:1) will be required from States or utilities. This will encourage State weatherization programs to take advantage of utilities' demand-side management (rebate and discount) programs, and ensure that the funds go to States that demonstrate a serious commitment to low-income weatherization activities.

Schools and Hospitals Weatherization (DOE) -- ($19M in 1993 BA)

The Institutional Conservation Program provides formula grants to States for weatherization and other energy-efficiency improvements at public institutions, such as schools and hospitals. A small amount of matching funding is currently required in the program -- about 20 percent. This proposal would provide a one-time supplement to the Institutional Conservation Program to raise the available funding during FY 1993 from $28 million to $47 million, an increase of $19 million.

Federal Alternative-Fuel Vehicle Acquisition (DOE) -- ($28M in 1993 BA)

The Energy Policy Act of 1992 mandates the acquisition of increasing numbers of alternative-fueled vehicles, reaching 33 percent of new light-duty vehicle purchases in FY 1997 and 75 percent in FY 1999. This initiative would provide $28 million in FY 1993 for the acquisition of alternative-fueled vehicles. This expands upon the Alternative Motor Fuels (AMFA) purchases currently funded by appropriations to the Department of Energy. DOE pays the extra cost of alternative fuel vehicles over the normal cost of the same vehicle in a conventional-fuel design. Any agency that purchases Federal fleet vehicles (e.g., DOD, GSA) is eligible to receive such assistance.

Enhanced Natural Resource Protection (Interior) -- ($349M in 1993)

This proposal would protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction and other similar projects that stimulate economic growth and employment in rural and urban areas. The work would be located at resource areas managed by the Department of the Interior (National Park Service, Fish and Wildlife Service, Bureau of Land Management, and Bureau of Indian Affairs). Funds would supplement existing National Park Service operating programs such that facilities or services previously scheduled to be closed in 1993 would remain open.

Historic Preservation Repair and Maintenance (Interior) -- ($23M in 1993 BA)

The Administration proposes $23 million to fund a backlog of brick and mortar rehabilitation projects, emergency surveys, engineering reports, and deferred maintenance at National Trust for Historic Preservation Museum properties across the Nation, and other priority State and tribal projects.

Watershed Resource Restoration Grants (EPA) -- ($47M in 1993 BA)

This proposal would supplement current funding with an additional $47 million for non-point source grants under Section 319 of the Clean Water Act. Non-point source pollution, such as runoff from farms, mining sites and city streets, is now the largest cause of pollution in our Nation's waters. Reductions in non-point source pollution would help restore watersheds and estuaries, leading to increased numbers of fish and other aquatic life, and improving fishing and recreational opportunities in urban, suburban, and rural areas.

"Green" Programs (EPA) -- ($23M in 1993 BA)

This proposal would expand EPA's voluntary "Green" programs by $23 million in FY 1993 over the current $8 million funding level. During the past two years, EPA launched its "Green Lights" program to encourage Fortune 500 companies to convert profitably into more energy-efficient lighting, which will reduce electricity generation and reduce greenhouse gas emissions. These programs can be expanded to include energy-efficient industrial motors, heating/ventilation/air conditioning (HVAC), residential clothes washers and dryers, and heat pumps.

Wastewater Treatment State Revolving Funds (EPA) -- ($845M in 1993 BA)

This proposal would provide $845 million in capitalization grants to State Revolving Funds (SRFs), which make low-interest loans to municipalities for construction of sewage treatment facilities. This would accelerate completion of an $18 billion wastewater treatment grant authorization that is scheduled to end in FY 1994. The funding would supplement $2.5 billion in FY 1993 enacted funding for EPA wastewater treatment grants.

Federal Buildings Energy Efficiency (multi-agency) -- ($19M in 1993 BA)

Both Administration policy and the Energy Policy Act of 1992 require that Federal agencies reduce their energy consumption per square foot of facilities by 20 percent by the year 2000, relative to their consumption in 1985. This stimulus initiative ($19 million in FY 1993 BA), when combined with the investment of $1.3 billion above the baseline in the outyears, moves quickly to meet this goal. Not all of the funds would go to the Department of Energy. Direct appropriations are requested for the top four energy-using agencies (the Departments of Defense, Energy, and Veterans' Affairs, and the General Services Administration) roughly in proportion to how much energy each one uses. A fund will be set up at DOE to help finance improvements in other agencies.

II. Investment

Drinking Water State Revolving Funds (EPA) -- ($599M in 1994 BA; $1B per year 1995-97)

This proposal would provide $1 billion per year in new capitalization grants to State Revolving Funds in FY 1995-97 for the purpose of making low-interest loans to help municipalities comply with Safe Drinking Water Act (SDWA) requirements. EPA estimates that States and localities will need to invest $10 billion in drinking water infrastructure through 1998 to meet SDWA requirements. In the past, the Federal Government has not provided funding to meet the capital costs of these SDWA requirements other than in rural areas.

Clean Water State Revolving Funds (EPA) -- ($1,198M in 1994 BA; $2B per year 1995-97)

This proposal would provide $2 billion per year in FY 1995-97 under a new authorization for capitalizing Clean Water State Revolving Funds (SRFs). These SRFs would make low- interest loans to municipalities for construction of projects to address water quality problems. These funds would help municipalities comply with recent requirements for stormwater control and help implement management plans for restoring estuaries.

Wastewater Grants for Cities with Extraordinary Needs (EPA) -- ($100M in 1994 BA)

This proposal would provide $100 million in 1994 for one or more needy cities with high capital needs for secondary treatment infrastructure and high user charges. For FY 1995, the Administration is reviewing several options to establish a self-financing fund to address the infrastructure needs of cities that face exceptionally burdensome costs to meet secondary treatment standards.

Safety of Dams on Indian Reservations (Interior) -- ($18M in 1994 BA; $30M per year 1995-97)

This proposal would accelerate repairs and safety improvements to the inventory of dams administered by the Bureau of Indian Affairs (BIA). The BIA is responsible for ensuring the general safety and structural integrity of all dams located within the boundaries of Indian reservations. BIA is responsible for 54 dams presenting a high or significant hazard potential to human life and property should failure occur. In 1989, the Department of Interior's Inspector General reported that 31 of these 54 high or significant hazard dams were in poor or unsatisfactory condition. This investment proposal would ensure that identified rehabilitation and repair work could be performed on BIA dams that are ready for corrective action.

Water Resources Development (Army Corps of Engineers) -- ($96M in 1994 BA; $160M per year 1995-97)

Corps of Engineers water projects provide flood damage reduction, inland and harbor waterway transportation, hydropower, and environmental restoration benefits. The projects, though, are aging: more than 50 percent of these projects are over three decades old. Nearly one quarter exceed 50 years of age. In spite of a growing backlog, resources for maintaining these projects have stayed largely constant.

Watershed Resource Restoration (EPA) -- ($30M in 1994 BA; $50M per year 1995-97)

This proposal would double the current funding level of $50 million annually for non-point source grants under Section 319 of the Clean Water Act. Non-point source pollution such as runoff from farms, mining sites and city streets, is now the largest cause of pollution in our Nation's waters. Reductions in non-point source pollution would help restore watersheds and estuaries, leading to increased numbers of fish and other aquatic life, and improving fishing and recreational opportunities in urban, suburban, and rural areas.

Defense Environmental Cleanup and Compliance (DOD) -- ($1,400M in 1994 BA)

This proposal would provide an additional $1,400 million in FY 1994 for environmental planning, compliance, pollution prevention, and restoration at Department of Defense facilities. It would provide significant increases in funding for Defense environmental restoration activities, and fund necessary environmental measures at closing bases. This proposal would ensure that DOD continues to make major progress in environmental cleanup and compliance at its facilities.

Environmental Restoration and Waste Management (DOE) -- ($481M in 1994 BA; $3.5B total 1994-97)

The Department of Energy is responsible for the management and disposal of a wide variety of radioactive and hazardous wastes resulting from over forty years of activities conducted in the Government's atomic weapons program and from the Department of Energy's research and enriched uranium activities. The investment reflects the Administration's emphasis on reversing the imbalance in priorities between weapons production and the environment.

Forests for the Future (USDA) -- ($30M in 1994 BA; $50M per year 1995-97)

Recognizing the importance of global forests, the budget would propose an investment of $30 million in FY 1994 and $50 million per year for 1995-1997, towards the international goal of reducing world-wide deforestation. At the 1992 Rio "Earth Summit", the U.S. proposed that all countries join in doubling international forest assistance. This investment would be a downpayment towards the commitment to fund initial partnership activities with both foreign nations and domestic and international non-governmental organizations. Funds would be used, in part, to support integrated resource management, assist scientific research on tropical forests and biodiversity, assist local communities in forest resource management, improve inventory and management of large forests, develop institutions that can attract private investment in forest conservation, and reforest degraded lands.

Weather Service Modernization (NOAA) -- ($217M in 1994 BA; $400M total 1994-97)

NOAA is now in the process of modernizing National Weather Service systems. Under the Administration's plan, by the turn of this century, NOAA would operate one of the most advanced weather warning and prediction networks in the world. New observation systems such as doppler radars and weather satellites would provide for more accurate and timely forecasts. These improvements would translate into lives saved and damages averted, and benefit all sectors of the economy that rely on accurate warnings and forecasts for planning.

Increase Investment in Environmental Technology (EPA) -- ($36M in 1994 BA; $625M total 1995-97)

This proposal would increase funding for environmental engineering and technology development by $36 million in FY 1994, a total of $625 million through 1998, and a total of $1.85 billion over nine years. The focus of this initiative would be long-term research and pollution prevention by EPA, other Federal agencies, and the private sector. The goal is to develop more advanced environmental systems and treatment techniques that can yield environmental benefits and increase exports of "green" technologies.

"Green" Programs (EPA) -- ($15M in 1994 BA; $25M per year 1995-97)

This proposal would provide an additional $25 million annually for EPA's voluntary "Green" programs in FY 1995-1997. During the past two years, EPA launched its "Green Lights" program to encourage Fortune 500 companies to convert profitably into more energy-efficient lighting, which will reduce electricity generation and greenhouse gas emissions. These programs can be expanded to include energy efficient industrial motors, heating/ventilation/air conditioning (HVAC), residential clothes washers and dryers, and heat pumps.

Natural Resource Protection and Environmental Infrastructure (Interior/USDA) -- ($252M in 1994 BA; $1,723M total 1994-97)

The proposal would provide $252 million in 1994 ($173 million for Interior and $79 million for USDA) to protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources and improve public access to them. This funding would be targeted toward the backlog of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction and other similar projects that stimulate economic growth and employment in rural and urban areas. Interior bureaus affected are the National Park Service, Fish and Wildlife Service, and Bureau of Land Management. The USDA bureau affected is the Forest Service. As part of the Environmental Infrastructure component of this initiative, the U.S. Geological Survey will expand facilities to receive environmental data from satellites.

Tree Planting Initiative (USDA/SBA) -- ($41M in 1994 BA; $263M total 1994-1997)

This proposal would provide $41 million ($25M USDA; $16M SBA) for an expanded tree planting initiative. The program has two principal components: a rural initiative providing cost-sharing to non-industrial private forest land owners for tree planting; and an urban initiative focusing on technical assistance and community grants to promote urban tree planting and forestry practices. Reforestation and stand improvement on these lands can result in increased environmental benefits such as removing more carbon dioxide from the air.

National Research Initiative (USDA) -- ($30M in 1994 BA; $480M total 1995-97)

The Nation faces major challenges to ensure the food supply's safety and quality, sustain natural resources, and continue the competitiveness of U.S. agricultural products in global trade. In order to meet these challenges, this proposal would provide $30 million for additional competitively awarded research grants in 1994 that would support approximately 500 additional research projects in areas such as food safety, sustainable agricultural production, forestry research and biotechnology.

Forestry Research Initiative (USDA) -- ($20M in 1994 BA; $287M 1995-97)

This proposal would provide approximately $300 million over four years to the Forest Service, the Cooperative State Research Service, and the Extension Service to increase the breadth and depth to which forestry research areas are investigated. Research funded by this proposal would provide the necessary information to help the Nation develop sound forest-related policies that would both provide resources to meet ever-increasing demands for forest products from the population and sustain forest ecosystems.

Rural Water and Wastewater Loans and Grants (USDA) -- ($172M in 1994 BA; around $240M per year 1995-97)

This proposal would increase Rural Development Administration loan authority from $600 million to $876 million and its grant authority from $390 million to $541 million in FY 1994. Without Federal assistance, small water and wastewater systems face extraordinarily large increases in water and sewer charges associated with evolving environmental standards. To comply with clean water standards set by EPA, rural America's water and wastewater needs total roughly $10 billion by the year 2000. Often many small, poor, rural communities are unable to meet these clean water and wastewater standards without Federal assistance.

Federal Alternative-Fuel Vehicle Acquisition (DOE) -- ($18M in 1994 BA; $30M per year 1995-98)

The Energy Policy Act of 1992 mandates the acquisition of increasing numbers of alternative-fueled vehicles, reaching 33 percent of new light-duty vehicle purchases in FY 1997 and 75 percent in FY 1999. This initiative carries on the effort begun in the stimulus package; it would provide $18 million in 1994 and $30 million per year from 1995 through 1998 for the acquisition of alternative-fueled vehicles. This expands upon the Alternative Motor Fuels Act (AMFA) purchases currently funded by appropriations to the Department of Energy. DOE pays the extra cost of alternative-fuel vehicles over the normal cost of the same vehicle in a conventional-fuel design. Any agency that purchases Federal fleet vehicles (e.g., DOD, GSA) is eligible to receive such assistance.

<u>Energy Efficiency in Federal Buildings (multi-agency)</u> -- ($94M in 1994 BA; $1.4B total 1994-97)

Both Administration policy and the Energy Policy Act of 1992 requires that Federal agencies reduce their energy consumption per square foot of facilities by 20 percent by the year 2000, relative to their consumption in 1985. Current Federal investment in such improvements is running around $150 million per year government-wide. Not all of the funds would go to the Department of Energy. Direct appropriations are requested for the top four energy-using agencies (the Departments of Defense, Energy, and Veterans' Affairs, and the General Services Administration) roughly in proportion to how much energy each one uses. A fund would be set up at DOE to help finance improvements in other agencies. DOE's support activities would also be increased, with 720 energy managers trained and 600 site energy audits performed in 1994 and a total of more than 9,000 energy managers trained and 4,600 sites audited in 1994-1998.

<u>Increase Weatherization Assistance Program (DOE)</u> -- ($60M in 1994 BA; $100M per year 1995-97)

This proposal would increase funds to States to help pay for home weatherization improvements for low-income citizens. Matching funds (at least 1:1) would be required from States or utilities. This would encourage State weatherization programs to take advantage of utilities' demand-side management (rebate and discount) programs, and ensure that the funds go to States that demonstrate a serious commitment to low-income weatherization activities.

Energy Conservation and Renewable Energy Programs (DOE) -- ($120M in 1994 BA; $1.8B total 1994-98)

The Energy Policy Act of 1992 contains numerous responsibilities for the Department of Energy. This initiative would ramp up funding in these areas, starting with $120 million over the baseline in FY 1994, rising to $600 million in FY 1998, for a five-year total increase over baseline of $1.8 billion in BA. The increased funding would be distributed roughly equally among four major program areas: solar and renewable energy, and industrial, transportation, and buildings conservation R&D. The funds will not only accelerate development of cost-effective technologies in each of those areas, but also promote the commercialization of technologies now becoming available, and promote increased exports of these technologies as well. The largest increases would go to technology transfer and commercialization, biofuels development, advanced materials (especially ceramics), industrial wastes and materials processing, electric and hybrid vehicles, and modeling of building systems interactions.

Natural Gas R&D: Emphasize Utilization (DOE) -- ($14M in 1994 BA; $381M total 1994-98)

The Administration is committed to expanding the use of natural gas because it is one of the most environmentally friendly fuels. This proposal would double Research and Development on gas utilization by focusing, for example, on fuel cells and advanced utility-scale turbines.

U.S. Global Climate Change Research (multi-agency) -- ($133M in 1994 BA; $2.0B total 1994-97)

Improving our understanding of the climate system is one of the six initiatives being addressed by the Federal Coordinating Council for Science, Engineering, and Technology (FCCSET). The climate initiative coordinates the research done on this topic at over a dozen different Federal agencies. It is focused on understanding the processes involved in climate change and a key component of the U.S. action plan at the recent "Earth Summit" negotiations.

Wetlands Reserve Program (USDA)

Full funding of the Wetlands Reserve Program (WRP) would be maintained, allowing one million wetlands acres to be enrolled under permanent easements by the end of 1995: approximately $370 million in 1994 and $411 million in 1995 would be included for the WRP.

III. Savings

Completion of Wastewater Treatment Construction Grants Authorization, Except NAFTA (EPA) -- ($1.9B in 1997 outlay savings)

With the $845 million in wastewater stimulus funding provided in FY 1993, the $18 billion authorization under the 1987 Water Quality Act, which was designed to end Federal assistance, would be virtually completed a year ahead of schedule. As these loans are repaid, States would be able to make a new round of loans due to the self-sustaining nature of the State Revolving Funds. The Budget also proposes (under Investment) a new $2 billion annual authorization for capitalizing Clean Water State Revolving Funds for low-interest loans to municipalities to address water quality problems.

Reduce Construction Funding for Low-Priority Water Projects (Interior/Army) -- ($92M in 1997 outlay savings)

This proposal would reduce or stretch-out funding for certain Army Corps of Engineers and Bureau of Reclamation water resources projects. These projects are often environmentally destructive.

Phaseout Below-Cost Timber Sales (Forest Service) -- ($28M in net 1997 outlay savings)

Timber sales from some National Forests do not cover the costs to the Government of making the timber available for sale. This proposal would gradually eliminate sales in those forests where timber-sale program costs exceed timber-sale revenue. This phaseout would be implemented administratively.

Increase Private Sector Superfund Financing (EPA) -- ($109M in 1997 outlay savings)

In line with the "polluter pays" principle, this proposal would increase the proportion of hazardous waste sites cleaned up by private parties (as allowed by law) without affecting protection of human health and the environment. The proposal would preserve Federal Superfund money only for sites where there are no viable private parties to undertake the cleanup to ensure that the greatest number of sites can be cleaned up with the limited funding available in the Superfund trust fund.

Phase-in Increased Inland Waterway User Fees (Army Corps of Engineers) -- ($460M in 1997 outlay savings)

This proposal would increase the Federal fuel tax over several years to $1.00 in 1997. The revenue would be used to offset the cost of operating and maintaining the inland waterway system, the most Federally subsidized transportation mode.

Increase Grazing Fees (Interior/USDA) -- ($35M in 1997 outlay savings)

This proposal would increase grazing fees on public lands as negotiated by the Secretaries of Interior and Agriculture, who would be given the flexibility to develop alternative approaches to the current formula. Note: This proposal is not in the reconciliation package, but would be implemented administratively.

Implement a Federal Irrigation Water Surcharge (Interior) -- ($15M in 1997 outlay savings)

This proposal would authorize a per acre-foot surcharge on water sales to Reclamation projects throughout the West (except for the Central Valley Project in California, for which a similar surcharge was recently enacted). Revenue from the surcharge would be deposited into a special fund for use (subject to appropriation) in mitigating irrigation-caused adverse impacts on fish and wildlife. The surcharge would also encourage more rational water use that would reduce the harmful impacts of non-point source pollution.

Permanently Extend Hardrock Mining Holding Fees and Institute Hardrock Mining Royalties (Interior) -- (Holding Fees: $80M in 1997 outlay savings; Hardrock Royalties: $277M in 1997 outlay savings)

This proposal would permanently authorize charging a $100 per claim holding fee on all hardrock claims on Federal lands (such a fee was initially enacted in FY 1993), and establish a 12.5 percent royalty to the gross value of the hardrock minerals extracted from mining claims on public lands. The claimant would be relieved of annual work requirements, which should increase flexibility on timing the development of claims. It would also reduce unnecessary ground disturbance to satisfy current law. The new royalty would be phased in over three years to reduce the impact on the mining industry and local communities. Receipts from hard rock mining royalties would be shared with the States where the mining occurs. Note: The hardrock royalty proposal is not in the reconciliation package, but would be pursued as part of the Administration's effort to achieve comprehensive mining law reform.

IV. Revenue

Introducing a Broad-Based Energy Tax -- (raises $22.1B in 1997, net of offsets)

A broad-based tax is proposed on energy, based on the energy content of the fuel (measured in British Thermal Units or BTUs). The energy tax would encourage conservation by making energy more expensive, reduce pollution, and decrease the country's dependence on foreign energy suppliers. Despite a drop in oil prices during the Persian Gulf War, this country still depends on foreign sources for nearly half of its oil and about one-fifth of its total energy. Most types of energy would be taxed at the rate of $.257 per million BTUs, while refined petroleum products would be taxed at the rate of $.599 per million BTUs. The higher rate on refined petroleum products is intended to promote energy security and the use of cleaner burning fuels. The energy tax would be accomplished by proposed increases in transfers under the Low-Income Home Energy Assistance (LIHEAP) and Food Stamp Programs, to alleviate the burden of the energy tax on low-income households outside of the labor force and the tax system. The new tax would raise $22.1 billion in 1997 (net of the offsets).

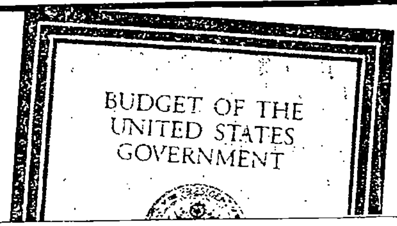
V. Other

Federal Recreational Land Acquisition and State Grants (LWCF) -- (-$77M in 1994 BA)

The Land and Water Conservation Fund (LWCF) supports land acquisition at national parks, forests, wildlife refuges, and other public lands managed by Interior and USDA; and grants for State acquisition and development of recreation lands and outdoor recreation facilities. This proposal would reduce Department of the Interior Federal land acquisition funds by $77 million from the FY 1993 enacted level in order to fund primarily National Park and Bureau of Indian Affairs operations. The Secretary would also emphasize land exchanges over direct acquisitions. The Forest Service part of LWCF Federal land acquisition and DOI State grants would be funded at about FY 1993 levels.

Washington Post
April 9, 1993

FY 1994



President Clinton's $1.52 trillion tax and spending plan is out. The 1994 budget consists of 1,478 pages, weighs 5.11 pounds and costs $43. Clinton's goal: to reorder priorities and carve $447 billion from deficits over five years. This is a summary of how he plans to do that.

AGRICULTURE

$900 Million Reduction; No Major Subsidy Change

The Agriculture Department proposed cutting about $900 million from its $68 billion operation. But department officials warn their cost projections are based on unpredictable factors like the weather and market prices. Officials expect to save money by closing field offices, cutting a subsidy to honey producers and restricting farm subsidies for those who earn $100,000 or more in non-farm income. President Clinton is not seeking major changes in the farm subsidy programs until 1996. He is proposing funding increases for rural housing, meat inspection and the Women, Infants and Children (WIC) food program.

— Sharon LaFraniere

COMMERCE

Large Increase Slated To Build Competitiveness

Commerce gets the biggest departmental increase, on a percentage basis, thanks to a large-scale boost in spending on research and technology programs intended to strengthen U.S. industrial competitiveness. At $3.5 billion, Commerce's budget is 15 percent above its spending level in President Bush's final budget. A major increase goes to The National Institute of Standards and Technology (NIST), the agency leading federal efforts to boost manufacturing R&D and help smaller companies access new production technologies. NIST's budget request is $535.2 million, up 39 percent from the previous year, to expand research and training centers.

More funds go to build the federal "information highway," a proposed fiber-optic network designed to connect computers in universities, businesses, government agencies and, eventually, private residences. The Census Bureau and the Bureau of Export Administration are Commerce's only agencies to shrink.

— Peter Behr

DEFENSE

Modest Personnel Cuts; Tough Choices Deferred

The fiscal 1994 defense budget is more remarkable for what it doesn't change than what it does. The president's spending plan—$263 billion in budget authority; $277 billion in actual spending—kills no major weapons program, makes only modest personnel reductions

EPA

Spending Cut Proposed, With 6% From Superfund

An administration that prides itself on its commitment to the environment has chosen a funny way to show it: cutting the budget for the Environmental Protection Agency. Administrator Carol M. Browner gamely tried to portray her 1994 budget as an increase, but to do it she had to count as fiscal 1994 funds about $915 million in spending included in the administration's job stimulus package—which is fiscal 1993 money. Absent the stimulus funds, the EPA's budget would go from $6.9 billion in fiscal 1993 to about $6.4 billion next year, a decrease of almost 8 percent. Significant reductions include a 6 percent cut in the Superfund program to clean up hazardous waste sites.

—Tom Kenworthy

HHS

Entitlement Programs Hold With Inflation

The Health and Human Services budget jumps from $592 billion this year to $641 billion in fiscal 1994, which includes $44 billion in Social Security, Medicare and Medicaid to match inflation. That would have been higher but for plans to save $53 billion over five years by controlling payments to doctors and hospitals. Secretary Donna E. Shalala emphasized new planned spending of $840 million for immunizations, up $400 million over what Congress provided for 1993; $4.2 billion for Head Start, up $1.4 billion; a new $60 million block grant to strengthen troubled families; $1.4 billion, up $328 million, for women's health programs; and $10.7 billion, up $1.2 billion, for disease prevention.

— Spencer Rich

HUD

Slight Total Increase; Housing Programs Frozen

Secretary Henry Cisneros outlined a $25.4 billion discretionary budget for the Department of Housing and Urban Development, a $200 million increase over 1993 outlays. Neither figure includes the $2.9 billion requested as part of Clinton's stimulus package. Cisneros defended what he called "unfair attacks" in Congress against the stimulus package's $2.5 billion in community development grants. The HUD budget requests $4.2 billion in grants, whether the stimulus

STATE

Toward 'Redirecting' U.S. Foreign Policy

Secretary of State Warren Christopher said the new foreign affairs budget "begins the process of redirecting our foreign policy" and "reforming our foreign policy institutions" such as the State Department, the Agency for International Development and international broadcasting agencies.

Overall, the international affairs budget calls for $21.6 billion, about $450 million more than fiscal 1993, and $21.3 billion in actual outlays, or spending, within fiscal 1994. Some programs saw major increases, including $300 million more for the former Soviet Union; $170 million more for peace-keeping efforts; $100 million more for population programs; $50 million for a new non-proliferation fund; and $35 million more for international environmental programs.

The administration also proposed $98 million for U.S. payments to the United Nations in fiscal 1994 and $163 million in the next year to end Washington's debtor status there.

Cuts of more than $400 million were announced in security assistance programs, mainly by phasing out a Special Defense Acquisition Fund.

Because of the cut in the size of the total program, the $3 billion allocated to Israel and $2.1 billion to Egypt make up 87 percent of all security assistance funding proposed for fiscal 1994.

— Don Oberdorfer

TRANSPORTATION

10 Percent Increase; Shift to R&D

The $40.24 billion Transportation Department budget is 10.2 percent greater than 1993. However, if Clinton's fiscal 1993 economic stimulus package is passed, the 1994 budget would be the same as this year's. As usual, the major share of the budget—71 percent—would go for infrastructure, mainly highway building and repair.

However, the budget represents a major change in philosophy from 12 years of GOP budgets. Clinton recommends increased funding for transit and more money for research and development into new transportation systems such as high-speed rail and "intelligent" vehicle and highway systems. Transportation Secretary Federico Peña described it as "transit-friendly."

Amtrak funding would remain at current levels, unlike past years when Republican administrations repeatedly tried to kill the passenger train corporation.

— Don Phillips

TREASURY

Cuts in Customs, ATF; Increase for the IRS

The Treasury operating budget remains virtually frozen at 1993 levels.

Spending in many areas—such as the Financial Management Service, the U.S. Customs Service and the Bureau of Alcohol, Tobacco and Firearms—is trimmed by about 1 to 2 percent. However, the Treasury's biggest bureaucracy—the Internal Revenue Service—gets about a 9 percent increase to help it get tougher on taxpayer enforcement, up to $20.4 million from $18.7 million, and fulfill a key Clinton campaign promise. Some enforcement areas in the department get cut, however: air and marine interdiction and financial crimes enforcement, which would be $21 million, down from $24 million.

Treasury's total budget would rise substantially, however, because it includes interest payments made on the steadily rising national debt. Clinton has asked for $318.9 billion for fiscal 1994, up from $301.7 billion estimated for 1993.

— Steven Mufson

VETERANS

$1 Billion Increase; Homeless Initiatives

The fiscal 1994 budget request for the Department of Veterans Affairs is $36.4 billion, a $1 billion increase. The VA said that is about a 5 percent rise in discretionary spending over the fiscal 1993 appropriation.

The VA's medical programs would receive $15.6 billion, with $287 million of that going to equip and staff newly completed construction projects. About $100 million would be spent to recover funds owed the VA from insurance companies and third parties. The recovery effort should bring in $668 million in fiscal 1994, the department said. The VA's benefits programs would get $19.5 billion, including a cost-of-living adjustment for persons receiving veterans benefits and up to $7 million to support 100 housing loans for Native American veterans under a pilot project.

VA Secretary Jesse Brown issued a statement pointing out that the fiscal 1994 budget proposal includes $53.8 million for initiatives aimed at the homeless and $47.6 million for post-traumatic stress disorder programs.

— Stephen Barr

The New Regime will resume Monday.

— Peter Behr

DEFENSE

Modest Personnel Cuts; Tough Choices Deferred

The fiscal 1994 defense budget is more remarkable for what it doesn't change than what it does. The president's spending plan—$263 billion in budget authority; $277 billion in actual spending—kills no major weapons program, makes only modest personnel reductions and defers until next year most tough decisions about the size and shape of the post-Cold War military. In fact, the higher actual spending figure reflects the Pentagon's efforts to complete several weapons programs, including the B-2 bomber. Total budget savings are roughly $12 billion beyond Bush's plan.

The budget hints at where the Clinton administration will end up on defense. The plan would cut $2.5 billion from the Strategic Defense Initiative anti-missile system and accelerate cuts in force structure.

The largest savings, $5.8 billion, would come out of procurement accounts, achieved mostly by scaling back weapons purchases or slipping production schedules. In the short term, the military will continue producing Cold War-era weapons systems like submarine-launched Trident II ballistic missiles and F-22 fighters.

Defense Secretary Les Aspin has acknowledged that the changes in the 1994 budget amount to little more than "treading water." But he promises a more aggressive approach during the next budget cycle.

— John Lancaster

EDUCATION

Service Program, Direct Lending Proposed

Those looking for a big federal investment in education will be disappointed. Clinton's new budget doesn't even seek the same level of increase in education as Bush did in his last year.

However, there are major changes in what this administration wants to do with its $30 billion—about the same as was appropriated for this fiscal year: The department wants to phase in a new direct lending program, one that aims to lower students' interest rates; launch a national service program, so students can work off college bills through community service; and spend millions for capital improvements to historically black colleges and minority teacher fellowships. Secretary Richard W. Riley said 1994 is a year for structural change and "the proper thing to do" now isn't "to pour money into old programs."

— Mary Jordan

ENERGY

For First Time, Cleanup Gets as Much as A-Arms

Energy's budget is a post-World War II landmark: The amount for environmental restoration and waste management at the department's nuclear weapons plants almost equals the amount for weapons production and handling. The department plans to spend $6.65 billion for weapons development and testing, stockpile management, naval reactors and other defense-related activities. The environmental cleanup allocation is $6.55 billion, including $721 million for former weapons plants now sitting idle while cleanup programs are developed.

Secretary Hazel R. O'Leary put the weapons spending figure at $5.9 billion, down 19 percent from fiscal 1993, but the actual amount is $6.65 billion, including money left over from earlier years. The total budget request is $19.6 billion, up from $19 billion this year. Beyond the weapons programs, the biggest changes are increases for solar and renewable energy research—up from $251 million to $327 million—and for "fundamental science research," up from $2.7 billion to $2.9 billion, including $628 million for the Superconducting Super Collider.

— Thomas W. Lippman

HUD

Slight Total Increase; Housing Programs Frozen

Secretary Henry Cisneros outlined a $25.4 billion discretionary budget for the Department of Housing and Urban Development, a $200 million increase over 1993 outlays. Neither figure includes the $2.9 billion requested as part of Clinton's stimulus package. Cisneros defended what he called "unfair attacks" in Congress against the stimulus package's $2.5 billion in community development grants. The HUD budget requests $4.2 billion in grants, whether the stimulus package is approved or not. The budget also abandoned efforts to fold new public housing and housing for the elderly and disabled into a third program, but froze the individual allocations at 1993 levels.

— Guy Gugliotta

INTERIOR

Parks, Wildlife Service Get Big Increases

The Interior Department gets not only an 8 percent increase in funding under the new budget, from $9 billion to $9.5 billion, but a significant shift in emphasis to parks, conservation and wildlife. The National Park Service and U.S. Fish and Wildlife Service budgets would go up by 19 percent and 18 percent, respectively. The Interior budget also assumes increases in the fees ranchers pay to graze their stock on federal lands, and a first-ever royalty on gold and other minerals taken from federal property. The White House was criticized for agreeing not to push for those fees in budget reconciliation legislation, but Interior Secretary Bruce Babbitt said he will do that administratively.

— Tom Kenworthy

JUSTICE

Budget Stays Flat; Policing Funds Sought

The Justice Department's budget would remain flat at $11.2 billion. Clinton proposes spending $50 million on "community policing" programs that strive to get officers out of patrol cars and more in touch with neighborhoods. About $25 million would go for a "Police Corps" to provide scholarships to college students who pursue law enforcement careers. The department estimates it can save about $116 million in administrative and personnel costs, including travel for conferences and training. There are no new funds for prison construction after fiscal 1994—a big change from Bush's plans.

—Sharon LaFraniere

LABOR

Employment, Training Set for Added Funds

Labor gets a major increase for employment and training programs, keeping with Clinton's call for more spending—or "investment"—to help those who lose their jobs due to corporate downsizing, defense cuts and the North American Free Trade Agreement. Funds for employment and training would rise from $5.8 billion to $7.5 billion, but actual spending would be slightly less than this year because much of the money—spent on a program year, not a fiscal-year basis—won't be paid out until summer. To pay for these programs, $5 billion will be cut elsewhere. Overall, labor's budget goes down from $47.9 billion in 1993 to $40.4 billion next year. Most of the cut reflects the expiration of the Emergency Unemployment Compensation Act, an unemployment trust fund.

— Frank Swoboda

February 10, 1993

MEMORANDUM

TO: MARLA ROMASH
FROM: MIKE NELSON AND GREG SIMON
RE: SCIENCE, TECHNOLOGY, AND ENVIRONMENT ELEMENTS IN THE FY93 STIMULUS PACKAGE AND FY94-97 INVESTMENT PACKAGE

All the budget numbers included below are tentative and subject to change. Still they provide an idea of the size of the programs. Only the amount of "new money" (on top of the existing baseline) is listed. The FY93 are budget authority, the FY94-97 are total outlays.

Science and Technology

Make the Department of Commerce (and its National Institute of Standards and Technology) the Federal civilian technology agency

The Administration will announce its intention to dramatically increase the budget for NIST. This will fulfill campaign promises to double NIST's budget and "create a civilian DARPA". New funding will go to the following:

Double NIST in-house laboratory budget.
This is particularly important in hot, new fields (like advanced computing and bio-processing).

Advanced Technology Program
Will provide merit-reviewed, matching grants to companies to develop new technologies for new products and services.

Manufacturing Technology Centers ("Hollings Centers")
Will help small- and medium-sized businesses adopt new, advanced manufacturing equipment (robotics, computer-controlled drills and lathes, etc.)

R&D consortia
Provide large matching grants for industry consortia like DOD's SEMATECH or DOE's Advanced Battery Consortium

	FY93	FY94-97
National Institute of Standards and Technology	$110	$1,118

Fully fund the High-Performance Computing and Communications Initiative.
Provides funding authorized for the program by Gore's High-Performance Computing Act in order to develop more powerful supercomputers, more sophisticated software, and gigabit-per-second network technology.

	FY93	FY94-97
Multi-agency program	$50*	$1,621

*This money is part of supplemental funding for NSF

<u>Fully fund the Gore II computer bill.</u>

Provides full the funding authorized in Gore's Information Infrastructure and Technology Act last year. Will develop technology needed to apply supercomputing and high-speed networking in manufacturing, education, libraries, and health care.

	FY93	FY94-97
Multi-agency program	$50	$847

<u>Fund Networking Pilot Projects</u>

The National Telecommunications and Information Administration of the Department of Commerce will provide matching grants to states, school districts, and other non-profit entities to apply networking technology for computer networking and distance learning.

	FY93	FY94-97
NTIA	$68	$311

<u>Restore funding for the National Science Foundation</u>

This money will restore FY93 funding for university research to FY92 levels (in real dollars) and provide for steady, modest growth in out-years. NSF funds fundamental research in all types of physical sciences (from global warming research to advanced materials R&D)

	FY93	FY94-97
National Science Foundation	$200	2,519

<u>National Labs technology programs</u>

This program will redirect facilities and personnel at the DOE national labs (e.g. Oak Ridge) to civilian technology development. It provides additional funding for Cooperative R & D Agreements (CRADAs).

	FY93	FY94-97
Energy Department	50	$193

<u>Advanced Neutron Source</u>

Fully fund construction of a new research facility at Oak Ridge for studying new materials.

	FY93	FY94-97
Energy Department	--	$437

Environment

NOAA and National Weather Service Modernization

Improve facilities for monitoring the weather and environment

	FY93	FY94-97
NOAA (Commerce Dept.)	$86	$394

Enhanced natural resources protection and environmental infrastructure

	FY93	FY94-97
Forest Service	$200	
Interior Dept.	374	
TOTAL	574	$1,309

Water and waste loans and grants

	FY93	FY94-97
Rural Development Admin.	$371	$407

Improve energy efficiency of Federal buildings

This program would reduce the Federal government's energy bill, both for government-owned buildings and for government-subsidized housing. According to most calculations, this investment would pay for itself in 3-4 years or less.

	FY93	FY94-97
Department of Energy	$50	886
HUD	--	341

EPA's Green Lights Program and related Programs

Voluntary programs to help industry reduce energy consumption by using more efficient lights, computers, and other equipment.

	FY93	FY94-97
EPA	25	79

No: FY 97 level

Wastewater State revolving Fund

Increase Federal contribution to a revolving fund from which states can borrow money for building wastewater treatment facilities

	FY93	FY94-97
EPA	975	3,280

Vehicle energy conversion

To accelerate conversion of the Federal automobile fleet to cleaner fuels, like compressed natural gas

	FY93	FY94-97
General Services Administration	$30	120

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■ *Natural Resources Defense Council* ■ *Sierra Club* ■
■ *Sport Fishing Institute* ■ *Trout Unlimited* ■

March 8, 1993

President William J. Clinton
Executive Office of the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20501

Dear President Clinton,

We are writing to add our voices to the chorus of those supporting Federal financial assistance to the states, cities and rural communities working hard to comply with the mandates of the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). The short term economic stimulus package takes important first steps toward the Federal government making its fair share contribution to the Federal-State-Local partnership, and for this reason we support the package strongly.

But more of a commitment to clean water programs is needed in the medium- to long-term budget proposal. We urge you to increase current funding levels in the state revolving fund by at least $2 billion per-year from the General fund. Recognizing the imperatives of deficit reduction, we believe that the need for supplemental funding may be achieved in future years through the creation of innovative and deficit neutral funding mechanisms.

We strongly believe that such mechanisms should supplement, rather than supplant, the existing demand for increased Federal contribution to our water infrastructure needs. This new revenue source would provide much-needed funding for water pollution prevention and control. In addition, it would allow the Federal government, for the first time, to make significant contributions to controlling polluted runoff and meeting SDWA requirements in both rural and urban areas. Careful design of this package also could provide important incentives to avoid or reduce polluting activities, while simultaneously making a contribution to overall deficit reduction. The need is clear.

■The Environmental Protection Agency estimated in its 1988 survey of waste water treatment needs that the nation will have to spend $83.5 billion by the year 2008 to meet waste water treatment requirements under the CWA. The General Accounting Office has determined that "the actual requirement is much higher," and that "states and local governments are faced with a large and widening gap between waste water treatment needs and available resources."

■Rural communities are dependent on small drinking water systems to meet their water supply needs. These small systems supply drinking water to 25 million Americans and it is estimated that more than 90 percent of these systems were in violation of SDWA standards in 1988.

We support attempts to investigate such additional funding mechanisms, that are both economically and environmentally beneficial, by calling on those who contribute to water pollution to help pay for its prevention and control. Many different approaches to the "polluter pays" principle have been explored over the years; the best approach is one that calls upon all of the sectors causing water pollution problems to help foot the bill for water pollution prevention and control, and assurance of a safe drinking water supply.

We envision a complementary fund raising package that combines levies on: (1) industrial toxic pollutant dischargers (which contribute to surface water contamination and the cost of drinking water treatment); (2) the manufacture of agricultural chemicals (which are key sources of groundwater pollution, and which contribute significantly to polluted runoff as the leading cause of water quality impairment, contributing to 60 percent of impaired streams and 57 percent of lake impairment); (3) various consumer products that are known to contribute to pollution problems in urban runoff and sewage treatment plants; and (4) incentive charges to encourage industrial and commercial water conservation.

We are grateful to your Administration for laying the groundwork for innovative approaches to addressing our nation's environmental and economic problems. You campaigned and won your election on a strong environmental platform and it is imperative that the lack of attention paid to these programs over the past 12 years be reversed. We hope you will agree that the type of package we are proposing represents an innovative and necessary next step.

Sincerely,

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March 8, 1993

Vice President Albert Gore, Jr.
Office of the Vice President
Old Executive Office Building
17th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20501

Dear Vice President Gore,

We are writing to add our voices to the chorus of those supporting Federal financial assistance to the states, cities and rural communities working hard to comply with the mandates of the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). The short term economic stimulus package takes important first steps toward the Federal government making its fair share contribution to the Federal-State-Local partnership, and for this reason we support the package strongly.

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March 8, 1993

Leon Panetta
Director
Office of Management and Budget
252 Old Executive Office Building
Washington, D.C. 20504

Dear Mr. Panetta,

We are writing to add our voices to the chorus of those supporting Federal financial assistance to the states, cities and rural communities working hard to comply with the mandates of the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). The short term economic stimulus package takes important first steps toward the Federal government making its fair share contribution to the Federal-State-Local partnership, and for this reason we support the package strongly.

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March 8, 1993

Carol M. Browner
Administrator
Environmental Protection Agency
401 M Street, S.W.
Washington, D.C. 20460

Dear Administrator Browner,

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cc:
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March 8, 1993

The Honorable Jim Sasser
Committee on the Budget
SD-621 Dirksen Senate Office Building
Washington, D.C. 20510-6100

Dear Chairman Sasser,

We are writing to add our voices to the chorus of those supporting Federal financial assistance to the states, cities and rural communities working hard to comply with the mandates of the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). The short term economic stimulus package takes important first steps toward the Federal government making its fair share contribution to the Federal-State-Local partnership, and for this reason we support the package strongly.

But more of a commitment to clean water programs is needed in the medium- to long-term budget proposal. We urge you to increase current funding levels in the state revolving fund by at least $2 billion per-year from the General fund. Recognizing the imperatives of deficit reduction, we believe that the need for supplemental funding may be achieved in future years through the creation of innovative and deficit neutral funding mechanisms.

We strongly believe that such mechanisms should supplement, rather than supplant, the existing demand for increased Federal contribution to our water infrastructure needs. This new revenue source would provide much-needed funding for water pollution prevention and control. In addition, it would allow the Federal government, for the first time, to make significant contributions to controlling polluted runoff and meeting SDWA requirements in both rural and urban areas. Careful design of this package also could provide important incentives to avoid or reduce polluting activities, while simultaneously making a contribution to overall deficit reduction. The need is clear.

■The Environmental Protection Agency estimated in its 1988 survey of waste water treatment needs that the nation will have to spend $83.5 billion by the year 2008 to meet waste water treatment requirements under the CWA. The General Accounting Office has determined that "the actual requirement is much higher," and that "states and local governments are faced with a large and widening gap between waste water treatment needs and available resources."

■Rural communities are dependent on small drinking water systems to meet their water supply needs. These small systems supply drinking water to 25 million Americans and it is estimated that more than 90 percent of these systems were in violation of SDWA standards in 1988.

We support attempts to investigate such additional funding mechanisms, that are both economically and environmentally beneficial, by calling on those who contribute to water pollution to help pay for its prevention and control. Many different approaches to the "polluter pays" principle have been explored over the years; the best approach is one that calls upon all of the sectors causing water pollution problems to help foot the bill for water pollution prevention and control, and assurance of a safe drinking water supply.

We envision a complementary fund raising package that combines levies on: (1) industrial toxic pollutant dischargers (which contribute to surface water contamination and the cost of drinking water treatment); (2) the manufacture of agricultural chemicals (which are key sources of groundwater pollution, and which contribute significantly to polluted runoff as the leading cause of water quality impairment, contributing to 60 percent of impaired streams and 57 percent of lake impairment); (3) various consumer products that are known to contribute to pollution problems in urban runoff and sewage treatment plants; and (4) incentive charges to encourage industrial and commercial water conservation.

We are grateful to this Administration for laying the groundwork for innovative approaches to addressing our nation's environmental and economic problems. President Clinton campaigned and won the election on a strong environmental platform and it is imperative that the lack of attention paid to these programs over the past 12 years be reversed. We hope you will agree that the type of package we are proposing represents an innovative and necessary next step.

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March 8, 1993

The Honorable Robert C. Byrd
Committee on Appropriations
S-128 Capitol Building
Washington, D.C. 20510-6025

Dear Chairman Byrd,

We are writing to add our voices to the chorus of those supporting Federal financial assistance to the states, cities and rural communities working hard to comply with the mandates of the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). The short term economic stimulus package takes important first steps toward the Federal government making its fair share contribution to the Federal-State-Local partnership, and for this reason we support the package strongly.

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March 8, 1993

The Honorable Martin Olav Sabo
Committee on the Budget
214 O'Neill House Office Building
Washington, D.C. 20515-6065

Dear Chairman Sabo,

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March 8, 1993

The Honorable William H. Natcher
Committee on Appropriations
H-128 Capitol Building
Washington, D.C. 20515-6015

Dear Chairman Natcher,

We are writing to add our voices to the chorus of those supporting Federal financial assistance to the states, cities and rural communities working hard to comply with the mandates of the Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). The short term economic stimulus package takes important first steps toward the Federal government making its fair share contribution to the Federal-State-Local partnership, and for this reason we support the package strongly.

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NRDC

Natural Resources
Defense Council

40 West 20th Street
New York, New York 10011
212 727-2700
Fax 212 727-1773

Date: February 11, 1993
To: Katy McGinty
White House Office on Environmental Policy
From: Allen Hershkowitz, Ph.D.
Senior Scientist
Re: Suggested Infrastructure incentives designed to stimulate the production of jobs from MSW recycling, followed by a few remarks explaining our current limitations in the area of recycling.

Above all, congrats on the new job. We're all thrilled.

Before I get into the recycling incentives, let me remind you that as you develop the Btu tax, MSW as a fuel for incinerators should have the Btu tax assigned to <u>each material component</u> of the waste stream in order to avoid encouraging an even greater reliance on inefficient W-T-E facilities. That is, assign the tax to plastics @ 18,000 Btus/lbs.; paper @ 7075 Btus/lbs.; Glass @ <1,000 Btus/lbs.; etc: <u>not</u> MSW at 4,500 Btus/lbs.

Proposed Jobs Producing Actions That Will Advance Recycling For Incorporation Into The Clinton/Gore Infrastructure Bill:

1. Proposed Action: Federal Procurement of Products Made From Recycled Materials:

Intended Result: The stimulation of jobs producing investments into new manufacturing facilities designed to accept recovered waste materials: A reduction in the amount of materials now going to costly, low job producing and environmentally problematic incinerators and landfills.

Prioritize <u>post-consumer content</u> under RCRA's Sec. 6002 (42 U.S.C. 6962) for all Federal Agency purchases exceeding $10,000 in the aggregate over any five year period; any State agency or political subdivision of a State agency which is using appropriated Federal funds, and; the Congress.

Procurement Standards for Materials Purchased:

Aluminum. For packaging, building and construction materials, and non-durable goods, 80 percent post-consumer material by January 1, 1997.

Glass. For packaging and insulation materials, 65 percent post-consumer material by January 1, 1997.

Plastics. For packaging, 50 percent post-consumer material by January 1, 1997.

Paper and Paper Products.

Newsprint: 60 percent post-consumer materials by January 1, 1997;

Printing and Writing Papers and Copier Paper: 20 percent post-consumer material by January 1, 1997; 40 percent by January 1, 2003;

Tissue: 60 percent post-consumer material by January 1, 1997;

Corrugating medium: 60 percent post-consumer material by January 1, 1997.

Covered Agencies should be required to report annually on their procurement policies. Any non-essential specification now inhibiting the purchase of recycled materials (e.g. brightness, cleanliness [speck count] or groundwood content) should be eliminated.

2. Proposed Action: 15 Percent Investment Tax Credits

Intended Result: The stimulation of jobs producing investments into new manufacturing facilities designed to accept recovered waste materials: A reduction in the amount of materials now going to costly, low job producing and environmentally problematic incinerators and landfills.

Provide ITCs for Manufacturers investing in facilities that use post-consumer materials (at least 20% utilization rates). Do not provide ITCs for manufacturing firms using more than 80 percent virgin resources in its feedstock. Do not allow credit to be applied to land acquisition or vague concepts like "building improvements." Do not allow the tax credit to exceed 50% of the overall tax liability. Do not let the tax credit interfere with other deductions that may be applicable, although any deductions used by firms relying exclusively on virgin materials should be eliminated. Do not allow these deductions to be applied to incineration facilities of any type.

3. Proposed Action: Recycling Development Block Grants

Intended Result: The stimulation of jobs producing investments into new manufacturing facilities designed to accept recovered waste materials: A reduction in the amount of materials now going to costly, low job producing and environmentally problematic incinerators and landfills.

Recycling Development Block Grants of $15 billion total to provide manufacturers with much needed funds to develop and build recycling facilities necessary to increase our use of secondary materials. The RDBG program could be allocated by formula (based on manufacturing capacity to be constructed) and administered by Economic Development Administration. Limit capitalization to no more than 50 percent of a project's total cost. The program could be modelled after the popular and successful Community Development Block Grant program at HUD and could be funded from recovery of tax preferences and subsidies now offered to users of virgin raw materials.

4. Proposed Action: Recover the Federal tax write-off for local waste management activities and reallocate these funds to localities and manufacturers to invest in recycling of post-consumer waste materials.

Intended Result: To eliminate the tax write-off (subsidy) now provided by the federal government for garbage generation. The stimulation of jobs producing investments into new manufacturing facilities designed to accept recovered waste materials: A reduction in the amount of materials now going to costly, low job producing and environmentally problematic incinerators and landfills.

Reclaiming this revenue would amount to more than $8 billion annually. Jobs benefit would depend on how recovered revenue was allocated. Whatever Americans shell out for waste management in their state and local taxes gets fully written off of any Federal tax obligations, regardless of how much we might generate or how poorly we manage it. While denying the federal government almost $9 billion annually, this tax policy sends no beneficial price signal to either the consumer, the manufacturer or the recycling market.

5. Proposed Action: Reassess the environmental value and jobs creating potential of the billions in annual subsidies now doled out to America's manufacturing sectors and which encourage the use of depletable virgin resources.

Intended Result: To eliminate a major obstacle inferring with the use of recycled materials: To stop subsidizing to highest polluting processes, those that rely on virgin resources, and encourage more efficient investment into recycling facilities.

By reassessing the environmental value and jobs creating potential of the billions in subsidies that are annually doled out to America's manufacturing sectors encouraging the use of depletable virgin resources the Administration can recover a revenue drain and encourage recycling at the same time. The Administration should also review subsidies given to raw materials/minerals businesses abroad: foreign countries may be "dumping" raw materials in the U.S., which would be a GATT violation were these subsidies applied to finished consumer products. (An accurate estimate of the subsidies encouraging the use of virgin resources has never been calculated. However, even the most conservative assessment would put it well into the billions annually, which is more than all American cities and states spend on recycling each year. Nor have these subsidies ever been assessed to determine whether they encourage job production as well as environmental sustainability.)

6. Proposed Action: Eliminate all federal payroll taxes, (which taxes the hiring of workers), and replace these funds (about $521 billion last year) with a tax on natural resources.

Intended Result: Currently we tax employers when they hire someone and subsidize the depletion of our natural resources. This should be reversed. If we were to eliminate federal payroll taxes, which adds about 30 percent to the cost of hiring a worker and limits the money available for spending by employees, and instead finance the federal entitlements these funds provide via a tax on natural resources, we will then have a tax code that correctly encourages employment and penalizes depletion of virgin resources. If you're interested we can talk in more detail about this at your earliest convenience.

Some general talking points on recycling:

* **The strongest economies in the world have the highest**

recycling rates. Germany exports twice the GDP as does the U.S., generates half as much waste per capita using half as much energy and recycles three times as much. The same is true for Japan. By contrast, **the average American generates twice as much municipal waste per capita than citizens in every other OECD country, and consumes twice as much energy per capita to do so.**

* Of 18 OECD countries for which glass recycling data were available. The U.S. ranked last. The U.S. rate of paper recycling ranks 15th. Fifty percent of all municipal waste produced by the world's 18 most industrialized countries (the OECD countries) is generated by the people living in the U.S.

* The Federal government, (Interior, Agriculture, Commerce) local governments and foreign governments offer **billions of dollars in subsidies to encourage the use of environmentally destructive virgin resources.**

* By contrast, **recycling produces more jobs than any other waste management option and is the least polluting solid waste treatment process. It reduces energy requirements at manufacturing facilities producing consumer goods and the use of recycled materials reduces the environmental impacts of all manufacturers that use them. Recycling conserves natural resources and reduces the politically controversial reliance on virgin resources.**

* Recycling preserves landfill space and enhances the combustion efficiency of municipal waste incinerators by removing glass, metals, yard wastes and other polluting non-combustibles from the waste stream.

* **Although the U.S. Environmental Protection Agency in 1988 set what it considered to be an "achievable goal" of reducing our per capita waste generation rate by 10%, in fact since then per capita municipal waste generation in the U.S. has actually increased by about 22%. We are experiencing a much more rapid growth in waste generation than that predicted by the EPA.**

* **Last year the management of municipal wastes cost U.S. taxpayers more than $30 billion.** Morgan Stanley, Inc. estimates that by 1995 Americans will be spending $45 billion on waste disposal and by the turn of the century, just seven years away, we could be spending $75 billion to manage our garbage. (By comparison America spent $4.9 billion on AIDS research last year.)

* **Currently, no rational regulatory structure exists to**

frame recycling markets in the U.S, which is why fully 83% of all municipal wastes are now sent to environmentally and economically inferior landfills and incinerators. And much of what is recycled "by the U.S." is actually exported to recycling jobs abroad.

* The problem of reducing the tax burden associated with recycling (and disposing of municipal solid waste more generally) will only be solved when responsibility for the recovery and utilization of these materials is assigned to the consumer products industry. That is, when municipal waste management costs become internal to the cost and pricing of consumer goods. **Such a regulatory approach is already law in Germany, The Netherlands and Japan.**

Energy Tax Briefing Package

1. **Energy Tax Talking Points** - for internal use only
2. **BROAD-BASED ENERGY TAX** - prepared as handout for public briefings starting Thursday morning

PACKAGE PROVIDED TO CABINET OFFICERS THROUGH THE CABINET SECRETARY, WEDNESDAY, FEBRUARY 17, 4:30 P.M.

Energy Tax Talking Points

- **Broad-based energy tax** represents commitment to energy efficiency, national security, environmental protection and vigorous deficit reduction, fairly-shared, for long-term U.S. competitiveness.

- **Cheap energy** has been narrow competitive advantage for U.S. Our energy prices are lower that G7 competitors almost across the board. But this edge has come at considerable cost, in terms of import dependence, energy inefficiency, and environmental degradation. Unwillingness to raise prices through taxation, as major competitors have done, has been part of runaway deficit problem, raising interest rates and hurting trade balance.

- **Import dependence** costs us dearly and undermines both national security and trade balance. Cost includes trillion dollars spent to ensure free flow of oil from Persian Gulf since 1950s, and economic shocks when system failed in 1970s. With U.S. imports climbing toward 50% of domestic demand and persistent threats to Middle East stability, our security remains seriously compromised. Economically, oil imports represent nearly 65% of current U.S. trade deficit.

- **Energy inefficiency** is a fool's game -- like trying to build prosperity on debt. Our competitors use energy much more efficiently than we do, sparing themselves costs and risks. They have a better home market for energy-efficient technical innovation than we do, and are capturing global market share from us.

- **Environmental degradation** from excessive energy use imposes significant costs on economy and ecology that markets don't reflect. Includes CO_2 emissions, smog, acid rain, toxic waste, traffic congestion, transport accidents. Price increases improve signals to markets, recognizing true costs. Energy tax arrays these increases in proper rank order of environmental harm: coal, oil, gas.

- **Carbon reduction** is a U.S. goal under Climate Convention signed at Rio Summit. Energy tax will move U.S. toward this goal. U.S. economy currently more carbon intensive -- i.e. emits more CO_2 per unit of GDP -- than all other G7 countries except Canada. Coming from behind will give U.S. stature and leverage in global debate, and encourage movement by others who have endorsed contingent actions of their own (notably European Community BTU/carbon tax).

- **Conservation** and switching to **cleaner fuels** as a result of proper price signals are economic benefits. Conservation is still the cheapest additional source of energy supply to U.S. Energy tax configuration favors natural gas and renewables.

- **Phasing** of energy tax -- 1/3 installments on July 1, 1994 through July 1, 1996 -- will allow time for adjustment by businesses and households and meet desired time profile of stimulus/deficit reduction. Adjustment period is appropriate for individuals and economy as a whole, but message is clear: a change must come.

- **Regional effects** of broad energy tax are limited. Broad tax base allows lower rates than for more focussed taxes -- e.g. gasoline tax or oil import fee -- for equivalent revenue. Effects are spread broadly across U.S. Regional differential in heating oil use (concentrated in New England and Mid Atlantic states) is ameliorated through first-year exemption of heating oil from supplemental tax on oil, allowing users greater time for adjustment.

- **Income distribution effects** are addressed within economic package as a whole, yielding a progressive overall result. Energy tax in isolation is regressive across reported income classes, although less so across expenditure classes, and much less so when embedded as well as direct tax effects (e.g. airfare increases as well as gasoline price increases) are considered. Other elements of the economic package -- EITC, Food Stamps, LIHEAP -- offset these effects, producing an overall progressive outcome.

- **Competitiveness effects** are limited by broad base and correspondingly low rate of tax. Intend to move economy away from high-energy-use processes and lifestyles, without uneven sectoral hits or overall shock. Phasing will help adjustment process, as will encouragement for energy-saving technology elsewhere in economic package. Favorable bond market reaction to deficit reduction will lower interest rates and the dollar, encouraging U.S. exports generally.

- **Administration** of energy tax will be upstream from retail level limiting number of taxpayers and opportunities for evasion. Much of tax can be collected through existing administrative structures, bringing only limited number of new taxpayers into system.

ECONOMY-WIDE IMPACTS OF PRESIDENT'S ENERGY TAX

Output and Jobs

* With monetary accommodation (an increase in the money supply by the Federal Reserve Board), GNP losses would be close to zero.

  -- A credible deficit reduction package would make favorable action by the Federal Reserve far more likely.

  -- The President's proposal will hit the macroeconomy less hard than other, narrow-based energy taxes, such as taxes on gasoline or imported oil.

* What should we tax--goods or bads?

  -- By taxing things we want less of--pollution, congestion, etc.--rather than things we want more of--labor and capital--energy taxes move the U.S. in the right direction.

  -- Energy taxes also have economic, environmental, and national security benefits lacking in other revenue sources.

* Energy taxes, like other taxes, reduce economic growth and employment over the short to medium term, unless offset by other expansionary macroeconomic policies.

  -- Taxes absorb purchasing power and increase prices, contributing to inflationary pressures.

  -- Without monetary accommodation, GNP would decline somewhat.

  -- In the long-term, however, energy taxes promote economic growth by replacing other more burdensome taxes.

Competitiveness

* The energy tax should be considered as part of a larger package, which by providing investment incentives and by reducing the Federal deficit will favorably affect industry costs.

* The energy tax would affect the competitive position of energy-intensive firms, particularly those with large export markets and those subject to import competition.

* The energy tax could result in some relocation of energy-intensive industries to nontaxing countries.

  -- But increased energy costs could be partly or wholly offset by reduced domestic interest rates and reduced health care costs; also, the President's tax package does not increase taxes on labor (e.g. payroll taxes).

* Among the G-7 nations, however, the U.S. already enjoys the lowest or second-lowest prices for gasoline, natural gas, fuel oil, coal, and electricity.

  -- Even after the tax, U.S. firms would still pay less for the energy they use than firms of any other G-7 nation (see graph).

* The EC has proposed a hybrid carbon/energy tax to its member states. The tax is conditional on adoption of similar measures by other OECD countries, including the U.S.; if adopted, the EC tax would reduce the problem of relocation (and carbon "leakage").

  -- The EC's proposal calls for a tax starting at the equivalent of $3 per barrel in 1993, rising to $10 per barrel--nearly three times the President's proposal--in 2000.

* Firms in industries with low energy intensities would be affected only slightly.

* The deficit reduction package could have the effect of offsetting exports losses in energy-intensive industries with export gains in other industries.

  -- A lower deficit would reduce interest rates, reducing costs to domestic producers, and improving the export position of U.S. firms.

<u>Trade Balance</u>

* U.S. trade balance would improve from the deficit reduction package: a lower deficit would reduce interest rates, promoting capital outflow, driving down the value of the dollar, and thus improving the export position of U.S. firms.

  -- U.S. trade balance would also improve as a result of a decline in oil imports.

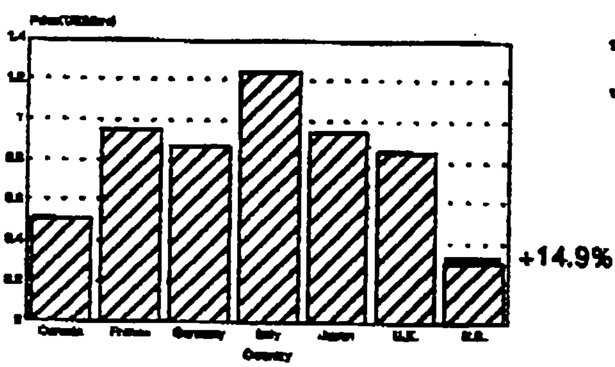
Comparision of Fuel Types by G-7 Country

1991 Prices and Exchange Rates

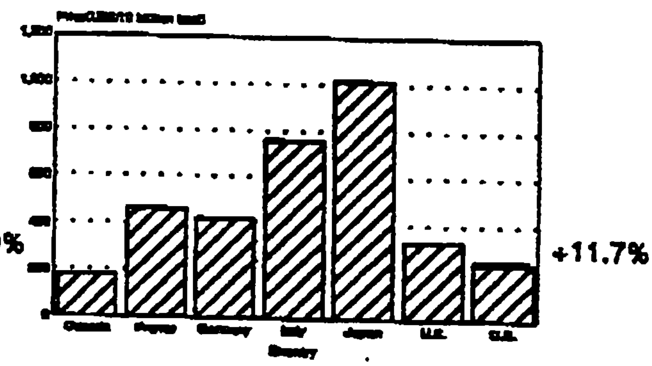
Electricity Prices

Light Fuel Oil Prices

Gasoline Prices



Natural Gas Prices



Coal Prices

The darkened areas represent the price change after full implementation of the tax in 1997. The figure to right is the percent change.

Talking Points on the Proposed Energy Tax

Administrative Issues

- Rates are generally expressed on a per-unit basis and based on average Btu content (e.g., $3.47 per barrel of oil, $0.26 per mcf of natural gas)

  -- This eliminates the need to determine the actual Btu content of fuel and facilitates computation of the tax

  -- Because coal varies widely in Btu content, it is taxed on actual Btu content

- Compliance burdens are minimized by collecting the tax from a small number of taxpayers (e.g., refineries for oil, pipelines for natural gas, mine owners for coal)

  -- For most businesses and individuals, there is no compliance burden

  -- A small number of taxpayers dealing in large volumes can comply more efficiently than a large number of taxpayers dealing in small volumes

  -- The IRS can focus its collection efforts

- The tax is imposed at or near the producer level (i.e., upstream) and before the point at which use as a fuel is likely to occur

  -- A use tax is imposed when previously untaxed products are used as fuel

  -- Use taxes are difficult to collect; imposing the tax upstream minimizes the potential for avoidance

- The broad base simplifies the tax

  -- In the case of fossil fuels, the only exceptions are for nonfuel uses and exports

  -- The tax can be imposed upstream with fair confidence that the product is actually taxable

  -- The number of tax-free sales or downstream refunds is minimized, thus limiting the opportunities for avoidance

- The public will not notice the tax

  -- The tax will not be separately stated in the amount charged to end users

  -- Because the base is broad, the price increase should be within the normal range of energy price fluctuations

- Much of the tax can be collected through existing administrative structures

  -- Coal, oil, and refined petroleum products are currently taxed; the mechanisms used to collect those taxes can be extended to the new tax

  -- Only the tax on natural gas and electricity would bring new taxpayers into the system

Talking Points on the Proposed Energy Tax

Impact on Typical Four-Person Families

Family Income	Direct Energy Expenditures		Direct and Indirect Energy Expenditures	
	Amount of Expenditures	Tax*	Amount of Expenditures	Tax*
$25,000	$2,242	$105	$6,109	$285
40,000	2,570	118	7,002	322
60,000	2,970	133	8,093	362

*Assumes fully phased-in rates (per million Btus) of: $0.257 for coal and natural gas, and $0.599 for oil (equivalent to $3.47 per barrel).

- At full phase-in (beginning July 1, 1996), the tax will cost a typical family of four with $40,000 of income $118 in tax on direct household energy purchases (i.e., gasoline, heating, and electricity).
  - -- The cost to a typical family of four is based on the following: the tax would be equivalent to increases of 7.5 cents per gallon on gasoline, 8.3 cents per gallon on heating oil, 26.5 cents per mcf on natural gas, and $2.24 per month on the typical electric bill.
- Taking account of the energy tax on businesses that is passed forward to consumers in the form of higher prices, the tax would cost a family of four with $40,000 of income a total of $322.
- For a family of four with $25,000 of income, the increase in the Earned Income Tax Credit would be $691 per year, which would be greater than the total cost of the energy tax of $285.
- The average American household can offset the tax's impact on energy prices by buying more efficient equipment. If every household that expects to buy a new car during my Administration buys a car that is just <u>two</u> miles a gallon more efficient, they will totally offset the impact of the tax on their gasoline bill. Similarly, better housing insulation and more efficient furnaces and heatpumps could offset the impact of these taxes on household energy costs.

OIL IMPORTS

- The energy tax reduces the amount of oil the nation imports. This improves energy security and reduces import costs.

- In 2000, the tax causes projected oil imports to drop by about 350,000 barrels per day, or by about 3.3 percent. It also is projected to cause a small ($0.22 per barrel) drop in the world oil price.

- In 2000, the tax reduces the projected oil import bill by approximately $3.7 billion per year -- about $35 to $40 per household. Between 1994 and 2010, the U.S. oil import bill is reduced by $74.3 billion (in $1991).

- The tax has almost no effect on domestic oil production. Almost all of the reduction in is attributable to a drop in oil imports.

  - Domestic oil production is not affected by the tax because the OPEC nations are the "swing" producers in the world oil market. As swing producers, they absorb almost the entire drop in U.S. oil consumption.

ENERGY PRODUCTION/CONSUMPTION

- There is very little adverse impact on domestic energy production. Coal and natural gas production is expected to increase despite the tax, though at a slightly reduced rate; for oil, the tax has almost no effect on domestic production.

- Although oil consumption falls more than the consumption of other fuels, projected domestic oil production in 2000 falls by only 0.3 percent, or 20,000 barrels per day. Imports are projected to absorb the brunt of the decrease in consumption.

- Domestic natural gas production is projected to grow by 12 percent between 1990 and 2000, despite the imposition of the tax. Increased support for natural gas R&D and an expanded alternative fuels program help to enlarge future markets for natural gas.

- Domestic coal production is projected to grow 6 percent during the period 1990 to 2000. Most of this increase is attributable to increases in coal exports.

- Energy consumption in 2000 is expected to be reduced by about 1.25 quadrillion BTUs from what it otherwise would have been. This is due to conservation and energy efficiency improvements brought about by the tax.

TRANSPORTATION SECTOR IMPACTS

- A total tax of $0.599/mmbtu on oil at full implementation in 1997 translates into a price increase of approximately 8 cents per gallon at the pump.

- For a car driven 12,000 miles per year and getting 20 miles per gallon, annual fuel costs would rise by less than $50 at full implementation in 1997. The cost impact during the ramp-up period would be substantially lower -- less than $10 in 1994.

- For a freight truck driven 100,000 miles per year and getting 5.4 miles per gallon, fuel costs would rise by $1,540 per year at full implementation in 1997. Cost impacts in 1994 would be less than $300.

- For commercial airlines, the tax would raise total costs by about 2 percent at full implementation in 1997. If the entire amount of the tax were passed through to passengers, ticket prices would rise by the same amount.

- For railroads, the tax would raise total costs by about 1 percent at full implementation in 1997. If the entire amount of the energy tax were passed through to shippers, freight rates would rise by the same amount.

- For water-based freight, the tax would raise total costs by 3.2 percent at full implementation in 1997. If the entire amount of the energy tax were passed through to shippers, freight rates would rise by the same amount.

Talking Points Regarding Environmental Impacts

- On June 13, 1992 the U.S. and 157 other countries signed the Climate Convention in Rio de Janeiro, pledging to take action on climate change. Energy use is a key source of the climate change problem, and Americans use more energy than citizens of other developed countries. The average American uses 75 percent more energy than his or her counterpart in Germany, and 113 percent more then his or her counterpart in Japan.

- The European Community has already agreed to stabilize its emissions contributing to global warming. Instead of lagging behind the world in addressing this problem, the U.S. needs to assume a leadership role in moving the world towards a path of sustainable development and environmental stewardship while meeting our international obligations. The proposed tax will reduce our carbon dioxide emissions, the most significant pollutant causing climate change, by 25 million tons in the year 2000. This, along with other actions, will help the U.S. meet its greenhouse gas goals for that year. Furthermore, the reductions will grow to 34 million tons by the year 2010.

- By stimulating energy conservation, the tax will cut U.S. energy use by 1.4% in the year 2000. These energy savings are equivalent to the energy consumed by 35 500 megawatt power plants.

- The energy tax will also reduce emissions that contribute to urban smog. Automobile emissions of volatile organic compounds, carbon monoxide and nitrogen oxides will fall by 9,800, 89,000 and 11,000 tons per year, respectively. These pollution reductions are equivalent to taking 75,000 to 260,000 older, high emitting cars off the road. Other emission reductions would also be registered in the utility sector and from industrial sources; powerplant emissions of nitrogen oxides alone would fall by 150,000 tons per year, equivalent to 3.3% of all power plant emissions.

- Further environmental gains would result from fewer oil spills, less acid rain, less disposal of toxic wastes--all of which will lead to a healthier and sustainable level of environmental quality. Oil imports are expected to decrease by 350,000 barrels per day, resulting in 128 fewer tanker loads of oil coming to our shores annually (each tanker carries a million barrels).

Per Capita Energy Consumption* in Other Countries Relative to the United States
(U.S.=100)

Country	Per Capita Energy Use (1991)
Japan	47
France	54
Germany	57
Italy	36
Netherlands	61
United Kingdom	49
OECD Europe	44

*Based on ratio of total primary energy supplies per capita.

Source: Energy Policies of IEA Countries, 1991 Review, International Energy Agency

Energy Use Per Dollar of GDP*: Other Countries Relative to the United States
(U.S.=100)

Country	Energy Intensity of Economy Relative to U.S.
Japan	60
France	90
Germany	102
Italy	76
Netherlands	114
United Kingdom	98
OECD Europe	98

*Based on ratio of Total Primary Energy Supplies to GDP for 1991 (using 1985 prices and exchange rates)

Source: Energy Policies of IEA Countries: 1991 Review, International Energy Agency.

Talking Points on the Proposed Energy Tax

Impact on Consumers by Region

- The attached table provides information on the regional impacts of the Administration's proposed energy tax when the rates are fully phased in (beginning July 1, 1996). The first column of the table shows by census region the dollar amount of tax that would be paid on a per capita basis. The second column of the table expresses the tax as a percent of disposable personal income in each region. The third and fourth columns show the same information as the first two columns, but expressed as a percent of the national average. A map of census regions follows the table.

- The Administration's proposed energy tax is better balanced regionally than alternative energy taxes such as an increase in the gasoline tax or an oil import fee.

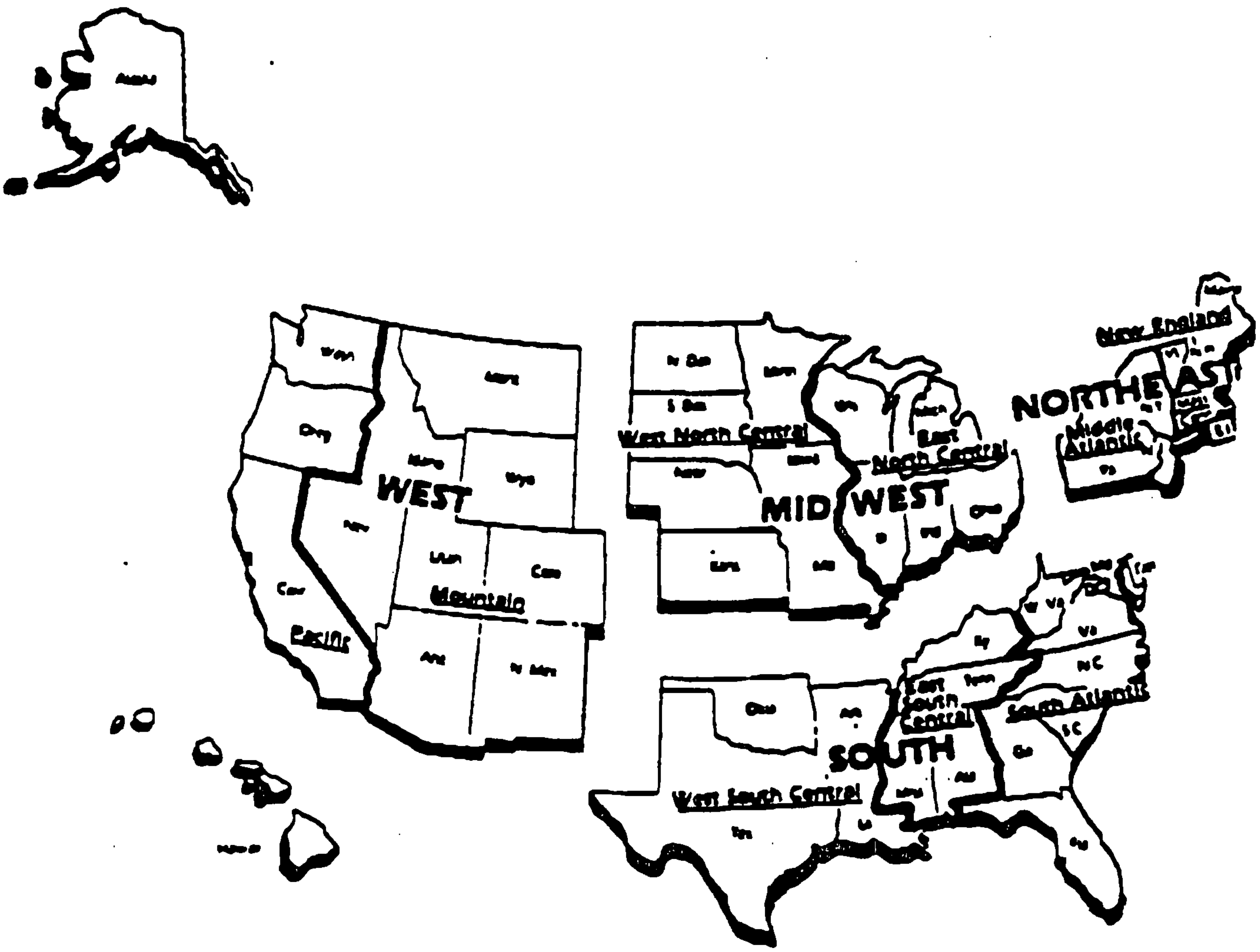
- Note that while the tax burden on a given region may be higher than the national average on a per capita basis, it is often lower than the national average as a percent of disposable personal income, and vice versa.

Impact of Energy Tax on Consumers by Region

Census Region	Tax Increase (Full Rates*)		Percent of National Average	
	Amount Per Capita	As a Percent of Income	Amount Per Capita	As a Percent of Income
New England	$103	0.54 %	117 %	99 %
Middle Atlantic	93	0.50	106	93
South Atlantic	89	0.56	102	104
East North Central	87	0.55	99	101
East South Central	80	0.60	91	111
West North Central	88	0.58	100	106
West South Central	83	0.59	94	109
Mountain	82	0.57	94	105
Pacific	86	0.49	98	91

* Rates become fully effective July 1, 1996.

U.S. Census Regions and Divisions



Talking Points on the Proposed Energy Tax

Impact on Income Distribution

- The energy tax is part of a broader Administration proposal that includes low-income offsets
  - The basic earned income tax credit is expanded by increasing the maximum credit, raising the income level at which the credit phases out, and extending the credit to low-income childless workers
  - Food Stamps and the Low Income Home Energy Assistance Program (LIHEAP) are expanded
- Taking these offsets into account, the Administration's proposals reduce the average burden on families with less than $20,000 of annual income
- The effect of the energy tax will also be partially offset by increases in indexed transfer payments
  - To the extent the energy tax increases prices generally, cost-of-living adjustments to Social Security and other transfer payments will cushion its effects on lower-income individuals and families

HANDOUT

BROAD-BASED ENERGY TAX

1. Specifications

- Indexed BTU tax with oil supplement

Basic tax:	25.7 cents/million BTU
Oil supplement:	34.2 cents/million BTU
Index:	GDP deflator

Tax rate on per-unit basis

Coal:	$5.57 per short ton; varies by actual BTU content
Oil:	$3.47 per barrel; based on average BTU content
Gas:	$0.26 per mcf; based on average BTU content

- Phased introduction over three years

July 1, 1994	1/3
July 1, 1995	2/3
July 1, 1996	fully phased in

- Tax base

  Fossil fuels: BTU content of coal, oil, and natural gas

  Nuclear fuel in electricity generation: BTU content of nuclear fuel

  Hydro-power in electricity generation: average fossil fuel BTU input required to generate equivalent electricity

  Excludes non-fuel uses of fossil fuels, non-conventional fuels (solar, geothermal, biomass, wind or other) and exported fossil fuels.

- Collection point

Coal:	minemouth
Oil:	refinery; importation point for refined petroleum products
Gas:	pipeline

Hydro and nuclear generated electricity: utility
Imported electricity: importation point

Downstream credits provided for non-fuel use

- Revenue estimate

  $22 billion dollars in FY1997, when fully phased in.

2. Objectives

- Increase energy efficiency of economy for long-run competitive advantage

- Improve environment through reduced growth of fossil fuel consumption and modest incentives favoring cleaner fuels

- Enhance national security and U.S. trade balance by reducing oil imports

- Strengthen economic performance through vigorous deficit reduction, boosting long term U.S. investment, productivity and growth and encouraging U.S. exports.

3. Economic effects

- Broad base of tax keeps tax rate low and spreads effects across regions, industries and consumer segments. Scale of tax fits objectives of overall economic package.

- End user prices will increase modestly:

  gasoline - about 7.5 cents/gallon or 5%
  residential natural gas - about 26.5 cents/mcf or 4%
  residential electricity - about $2.24/month or 3%
  home heating oil - about 8.3 cents/gallon or 8%

  compared to the year 2000 level without tax.

- Energy expenditures of about $2,600 per year for a family of four with annual income of $40,000 will increase by about $120; expenditures will rise by about $320 when the energy component of all goods and services is considered.

- Consumption will decline less than prices rise -- 2% or less from the year 2000 level without tax -- representing modest conservation and fuel switching without shock to the real economy.

- Producer prices decline very slightly -- less than 1% from year 2000 level without tax. Production hardly changes, with reductions in oil, whose consumption declines most, coming principally from imports.

- Phasing of tax allows adjustment period for economy and fits stimulus/deficit reduction timing of economic package.

4. Competitiveness effects

- Cost increases for energy-using industries are kept low and widely spread.

- Phasing helps adjustment process. Help also from other elements of economic package -- investment tax credit and R&E tax credit, technology transfer from National Laboratories, model projects in industrial energy conservation.

- Deficit reduction will lower interest rates and improve export climate for all U.S. firms.

5. Environmental effects

- Tax-induced reductions in CO_2 emissions will help meet U.S. goal (expressed in climate convention at Rio Summit) of returning its greenhouse gas emissions to 1990 levels by year 2000.

- Other environmental benefits include reductions in smog, acid rain, toxic waste, traffic congestion and transport accidents.

- Domestic action will enhance U.S. stature and leverage in international debate; set the stage for others to proceed with their contingent tax plans - notably European Community with its BTU/carbon tax.

6. Regional effects

- Broad tax with low rate limits regional differences compared to narrower alternatives such as gasoline tax or oil import fee.

- National average per capita tax increase as percent of income varies by less than + or - 10% across regions.

- Regional differential in home heating oil use ameliorated through first year exemption of home heating oil from supplemental tax, allowing users greater time for adjustment.

7. Income distribution effects

- Addressed within economic package as a whole, yielding progressive overall result.

- Other elements of package -- earned income tax credit, Food Stamps, Low Income Home Energy Assistance Program (LIHEAP) -- help offset any regressivity of energy tax portion. Further cushion from cost-of-living adjustments to Social Security and other transfer payments.

- Energy tax itself is less regressive when consider embedded as well as direct effects (e.g., airline fares as well as gasoline prices), and when look at expenditure measures rather than reported income measures of household wellbeing.

U.S. Senate
Republican Policy
Committee

Don Nickles, Chairman
Kelly D. Johnston, Staff Director

Issue Alert

February 17, 1993

THE CLINTON BROAD-BASED ENERGY TAX

The broad-based energy tax being proposed by President Clinton is an excise tax based on BTU (heat) content, applied to all fossil fuels, and applied to hydroelectric and nuclear power on the basis of fossil fuel equivalency.

The btu tax will be phased in between 1994 (raising $1.5 billion) and 1997 ($22.3 billion). During the period 1994 to 1998, the tax is projected to raise $71.4 billion dollars.

Tax Rates Upon Full Implementation in 1997:

Oil: 59.9 cents per million btu, or about $ 3.47 per barrel of crude oil. Since the tax is to be collected at the refinery, it remains unclear whether the tax will be collected at the front of the refinery (gate) or after the crude is refined into products (rack). If collected at the rack, each refined product's btu value would determine the tax, e.g., motor gasoline will be taxed at 7.5 cents per gallon, home heating oil and diesel at 8.31 cents per gallon; and kerojet (commercial airline jet fuel) at 8.1 cents [adding over $1.5 billion per year in operating costs to commercial airlines fueling up in the U.S.].

Natural Gas: 25.7 cents per million btu, or 26.5 cents per mcf, apparently assessed when the natural gas is received by pipelines from the field gathering systems.

Coal: 25.7 cents per million btu, or $5.35 per ton of steam coal assessed at the minemouth. National Coal Association estimates that if fully passed through, this would increase the average electricity consumers bills about 17%.

Conclusion

An energy tax will dampen the economy by decreasing consumers' discretionary income to buy goods and services, put inflationary pressures on the economy and decrease manufacturing jobs by decreasing U.S. international competitiveness. It also appears to be one more income transfer mechanism, since the Clinton proposal also contains increases in the earned-income tax credit, low-income home heating assistance and Food Stamps.

As an example of the impact on industry: General Motors estimates this tax proposal will add $68 million per year in direct manufacturing costs to its U.S. operations, plus about 3 to 4 times that in increased indirect costs (steel, glass, paint and parts) for a total of $270 to $340 million per year. This to a company that lost $1.5 billion last year.

Staff Contact: Mark Whitenton, 224-2946

SIERRA CLUB 408 C Street, N.E. Washington, D.C. 20002 202·547·1141

MEMORANDUM

TO: David Wilhelm, Katie McGinty, Craig Smith, Marla Romash, Heather Booth, Bob Hattoy

FR: Reid Wilson

RE: Sierra Club Activity on Behalf of Clinton Economic Package

February 19, 1993

I want to give you a brief report on what the Sierra Club has done so far on behalf of the President's economic program, and what we plan to do in the future. I think you will be pleased.

<u>Completed Activities</u>

1. A mailing to <u>250,000</u> Sierra Club members is at the printer right now. The mailer urges our members to contact their Senators and Representatives on behalf of the Clinton package. (I'll get you copies of it).

2. Executive Director Carl Pope issued a statement (attached) on Feb. 17 which was sent far and wide to national media.

3. Political Director Reid Wilson spoke at an environmental press conference Feb. 18 (statement attached).

4. Both Carl and Reid gave interviews to radio networks (approx. eight total) right after the speech.

5. We have sent daily electronic mail messages to approximately 250 of our top activists each day, urging them to activate their networks. (Copies attached). In addition, some of these messages have gone out on the computer to "ECONET," which reaches hundreds of environmental activists from other groups.

Our message has been: "The Clinton package is good for the environment. It reduces the deficit, creates jobs, and protects the environment. It slashes subsidies to environmentally destructive activities, it invests in environmental infrastructure, and it moves in the right direction to tax polluting and wasteful energy use. Please do the following to support the Clinton package: call your Senators and Representative; hold a press conference; call radio talk shows; write a letter to the editor; get a bunch of other people to do everything you're doing."

6. On Feb. 18 Club staff and activists held press conferences or issued press releases in Ohio and Wisconsin. (We think others occurred as well but we haven't been able to reach the people involved).

7. We continue to organize additional local press events around the country. We expect that there will be at least another ten press conferences and perhaps many more once our networks get activated.

8. We have written an activist alert message which is about to be sent to our top 1000 or so activists through our bi-weekly newsletter.

9. Our field offices and our political staff have begun calling top chapter leaders from around the country to get them involved.

10. We've also begun calling the Sierra Club activists who led the Clinton/Gore campaign efforts in their states, to get them cranked back up.

11. Our phone Hotlines into the DC office (our volunteers call them to find out what's going on and how they can help) all carry the message about the economic package.

12. We have begun working with our Sierra student coalition to reach college and high school students.

(I might add that we did all of these things without seeing any details of the package beforehand, which had been promised. We went out on a limb and took a risk anyway because we thought that supporting President Clinton's package was so important. In the future, however, we would prefer not to be in the position of having to speak positively about something that we don't actually have any written details about. We were very uncomfortable about it, but did it anyway because we thought it was important.)

<u>Plans for the Future</u>

1. We are organizing a massive environmental lobby day next Wednesday the 24th. We are bringing in lobbyists from the other DC environmental groups. We hope to have about a hundred people out in force next Wednesday. The program will be run out of our office.

2. We are setting up a desk system in our DC office to coordinate the activities of our grassroots volunteers around the country.

3. We will send out an activist packet to approximately 1000 of our top volunteers around the country on next Tuesday. The packets will help them hold press events and organize other volunteers.

4. We are almost done writing an op-ed piece which we'll send out.

5. We'd like to be able to help build crowds for events that Clinton, Gore, Babbitt, Browner, Pena, and others do in the near future around the country. We'll need your help in getting their schedules.

6. We are about to begin outreach to our issue oriented networks within the Club. For instance, we have activists that work just on population. Our staff that work on that issue will work with the volunteers to get them involved on behalf of the package, the rationale being that if they want more good stuff on population in a year or so, Bill Clinton needs to be in a strong political position to get it done. We have good activists lists on a pretty

wide array of issues.

7. We are set to reach out to other environmental groups to get them to do more than just join our lobby day next week. We will encourage them to get their own grassroots organizations up and running on behalf of the package.

8. We are working to make sure that at all regional, state, and local Sierra Club meetings around the country in the next months, someone gets up and makes a pitch that everyone there should work on behalf of the economic package.

9. We are about to send out a "newsletter feed" to all chapter and group (state and local) newsletter editors. Almost all editors will print it in their next issue.

10. We will send a letter to Congress early next week.

11. We will try to organize volunteer phone banks around the country to generate calls and letters to Congress.

We look forward to working with you to pass the President's economic program. Please feel free to call me if you need anything in particular.

TO: Sierra Club Far and Wide
FR: Reid Wilson
RE: President Clinton's State of the Union Address

February 12, 1993

As you know, President Clinton will deliver his State of the Union address on Wednesday the 17th. The Sierra Club and other environmental groups have been invited to a meeting at the Democratic National Committee on Monday morning to discuss building public support for the president's message.

At that time we hope to find out more specifics about Clinton's environmental and economic proposals, although we don't expect to get all the details. What we know now, though, indicates that we will like most of what is in Clinton's package. We probably won't be thrilled with everything, but on balance the whole package will probably be pretty strong.

The DNC will ask us to generate calls and letters into congressional offices in support of Clinton's programs. They really want there to be a huge groundswell and massive amounts of calls into Hill offices so that members of Congress will be in line when it comes time to vote on passage of Clinton's proposals. This is something that the Reagan White House did extremely well. I think its a good sign that the Clinton people are trying to do the same thing, and that they are coming to us, who they recognize did a lot for them in the campaign, for help. They are doing this with other constituency groups as well. We want to be able to help them.

Please stay tuned to your cc:mail. I will try to get out messages on Monday, Tuesday, and Wednesday about what we think will be in Clinton's address and how you can help. We need to be able to jumpstart a big grassroots push immediately (and cheaply), so we'll all probably need to make lots of phone calls in the next week to other activists (assuming, of course, that we like Clinton's package).

TO: Sierra Club Far and Wide
FR: Reid Wilson
RE: Number 2 - State of the Union

Feb. 15, 1993

The events of this week and next will to a large degree determine the success or failure of Bill Clinton's presidency. He will unveil Wednesday his economic plan for the nation, which will include a number of environmental measures. This could be the defining moment of his presidency. This is all about political power and clout. If Clinton is able to persuade the public and Congress to support him right off the bat, his position will be bolstered, allowing him to use his increased political strength to do more good for the environment later on in his presidency. If, however, the public and Congress turn against his proposals in the next week, he will be substantially weakened and will have much less likelihood of being able to get his way later on.

Bill Clinton needs our enthusiastic support right now. Assuming that his package meets our approval on environmental issues, we should do all we can to support him immediately. He needs an immediate groundswell of support commencing right after the State of the Union address and continuing into next week.

Betsy Loyless and I and approx. 25 other DC environmentalists met this morning with Democratic National Committee chair David Wilhelm, DNC Political Director Craig Smith, and DNC Environmental Constituency Outreach staff (not her real title) Heather Booth.

The DNC called the meeting. Their purpose was to enlist environmentalists' help in generating public support for President Clinton's economic package. They want us to help create an enormous groundswell of support, meaning:

telephone calls to members of the House and Senate
press conferences
call-ins to radio talk shows
letters to the editor
op-ed articles
calls to reporters

They're not asking for a few of each, or for a limited effort. They're asking for as many of all of the above as possible. They're asking for the type of effort that we put in during the last weeks of the campaign.

We told them that our level of activity would depend in part on the content of Clinton's proposals. They understood that, and said that they thought we would be very happy with the proposals, and that the environment was one of the winners in this package. They thought corporate America would not be nearly so happy.

We expect to receive the details of the package on Wednesday morning. We assume that the package will not contain everything we want, and that it will contain some things we don't want. But on balance, we expect that it will be very positive for the environment.

URGENT CALL TO ACTION

Assuming that the Clinton package meets our standards on the environment, we need to mount an all-out effort to generate support for these programs. We encourage you to support your grassroots activist networks. You can bet on it that powerful corporate special interests will weigh in against the economic package. Clinton needs grassroots public support as expressed in the media and to members of Congress to fight off the special interests.

So,

* If you want Bill Clinton to designate the Arctic National Wildlife Refuge as wilderness in a couple years, you should try to build support now for his economic package.

* If you want there to be a positive solution to the old growth forest problem, you should try to build support now for his economic package.

* If you want wetlands and wildernss areas to be protected down the road, you should try to build support now for his economic package.

* If you want to see greater recycling and a stronger Superfund program in a couple years, you should try to build support now for his economic package.

* If you want to see continued improvements in U.S. population policy and if you care about the multi-lateral development banks, you should try to build support now for his economic package.

* If you ever want to see CAFE legislation get passed, you should try to build support now for his economic package.

Otherwise, Bill Clinton will be in a weak political position and will be much less likely to succeed on the issues we care about most. As Ross Perot would say, "It's that simple." Bill Clinton needs our help to generate public support for him in the face of intensive lobbying from narrow special interests. Assuming his package meets our standards, we should give it to him enthusiastically.

We all worked so hard to elect Bill Clinton. Now is the time to make sure that his election will actually mean something positive for the environment during his four years (at least) in office. We won the battle, now we need to keep striving to win the war. Let's recreate the spirit and energy of the election campaign for what is now just a different type of campaign -- to build support for his economic package so that it will get through Congress. (Assuming, one last time, that we like the package).

TO: Sierra Club Far and Wide
FR: Reid Wilson
RE: Draft Plan for our Campaign on behalf of Clinton's econ. package

Feb. 18, 1993

Was that a great speech or what??? We should all be glad, once again, that we helped elect Bill Clinton and Al Gore.

Here's our message at this point:

The Sierra Club supports the Clinton package. The Clinton package is very good for the environment. Environmentalists should support it because it slashes anti-environmental subsidies, makes environmental investments, and taxes polluting and wasteful energy use. It recognizes the positive relationship between economic growth and a healthy environment.

THE MOST IMPORTANT THING YOU CAN DO TODAY FOR THE ENVIRONMENT:

Call your Representative and Senators and strongly urge them to support the Clinton package as is because it is good for the environment. Be sure to mention that you're a Sierra Club member/environmentalist.

THE MOST IMPORTANT THING YOU CAN DO TOMORROW FOR THE ENVIRONMENT:

Recruit ten friends and/or family members to make the same calls ASAP.

For the next two weeks, it is extremely important that Hill offices get absolutely bombarded with positive calls on behalf of the President. The bad guy special interests are lining up to spend huge sums of money to defeat the package because Clinton is asking them to finally pay their fair share for destroying the environment. We must fight back now in huge numbers. We cannot afford to lose.

OTHER EXTREMELY USEFUL ACTIVITIES:

Call radio talk shows and express your support for the Clinton package.

Write a letter to the editor and send it to your local newspaper.

DETAILS OF THE CLINTON PROGRAM

Here's a quick rundown of all the good things that the package does for the environment. Melanie Griffin is doing a more complete version which will be ready shortly.

Energy Taxes

BTU tax of $29 billion, with exceptions for solar and wind, but no exceptions for hydro and nuclear

This includes an earned income tax credit of $9 billion, for a total net tax of $20 billion
There is an oil add-on of $3.50/barrel, and it's on all oil, not just imported oil

Eliminating Subsidies

Hard rock mineral royalties of 12.5%
Phase out below cost timber sales in areas that have had them for three years running
Restructure grazing fees
Decrease funding for nuclear fission R&D
Surcharge on agricultural use of federal water

Environmental investments

Fully funds surface transportation bill, including increased public transit
Increases projects for environmental technology, but not a huge amount of money involved here
Some low-income weatherization, increased government building weatherization
More funds for sewage treatment
More funds for park improvements
More funds for forestry restoration

This is a very positive package. It includes most of the things that we suggested to Clinton and Gore that they include.

THE DRAFT ORGANIZING PLAN

Attached is a draft plan that we've put together to generate support for the Clinton economic/environmental package. Please call me with suggestions/additions. Bill Clinton's plan is going to be hit hard by the well-financed special interests like the oil, gas, mining, timber, and grazing industries. We must launch a huge campaign immediately to preserve the package. We need the same spirit and energy that all of us had during the presidential campaign. So let's get going!!!!

(Some of the things in the plan have already been done yesterday and today. In addition, the plan has already changed a bit, reflecting ideas that have come in since I first typed this thing. They are not included yet, but will be shortly. I thought it was important to get this thing out in a hurry, even if its slightly out of date. If a name has a bracket around it, that person hasn't yet agreed to take on the task, but I've tentatively put them in that slot)

EVALUATION AND MESSAGE DEVELOPMENT

I. Reading and Evaluating the Details
Wednesday AM - Reid, David, DC team leaders, Carl, Bruce, Mike McC, Roni

II. Working on message

Wednesday AM - Same group as above

III. Rounding up help from folks in DC office (i.e. desk system)
Wednesday AM - David

IV. Writing statement - [Weiss], Reid, Roni
Wednesday

V. Writing INSIDE piece - Reid (just adapting statement, w/grassroots pitch) Wednesday, Thursday

VI. Writing Talking points for field, grassroots - Same group as IV
Wednesday

VII. Writing mailer to send to chapter leaders [Alita, Neil], Reid
Thursday

MEDIA OUTREACH

I. Trying to schedule Carl P. event Thurs. - Roni, Teresa
Wednesday

II. Lining up state press conferences - Teresa, Roni
Starting now, for next two weeks

III. Thursday joint enviro. press conference - Roni, Reid

IV. Draft op-ed - [Melanie]
Thursday, Friday

V. Radio placements right after Clinton speech - Roni

VI. Determine Cabinet Sec. schedules for possible grassroots tie-in - Reid
Wednesday

VII. Radio actualities ? - [Roni], (Reid will talk to DNC)
Thursday

VIII. Gather info. on opponents' message, quotes - All

OUR OPPONENTS: Dan Becker will be central focal point for assembling what our opponents are saying about the package. We want to use these statements in the media and with our grassroots to help sell the package because Exxon, GM, the American Mining Congress, and the timber beasts are against it. Get your quotes or other statements to Dan, and he will be putting together a summary.

OTHER: Annette will be working with Melanie and folks in SFO to get the next NNR devoted exclusively to this topic, and a newsletter feed out as well.

GRASSROOTS OUTREACH

GRASSROOTS OUTREACH: Reid is coordinating DC-based grassroots outreach. He will have a group which is working on activating issue networks such as CDCs or issue Activists, as well as people who are working on particular states. They will be meeting and planning how to keep it well-organized.

Actvities Needed: Press Conferences, Calls to Senate and House, Letters to Senate and House, Calls to Radio Talk Shows, Letters to the Editor, op-ed placement

I. Activate Chapter Chairs - Field
Starting now

II. Activate Chapter Conservation Chairs - [Field]
Starting now

III. Activate Chapter Political Chairs - Steven K, Betsy, Stacy
Starting now

IV. Activate state Sierra Club Clinton/Gore contacts - Reid, [Melanie]
Starting now

V. Activate National Political Committee - Pol. Staff
Starting now

VI. Activate non-Club Env. for Clinton/Gore leaders - Reid, [Melanie]
(need to call Brooks first, and then perhaps Mary Marra)
Starting now

VII. Contacting couple AR volunteers - Reid
Wednesday

VIII. Activate Alaska Coalition - [Mike Matz]
Starting now

IX. Activate Ancient Forest Alliance - [Debbie]
Starting now

X. Activate population activists - Nancy, Karen
Starting now

XI. Urge all SF staff to contact their Sens, House members - Bruce
Wednesday

XII. Get someone to attend all RCC, chapter, group meetings and make a pitch - Bruce, field, Gene Coan
Starting now

XIII. Activate chapter lobbyists through Paula C. - Bruce
Starting now

XIV. Carl P. memo to everyone stressing the importance of all this - [Carl]
Thursday

XV. Make sure our DC Hotlines all have this message - [Annette]

Wednesday

XVI. Activate issue committees - [Team leaders] (through David)
Starting now

HILL CONTACT

LOBBYING: Marty Hayden will be assembling a group to organize an environmentalists Hill blitz on one day next week. He will schedule a meeting to plan, including agreeing on materials. We will then recruit lobbyistss from all environmental groups.

I. Letter to Hill - [DanW, Melanie]
Thursday

II. Scheduling Ruckel in DC Feb. 26 - [Stacy]
Soon

III. Organize big Env. Lobby Day and flood the hill - [Marty]
Soon

IV. Mention econ. package in all lobby visits - All

LATER ON

I. Determine SIERRA magazine role ? - [Managers]

II. Do TV or radio ads with DNC fundraising help ? - Reid

WHAT ELSE?????

(Bruce - this version doesn't include your additions, but the next version will.)

We're working on getting out all sorts of packets and talking points to folks so that people have the information they need to be able to communicate effectively with the press, other volunteeers, and other groups.

STATEMENT OF CARL POPE
SIERRA CLUB EXECUTIVE DIRECTOR
February 17, 1993

President Bill Clinton's economic package represents a bold reversal from the last twelve years of slash and burn economics. The Clinton plan will reduce the deficit, create jobs, spur investment, and protect the environment. The package offers fundamental change in environmental policy.

Bill Clinton and Al Gore consulted with leaders of the environmental community prior to producing this package. They listened carefully, and included many of our suggestions in the final product. They clearly recognize the positive relationship between a healthy economy and a clean environment. For twelve years Americans have been told that the environment is the enemy of the economy. Bill Clinton has made environmental protection a cornerstone of his economic recovery plan.

Well financed special interests have already lined up to fight this package tooth and nail. The oil, mining, timber, chemical, and ranching industries will try to use campaign contributions and back room arm-twisting to kill the Clinton proposal because it will force them to come clean. We must fight back.

The Clinton program cuts the government welfare programs for the mining, grazing, and timber industries, which will reduce the deficit and protect America's magnificent public lands from exploitation.

The package also invests in environmental progress and public health by funding public transit, new environmental technologies, park improvements, sewage treatment plant construction, and energy efficiency, thus cleaning up the environment and creating jobs simultaneously.

The Clinton plan takes an important step in the right direction by taxing wasteful and polluting energy use. Clean renewable energy sources such as wind and solar are exempt from the energy tax. The tax is also progressive; it provides a rebate system for low income Americans.

The upcoming war over this green economic package is the first -- and perhaps most important -- environmental battle of the Clinton and Gore Administration. Our children cannot afford for us to lose this fight.

The Sierra Club has launched a campaign to educate the public about the program's many environmental benefits. We will work to ensure that the chorus of voices of average Americans who support President Clinton's program drowns out the selfish complaints of the special interests. To leave a cleaner and safer world for our children and grandchildren, the Clinton economic package must be enacted.

###

STATEMENT OF REID WILSON
SIERRA CLUB POLITICAL DIRECTOR
February 18, 1993

President Bill Clinton's economic package represents a bold reversal from the last twelve years of slash and burn economics. The Clinton plan will reduce the deficit, create jobs, spur investment, and protect the environment. The package offers fundamental change. It puts an end to the environmentally destructive status quo.

The Clinton package rightly recognizes the positive relationship between a healthy economy and a clean environment. For twelve years Americans have been told that the environment is the enemy of the economy. Bill Clinton has made environmental protection a cornerstone of his economic recovery plan. His program slashes subsidies that allow destruction of our fragile public lands, helps build our environmental infrastructure, and taxes polluting and wasteful energy use.

A cadre of well financed special interests has already formed to fight this package tooth and nail. The oil, mining, timber, chemical, and ranching industries will spend huge sums of money to kill the Clinton-Gore proposal because it will force them to come clean. These special interests -- which set environmental policy for the last twelve years -- would like nothing better than deafening silence from the vast majority of Americans that would benefit from this package, while they use campaign contributions and back room arm twisting to undo this package. We must fight back.

We strongly encourage all Americans to support the Clinton economic package. It is good for the environment, and good for the economy. It shrinks the deficit, creates jobs, and greens the nation. It looks beyond the short term to the long term good of the country.

The Clinton program cuts the government welfare programs for the mining, grazing, and timber industries, which will reduce the deficit and protect America's magnificent public lands from exploitation.

The package also invests in environmental progress and public health by funding public transit, new environmental technologies, park improvements, sewage treatment plant construction, and energy efficiency, thus cleaning up the environment and creating jobs simultaneously.

The Clinton plan takes an important step in the right direction by taxing wasteful and polluting energy use. Clean renewable energy sources such as wind and solar are exempt from the energy tax. This tax package will encourage energy conservation. In addition, the tax is progressive; it provides a rebate system for low income Americans.

The special interests will claim that the Clinton package deprives them of their livelihood, when in fact they have been picking the pockets of American taxpayers for years at the expense of our shared natural heritage. They will claim that the package will ruin their way of life, when in fact all it does is end their free lunch paid for by the taxpayers. The Clinton package changes the rules of a system that has been rigged to favor the interests of a few at the expense of the many.

The upcoming war over this green economic package is the first -- and perhaps most important -- environmental battle of the Clinton and Gore Administration. Our children cannot afford for us to lose this fight.

The Sierra Club supports this package. We have launched a campaign to educate the public about the program's many environmental benefits. We will work to ensure that the chorus of voices of average Americans who support President Clinton's program drowns out the selfish complaints of the special interests.

To leave a cleaner and safer world for our children and grandchildren, the Clinton economic package must be enacted. We urge Americans to call and write their Senators and Representatives, phone radio call-in shows, and write letters to the editor in support of President Clinton's economic and environmental program.

###

Environmentalists say Clinton plan is nice shade of green

By Scott Powers
Dispatch Environment Reporter

Columbus Dispatch 2/19/93

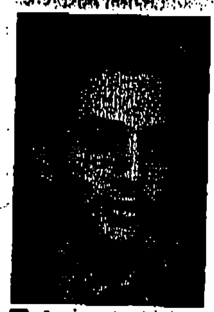
Environmental activists are raving about President Clinton's economic package, saying its tax on polluting energy sources and other measures represent a new level of environmentalists' influence in the White House.

The package's biggest "green" components, taxes on the heat content of coal, natural gas, oil and nuclear energy, are likely to face strong mainstream opposition.

Those are controversial measures that environmentalists have pushed unsuccessfully for years as a way to encourage the development of "clean" energy sources like solar, wind and geothermal.

Clinton's package includes other initiatives supported by many environmental groups, ranging from new money for mass transit systems to less money for timber harvesting.

Jerome C. Tinianow, vice president for regions for the national Sierra Club and a Columbus lawyer, called the package "Christmas in February." He said it sends a strong message that the Clinton-Gore administration will be friendly to environmental organizations.



Tinianow

"This is the best chance we've ever had to see our agenda enacted," Tinianow said.

Clinton and Vice President Al Gore met with leaders of national environmental groups twice in the past two weeks to discuss the package, Tinianow said.

He and many other environmental activists, drawn to Gore's image as an environmentalist, were visibly active in the campaign last fall. But Tinianow said he does not consider the proposed economic package — nor their support for it — as a political pay-back.

"The political pay-back was not in the content of the package but in the access and opportunity to influence it," Tinianow said. "They listened. Not only did they listen, they *sought* us out."

Yesterday, eight national groups, including the Sierra Club, the National Audubon Society, the Environmental Defense Fund and Union of Concerned Scientists, announced their support, saying in a joint statement that the package reflects "a new relationship between economic and environmental policy."

Several Ohio chapters and groups chimed in with support for the package, although perhaps more cautiously.

Stephen H. Sedam, vice president of the Audubon Society's Great Lakes regional office in Columbus, said the package is, "A good sign for the kinds of policies that will seek to marry an economic recovery with environmental cleanup."

Richard C. Sahli, executive director of the Ohio Environmental Commission, said, "I hope the fact that he went to the Btu tax (focusing on heat content of energy sources) instead of the carbon tax is something folks are aware of because it doesn't have the regional impact on the Midwest."

Besides the energy and gasoline taxes, the package includes proposals for:

- Reducing subsidies for mining, grazing on Western lands and timber harvesting.
- More than $750 million in investments that could be used to finance light rail, high-speed rail and other forms of mass transit.
- An $800 million increase in funding for wastewater treatment.
- $80 million for energy efficiency programs.
- $550 million for national forests, parks and wildlife refuges.
- Increased funding for "renewable energy" sources such as wind and solar energy, which also are exempt from the energy tax.

John Rumpler of the Ohio Public Interest Research Group, said the provisions, "sound like steps in the right direction ... but it is too early to tell."

American Council for an Energy-Efficient Economy
WASHINGTON, DC / BERKELEY, CA

FOR IMMEDIATE RELEASE
Feb. 18, 1993

CONTACT: Howard Geller
or John DeCicco
(202) 429-8873

ENERGY TAX: GOOD FOR THE ECONOMY AND THE ENVIRONMENT

"President Clinton's energy tax proposal makes sense from an economic as well as environmental perspective," states Howard Geller, Executive Director of the American Council for an Energy-Efficient Economy (ACEEE), a non-profit research group based in Washington, DC. "The energy tax will lower the federal budget deficit and prompt some consumers to increase energy efficiency and save energy. This in turn will reduce pollutant emissions associated with energy use and reduce our dependence on imported oil. We support the energy tax and the budget priorities in the President's economic package," Geller continued.

"Adopting a new energy tax is justified because of the national security and environmental costs associated with energy use -- costs totalling hundreds of billions of dollars each year. These costs are not currently included in energy prices. By taxing petroleum, for example, the cost of defending oil imports from the Middle East begins to be reflected in prices," according to Geller.

ACEEE estimates that the new energy tax whe fully phased in will increase energy prices by six percent on average. Households will typically pay an extra $10 per month for energy. Lower-income households, those earning under $30,000 per year, will not see

- MORE -

1001 Connecticut Avenue N.W. • Suite 801 • Washington, D.C. 20036 • (202) 429-8873 / FAX (202) 429-2248

their total tax burden rise because of other offsets included in the overall tax package. These offsets include the earned income tax credit, home energy assistance, and food stamp program.

"The energy tax is relatively modest and the entire tax package is highly progressive. Even with the new tax, consumers are likely to pay less for energy than they did a few years ago. Furthermore, consumers that save energy by driving less, weatherizing their home, purchasing more efficient cars or appliances, or taking other actions to save energy could see their energy bills go down," Geller stated.

ACEEE estimates that by moderately lowering energy use, the energy tax by itself could lead to a net increase of around 50,000 jobs in the United States by 2003. The favorable impact on employment could be much greater if ten to fifteen percent of the tax revenue is "recycled" into energy efficiency programs. In this case, the energy bill savings due to conservation would more than offset the energy price increase due to the tax, for the nation as a whole. With the recycling of tax revenue into energy efficiency programs, there could be a net increase of over 500,000 jobs by 2003. "Combining energy taxes with aggressive energy efficiency programs would benefit consumers, businesses, the Federal government, and the environment. We recommend that a larger portion of the tax revenue be dedicated to energy efficiency programs," Geller concluded.

END

Working for the Nature of Tomorrow.

NATIONAL WILDLIFE FEDERATION, 1400 Sixteenth Street, N.W., Washington, D.C. 20036-2266 (202) 797-6800

Office of the President

February 18, 1993

BY MESSENGER

The Honorable Bill Clinton
The President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Clinton:

Thank you for a strong, reasoned and hopeful economic message last evening. The National Wildlife Federation stands ready to help you achieve your vision for our country and its people in any way we can.

I am enclosing copies of a press release and an op-ed column NWF issued this morning. We enthusiastically support the energy tax and see it as a progressive measure which will encourage energy efficiency and conservation, improve our economic competitiveness and reduce our dependence on foreign oil production. At the same time, we fully understand that environmental recovery and protection are integrally linked to economic recovery.

I am grateful to you and Vice President Gore for inviting me, as the representative of the National Wildlife Federation--our Nation's largest and most effective environmental education organization--to the White House on February 7 and 16. It was great to have an opportunity to hear about your plans in advance and to have a seat at the table to take part in the exchange.

On another note, I just learned that you visited the Headquarters facilities of the National Wildlife Federation and Resources for the Future last Sunday on your way to church services. You asked for information about our two organizations, and I am glad to enclose some.

I would be honored to conduct a personal tour of our building for you at any time. In fact, I hope you will come for lunch in our Thomas Kimball Conference Center so you can see our beautiful "National Conservation Hall of Fame" honoring environmental leaders of the past century.

NWF would be glad to assist the Secret Service on Sunday mornings by making our building available. As you can imagine, we do not usually schedule staff members to work in our building Sunday mornings so we cannot set up coffee or a place for them to wait, but we could work out some way to accommodate parking, etc.

Please have your staff contact Ruth Corlett in my office at (202) 797-6844 if you would like to set a time to visit our NWF Headquarters and have lunch, or if we can assist you in any way.

Thank you, and I look forward to your response.

Best personal regards.

Sincerely,

Jay

JAY D. HAIR

Enclosures

c: Vice President Albert Gore, Jr.
NWF Chairman of the Board Robert H. Gardiner

NATIONAL WILDLIFE FEDERATION
EDITORIAL VIEWPOINT
PUBLIC AFFAIRS DEPARTMENT, 1400 16th Street, NW, Washington, DC 20036-2266 (202) 797-6850

Enlisting the Environment on the Side of the Economy

by
Jay D. Hair

Maybe now we'll find out if what's right with America can solve what's wrong with America. The merits of President Clinton's economic plan are on the table for all to judge.

Each of the initiatives he proposes enlists the environment on its side. The status quo lobby led by big oil won't skip a nanosecond in trying to tear them apart. But before being stampeded by special interests, the full weight of what we all have to gain from these proposals should be put on the scales.

The President has laid out a program shielding those least well-off while requiring the most from those best able to pay. We all know what's wrong: debt, deficit and the need for economic renewal. To put these right, President Clinton has detailed a triad of spending cuts, job investments, and new revenues including an energy tax that will touch every American household.

The new energy taxes Mr. Clinton proposes are the main share of the full package that will be felt most by average Americans. They total $71 billion over four years. Energy bills for an average household would rise about $100 to $150 a year by the time the measure is fully phased in over three years. It is the amount needed along with other elements in the plan to get the nation's deficit under control.

The tax would be based on a given fuel's heat content measured in British thermal units or BTUs. Unlike a gasoline tax or a carbon tax which would hit different sectors of the country harder than others, a BTU tax is the fairest because it treats fossil fuels and hydropower by a common standard.

The tax has two objectives. Of course, one is to raise revenue. The other is to get at the dual environmental problems of reducing pollution and creating incentives for energy efficiency and alternative fuels. The proposed BTU tax will treat coal and natural gas about evenly. It will be spread most widely over the most ubiquitous polluter, gasoline.

To the degree people use less fuel more efficiently and switch to alternatives -- and that's part of the intent -- we will have lower levels of health damaging nitrogen oxide and particulate matter in the air we breathe, less sulfur falling as acid rain, and fewer carbon emissions contributing to long-term climate warming.

Central to this whole economic debate is how we as a nation can resecure confidence in an improving standard of living. Key ways to do that in an economy fired by fossil fuels are to stop energy waste, to cut costs by efficiency and to lower the price of goods and increase their competitiveness by reducing the amount of energy needed to make them. A BTU tax would be an incentive toward each of these goals.

In recommending $246 billion in spending cuts, the President said, "We're going to have to have no sacred cows except the fundamental abiding interests of the American people." Some of his proposed cuts strike hard at entrenched federal subsidies that damage the environment and waste natural resources. Under the President's program, below-cost timber sales from public forests are on the way out and fairer prices for water from federal irrigation projects are on the way in. Ranchers who graze livestock on the public range will have to make up the current $50 million shortfall to administer the program. And in a measure that can earn up to $400 million, for the first time miners will be called on to pay a royalty of 12.5 percent for the gold, copper and other hard rock minerals they extract from the federal lands.

The President proposed "the most ambitious environmental cleanup in partnership with state and local governments of our time" as a major element to stimulate new jobs. The $8 billion intended for that partnership includes nearly $1 billion to improve wastewater facilities and investing $2 billion in developing renewable fuels and conservation techniques.

The stimulus plan also incorporates a longer range effort to redirect some defense research into development of civilian technologies of the future. Environmental innovations are among the priorities slated for the $17 billion to be refocused on commercializing cutting edge technologies developed at federal laboratories.

The President asks us to test his plan not by "what is in it for me; it has got to be what is in it for us." By that standard, we can inquire, what vision for the future is the president asking us to support?

For one thing, we'll get our economic house in order. Without that, we cannot be strong either at home or abroad. We'll stop borrowing against our children's security. Trimming our energy diet will make us leaner competitors at the same time it helps free us from an expensive dependance that already has taken Americans to war in the Middle East once. Getting rid of environmentally destructive subsidies will harness free market forces to the responsible use of our natural resources. Switching our tremendous technological skills from weaponry to innovations in efficiency plays into our strongest suit, the one that promises the best paying jobs for the future. It's a vision, in short, that says we can have a better standard of living with environmental progress, but we are going to have to earn it.

That goal of investing in our future deserves the support President Clinton asks of us.

Jay D. Hair is the president of the National Wildlife Federation.

NATIONAL WILDLIFE FEDERATION
NEWS
PUBLIC AFFAIRS DEPARTMENT, 1400 16th Street, NW, Washington, DC 20036-2266 (202) 797-6850

For Immediate Release:
February 18, 1993

Contact:
Michael Crook, Print (202) 797-6853
or Bill Line, Broadcast (202) 797-6645

NATIONAL WILDLIFE FEDERATION SUPPORTS PRESIDENT'S ECONOMIC PLAN

WASHINGTON, D.C., February 18 -- President Bill Clinton's bold new economic plan outlined in his economic message to a joint session of Congress is an investment in America's future, National Wildlife Federation President Jay D. Hair said.

"Healing America's economy is Job One for the Clinton Administration," Hair said. "Fortunately, the president and Vice President Gore are prescribing environmentally sound medicine for America."

Much is being said about the tax components of the president's plan, and special interests such as Big Oil appear to be mounting aggressive campaigns to discredit these initiatives.

"Unfortunately, these industries care more about short-term profits than building a sustainable energy future for all Americans," Hair said. "Well, they've been feeding at the public trough too long, gobbling up billions of dollars in oil depletion allowances and other tax subsidies, so it's natural they are squealing now," Hair added.

"Above all," Hair said, "we need to get the economy straightened out. The Clinton plan will do that. If the costs of economic recovery are distributed fairly throughout society, then we can all share the pride of putting America back to work.

"For the first time ever, improving the economy is being linked up

(MORE)

with improving the environment," Hair said. "This is truly good government, because the environment must be seen as an integral part of stimulating and stabilizing the economy."

The Federation strongly supports the energy tax that President Clinton has included in his economic package. This so-called BTU tax is a very progressive measure and would apply to energy sources, except solar and wind power, based on the amount of heat they produce.

"This tax will encourage energy efficiency and conservation while improving our economic competitiveness and reducing our dependence on foreign oil producers, all in the context of putting the brakes on our runaway federal deficit," Hair said. "And I am pleased to see the Administration will offset this tax burden on lower-income Americans."

The NWF supports public-works spending that fosters environmental protection, puts people back to work and stimulates economic growth.

"Jobs for young people in our National Parks and National Forests. Badly needed mass-transit funding. Research money for new energy technologies. President Clinton has chosen his spending targets well," said Hair, who was briefed on the plan Tuesday at the White House.

"I've spent more time visiting the President and Vice President in the last two weeks than in the last 12 years," Hair said. "Environmentalists are welcome again at the White House."

The National Wildlife Federation is the nation's largest conservation organization. Founded in 1936, the Federation, its 5.3 million members and supporters, and a national network of affiliated organizations, work to educate and assist individuals and organizations to conserve natural resources, and to protect the Earth's environment.

Thomas L. Wylie
Vice President
Government Relations

SUN

Sun Company, Inc.
Suite 1010 East
555 13th Street NW
Washington DC 20004-1109
202 628 1010

March 1, 1993

Ms. Katie McGinty
Assistant to President and
Director of the Office of Environmental
Policy
1650 Pennsylvania Avenue
Old Executive Office Building
Washington, DC 20500

Dear Ms. McGinty:

Sun Company, Inc. would like to work constructively with the Administration in addressing possible solutions for the federal budget deficit, and we respectfully submit the following comments on the proposed broad-based energy tax.

Sun, which is headquartered in Philadelphia, PA is one of the largest independent refiners and marketers of petroleum products in the United States with crude oil runs of approximately 600,000 barrels per day at five refineries located in Philadelphia and Marcus Hook, PA; Toledo, OH; Tulsa, OK; and Yabucoa, Puerto Rico. Sun's refineries produce a full range of petroleum products including gasoline, jet fuel, diesel, home heating oil, residual fuel, chemical feedstocks, lubricants, and asphalt. We market gasoline in sixteen states, primarily in the Northeast, under the Sunoco and Atlantic brands. We purchase nearly all of the crude oil for our refineries on the open market at prices dictated by world market conditions.

While we support President Clinton's efforts to reduce the deficit, we are concerned that the proposed BTU tax will be unnecessarily harmful to the U.S. economy. We are particularly concerned about the proposed tax on oil which is more than twice the rate of other forms of energy such as natural gas and coal. Reasonably priced oil has been vital to the growth of the U.S. economy over the years and to our competitiveness in global markets. Draconian measures to manipulate consumer choices of fuels are likely to be highly disruptive to the U.S. economy and, more importantly, unnecessary at this time. Substantial environmental and energy policy initiatives -- particularly focusing on clean transportation fuels and increased conservation -- already are occurring as a result of the recently adopted Clean Air Act and National Energy Policy Act.

At Sun, we recognize and support the need for environmental improvement. Sun was the first Fortune 500 company to endorse the CERES (formerly Valdez) Principles (See attached), and we are a leader in developing alternative fuels for fleet vehicles, including methanol, ethanol, propane and compressed natural gas.

We believe the first priority to deal with the deficit should be spending cuts. If a tax is needed, it should be a broad based VAT which would have less of a negative impact on the economy.

If, however, a broad-based BTU energy tax must be adopted, we have several comments on the design as set forth on the attached sheet. We urge thoughtful consideration of the following four points:

- The tax should not discriminate against oil or any other fuel. All BTUs should be taxed at the same rate, whether oil, coal or natural gas;

- Imported petroleum products should bear an environmental equalization fee, in addition to the BTU energy tax, to help offset the world's most positive environmental mandates for air, water and waste. These put the U.S. refining industry at a competitive disadvantage over foreign competition with less stringent environment protection. Thus, we strongly recommend an environmental equalization fee. (See attached charts for projected U.S. refining costs);

- Non-fuel uses such as petrochemical feedstocks, lubricants and asphalt should be exempt from the tax; and

- Energy used during the refining process itself (estimated at 8%) should be exempt. If the energy used in the refining process is taxed, domestic products will be placed at a further economic disadvantage versus imported products which do not bear this imbedded cost. This is an example of why the energy tax on imported products must be the same as the effective energy tax rate on domestic products leaving the refinery gate.

Ashland Oil, Inc., another independent refiner, is submitting additional comments on the proposed tax which we also endorse.

Attached is an Op-Ed article by Sun's Chairman, Robert H. Campbell, which appeared in The Philadelphia Inquirer on February 26, 1993 and which further amplifies our assessment of the proposed BTU tax.

We appreciate the opportunity to work with you on this extremely important matter and look forward to our meeting on March 4, 1993.

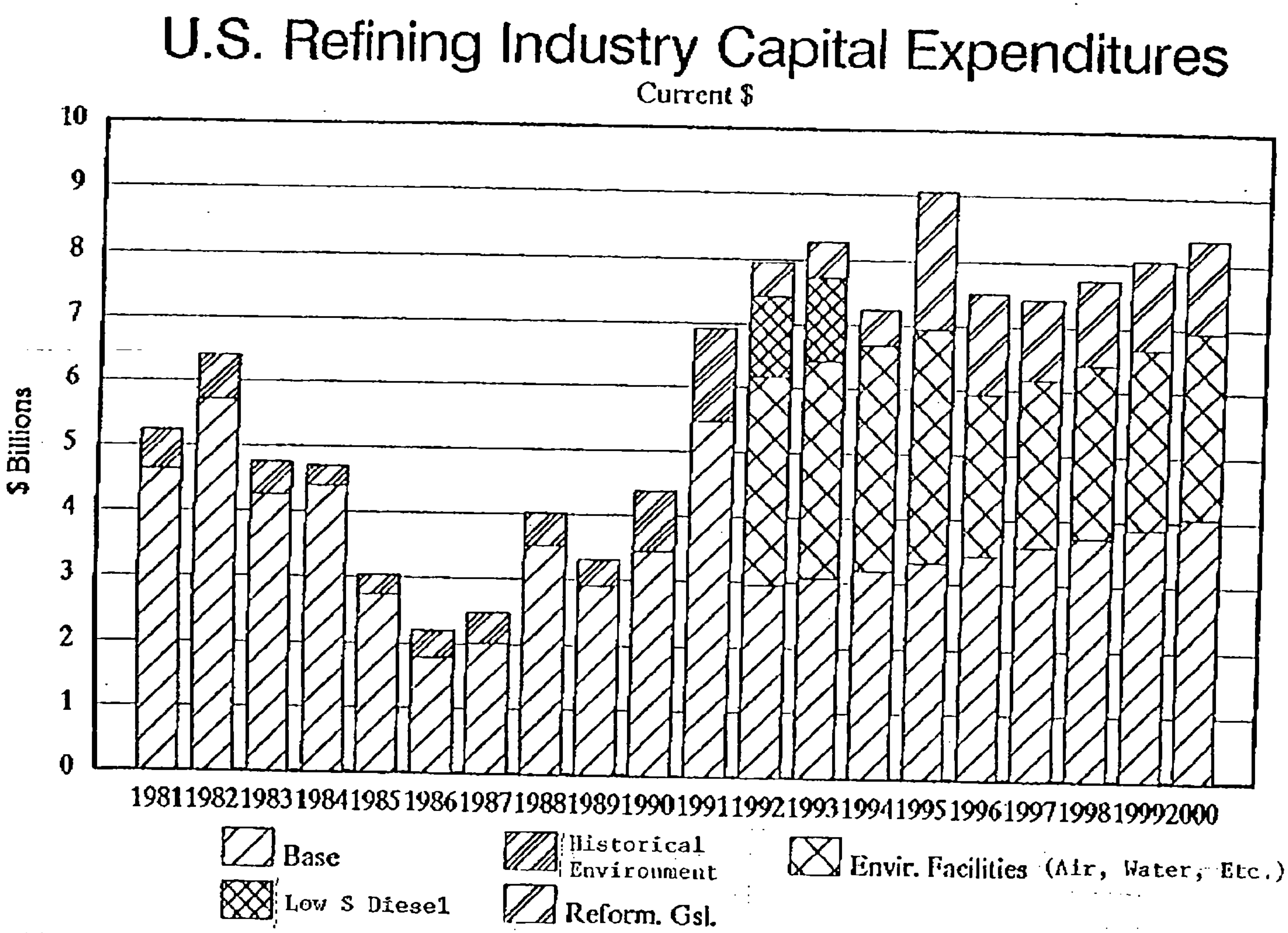
Sincerely,

Tom Wylie

Thomas L. Wylie

Attachment(s)

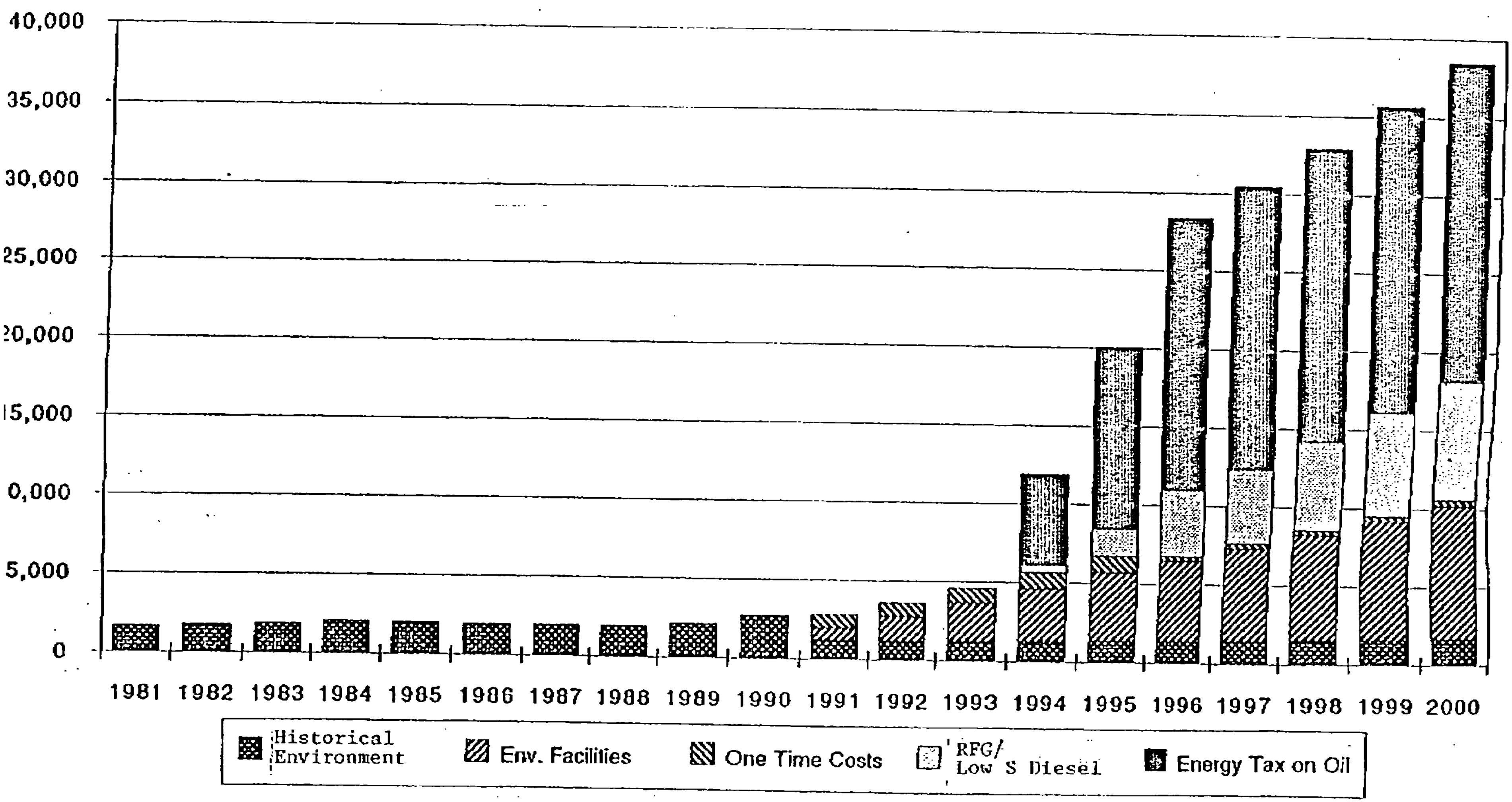
TLW/rmc



Note: Forecast expenditures are inflated 4% p.a. beyond 1991.

SOURCE: NPC Refining Study (DRAFT)

U.S. Refining Industry Pollution Abatement and Energy Tax Costs
(Million $ current)



SOURCE: NPC Refining Study (DRAFT)

Philadelphia Inquirer
Commentary Page
February 26, 1993

Clinton's energy tax hurts oil, helps coal

By **ROBERT H. CAMPBELL**

On the day before President Clinton's Economic Address to Congress, I was asked if, as head of a company that makes gasoline and other petroleum fuels, I supported what the President was saying about the need for a broad-based energy tax to "provide revenue to lower the deficit and invest in our people"?

My answer: most definitely.

But ask me if I support the energy tax President Clinton actually *proposed*, and my answer is: No way!

"The devil is in the details," Ross Perot noted on *Nightline* following the President's address. And there is a very large devil hiding among the details of the Clinton energy tax proposal.

The tax was originally represented as applying equally to all major forms of energy, based on the energy content — British Thermal Units, or BTU's — of each form. In fact, the very reason for using the BTU as the basis for the tax was to provide equality between competing energy forms. But when the specifics of the BTU tax were revealed following Mr. Clinton's address, it quickly became apparent that not all BTU's are created equal in the eyes of the Clintonians.

The Clinton proposal would tax BTU's in oil at more than double the rate of BTU's in coal and natural gas — 59.9 cents per million BTU's in oil, compared to only 25.7 cents per million BTU's in coal and natural gas.

What this means is that every gallon of gasoline, home heating oil, jet fuel, diesel fuel and all other fuels made from oil would have, on average, a BTU tax of more than 8 cents a gallon compared to a tax on coal and natural gas equivalent to only 3½ cents a gallon. But since the added 5-cent tax could not be recovered on oil products such as residual fuel that compete directly against gas and coal, it will have to be recovered on gasoline and other products, adding significantly to their cost. In addition, reformulating gasoline to meet environmental standards will add to the cost.

The rationale given by the Clintonians for this gross discrepancy is that this is a "modest incentive favoring cleaner fuels." In fact, requirements already on the books for reformulated gasoline, in combination with new "tight" automobiles, have dramatically reduced gasoline emissions. What the tax amounts to is nothing more than "oil bashing" and a very unsubtle attempt to manipulate the energy market in favor of all other fuels.

The losers in this game of favoritism will be the American public. Not only would it be very costly for motorists to convert their existing cars to run on the lower-taxed natural gas, but the unequal BTU tax would have a major impact on the economy as the higher tax on oil rippled through all segments of manufacturing. The added cost to consumers *above and beyond* the direct cost for gasoline and home heating oil is conservatively estimated at $350 a year per household. At the same time, home heating oil distributors could be put out of business by the government-subsidized incentive for homeowners to switch to natural gas.

The proposal would tax BTU's in oil at more than double the rate of that in coal and natural gas.

At Sun Company, we recognize and support the need for environmental improvement. Sun was the first Fortune 500 company to endorse the CERE (formerly Valdez) Principles, and we are a leader in developing alternative fuels for fleet vehicles — including compressed natural gas.

However, we also recognize that there are those who would like to eliminate oil as an energy source for this country — and who see proposals such as this as a way of achieving that goal. These specific interests will be lobbying long and hard under the guise of environmentalism for the adoption of this inequitable energy tax.

We call on the President to redraft his tax proposal so that it reflects the original intent — a tax in the general public interest levied equally on the energy content of all fuels.

Robert H. Campbell is chairman and chief executive officer of Sun Company, Inc.

DESIGN OF A BROAD-BASED ENERGY TAX

Taxing crude oil at the refinery import gate will require an extensive system of exemptions and/or refunds in order to exempt non-fuel use. The further the point of collection is removed from the end user, the more cumbersome will be the collection process.

Energy is a major operating cost of a refinery. Unless this energy is exempt from the Broad-Based Energy Tax, imported petroleum products will enjoy a significant advantage over domestic products.

One objective of the proposed Broad-Based Energy Tax is to enhance national security and the U.S. trade balance by reducing oil imports. If the reduction of crude oil imports is offset by an increased incentive to import refined petroleum products, this objective would be diminished. For this reason, it will be necessary to set import fees on petroleum products so as to insure full recovery of the Broad-Based Energy Tax for domestic refineries. For example, if the rate of tax is not equated between petroleum fuels and natural gas, the penalty tax on petroleum fuels must be recovered on other products. This will require an appropriate adjustment to import fees.

Consideration should be given to the possibility of inflationary pressures involved in the steep tax differentiation among fuels.

It will be necessary to provide for a system of taxing materials blended into fuels outside the refinery system.

Sun Company, Inc.
Ten Penn Center
1801 Market Street
Philadelphia PA 19103-1699

News Release

Contact

For Release

The following release was issued jointly by Sun Company, Inc., and CERES -- the Coalition for Environmentally Responsible Economies -- on February 10, 1993:

SUN COMPANY BECOMES FIRST FORTUNE 500 FIRM TO ENDORSE CERES PRINCIPLES FOR ENVIRONMENTAL PROTECTION

Public Officials, Environmentalists, Social Investors Applaud Sun's Leadership, Explore Impact of Historic Endorsement

Accord Signals New Recognition of the Partnership Between Economic Growth and Environmental Protection

NEW YORK, Feb. 10 -- Sun Company today became the first Fortune 500 firm to endorse the CERES Principles, a corporate code of conduct on the environment. At the same time, CERES recognized Sun's recently adopted Principles of Health, Environment and Safety as being "consistent with the goals of the CERES Principles."

"Sun's endorsement demonstrates its leadership and vision in this critical area of corporate social responsibility," said Joan Bavaria, co-chair of the Coalition for Economically Responsible Economies (CERES), a national coalition of environmentalists and social investors. Bavaria is president of the Franklin Research & Development Corporation, a Boston-based social investment advisory firm.

"The long and productive discussions between Sun Company and CERES have resulted in a mutual accord on health, environmental and safety principles," said Robert H. Campbell, chairman and chief executive officer of the Philadelphia-based Sun Company, Inc.

"I applaud the spirit of cooperation and common sense displayed by both teams in achieving this positive agreement," he added. "What we have here is an example of diverse organizations working together with the recognition that economic growth and environmental protection must be partners."

The ten CERES principles are: protecting the biosphere; sustainable use of natural resources; reduction and disposal of wastes; energy conservation; risk reduction; safe products and services; environmental restoration; informing the public; management commitment, and audits and reports.

-more-

New York City Comptroller Elizabeth Holtzman, investment adviser to New York City's $47 billion pension funds and a member of the CERES coalition, said, "New York City's pension funds believe that responsible environmental stewardship is good for business.

"Sun Company's decision to endorse the CERES Principles signals a new partnership between shareholders and corporate America in which a healthy economy and a healthy environment sustain each other. The City will continue to take that message to other corporations in which its pension funds are invested."

New York City's Finance Commissioner Carol O'Cleireacain, the only member of both the CERES board and New York City Employees Retirement System (NYCERS) board, said, "This agreement shows that the new cooperation between shareholders and corporations extends to the social realm as well as to corporate governance issues. Enlightened companies, working with reasonable shareholders, can devise solutions to complex issues."

Rev. J. Andy Smith III, a director of Social and Ethical Responsibility in Investments, National Ministries, American Baptist Churches, USA, and also chair of the Interfaith Center on Corporate Responsibility (ICCR), stated, "Sun has taken a brave step forward to demonstrate leadership in public accountability for environmental protection." Smith was a key member of the negotiations that led to Sun Company's endorsement.

California State Controller Gray Davis added, "Hopefully, Sun's endorsement will be the watershed event that convinces other large companies to step forward and be counted."

Alan Gussow, member of the board of Friends of the Earth, also welcomed Sun's endorsement.

First put forward in September 1989 as the Valdez Principles, the CERES Principles already have dozens of signatories, including such companies as Aveda, Ben & Jerry's, Tom's of Maine, and Working Assets. Inspired by the Sullivan Principles on South Africa, the CERES principles for environmental protection were designed to encourage voluntary corporate commitment to progress.

Representatives of Sun Company will join over 50 CERES signatories at a gathering in Minneapolis on Earth Day, April 22, 1993. Key members of the Clinton Administration will be invited to attend. Vice President Al Gore addressed last year's CERES annual signatory conference in May of 1992.

-more-

Sun Company, Inc., the 12th largest U.S. oil company with 1992 revenues of $10.7 billion, is the largest independent U.S. refiner-marketer. Founded in 1886 and headquartered in Philadelphia, Sun markets under the Sunoco brand in 19 states with a focus on the Northeast, and also markets under the Atlantic brand in Pennsylvania and New York.

Once a fully integrated U.S. oil company, Sun spun off its U.S. oil and gas exploration and production division in 1988 and announced its withdrawal from international exploration activities in 1992. Sun is now focusing on growth in its value-added businesses, which are comprised of branded gasoline marketing, lubricants, chemicals, and logistics. Sun is also in the process of selling its coal operations.

-30-

February 10, 1993

For further information about this historic accord contact:

For CERES -- Rochelle Lefkowitz at Pro-Media, 212/245-0510
For Sun -- Bud Davis, 215/977-3485

Sun Company, Inc.
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February 10, 1993

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"The CERES Board affirms the positive contribution of the Sun Company in endorsing the CERES Principles while developing its own Principles of Health, Environment & Safety to adapt the CERES Principles to its specific business and industry. The CERES Board recognizes that these Sun Principles are consistent with the goals of the CERES Principles."

Joan Bavaria
Co-Chair
Coalition of Environmentally Responsible Economies (CERES)

February 10, 1993

Sun Company, Inc.

PRINCIPLES OF HEALTH, ENVIRONMENT & SAFETY (HES)

Introduction

By adopting these Principles, Sun Company, Inc. reaffirms its responsibility for environmental stewardship and for protecting the well-being of our employees, customers and the general public. We will strive to preserve our precious human, natural and physical resources through sustainable progress in our HES performance. We will improve our performance by developing HES strategies and programs for the future which will utilize cost-effective technology and creative approaches.

Sun's policy is compliance with HES laws and regulations. In addition, where appropriate, Sun will seek opportunities to exceed the requirements of HES regulations provided we are able to maintain our competitive position. However, we also have a responsibility to challenge unreasonable laws and regulations and to seek practical solutions which are based on sound, scientific principles.

We acknowledge that the businesses and facilities within the Sun family are at varying levels of HES achievement. We will aspire to continually improve our performance using these Principles as our objectives.

In order to demonstrate our commitment to public accountability for environmental protection, Sun has also endorsed the CERES Principles, which establish a generic environmental code of conduct applicable to business entities anywhere in the world. Sun's HES Principles represent an adaptation of the CERES Principles to Sun's businesses.

1. Protection of the Biosphere

We will reduce our overall emissions to the environment (air, water and land) with special emphasis on toxic substances. We will pay special attention to the protection of the surrounding environment at present facilities and when planning for new facilities or operations.

2. Sustainable Use of Natural Resources

We will minimize the use of water in our facilities and strive to improve the quality of our water discharge streams. We will employ practical land management and conservation techniques to conserve the soils and forests at our facilities. We will make efficient use of non-renewable natural resources through careful planning and employment of conservation techniques.

3. Reduction and Disposal of Wastes

We will continue to reduce and where possible eliminate waste through the use of source reduction, recycle/reuse and treatment techniques. The handling and disposal of all waste will be conducted in a safe and responsible fashion in accordance with regulatory standards.

4. Energy Conservation

We will conserve energy through careful selection of raw materials and energy sources and through cost effective improvements in our operations, including technological improvements in new energy consuming processes. Environmental protection and sustainability will be considered in selecting new energy sources.

5. Risk Reduction

Our goal is to prevent HES incidents such as environmental spills and releases, fires, explosions, injuries and illnesses and other accidents. We will utilize sound maintenance and work practices, safety-conscious design, employee training and incident investigations to minimize risks to our employees and the communities in which we operate. We will be prepared to respond promptly and professionally should an incident occur.

6. Safe Products and Services

Through research, planning and analysis we will strive to minimize the environmental impact and health and safety hazards of our company products and services. We will counsel our employees and customers in the safe use and handling of our products and services and where feasible, attempt to correct unsafe use. We will strive to eliminate the use of purchased products which pose known environmental hazards such as PCB's and CFC's.

7. Environmental Restoration

We will promptly correct any conditions in our operations which result in a significant health, safety, or environmental impact. We will take responsibility for any harm caused by our operations to our employees, customers, the general public or the environment; to the extent feasible, we will also restore the environment.

8. Informing the Public

We will inform appropriate officials, employees, contractors, customers and the public about significant health, safety, or environmental hazards related to our facilities in a timely manner. We will regularly participate in dialogue with our neighboring communities and their residents. No action will be taken against employees for reporting dangerous incidents or conditions to management or appropriate authorities.

9. Management Commitment

We will ensure that the Board of Directors, the Chief Executive Officer and senior management are fully informed about pertinent HES issues and take responsibility for carrying out HES policy. We will consider demonstrated environmental commitment and HES experience as factors in our selection of future board members.

10. Audits and Reports

We support the concept of public accountability for HES performance and intend to report on our progress in consistent, measurable terms. This will be accomplished through publishing an annual report on our HES performance and accomplishments. In addition, to promote public accountability among others in the industrial community, we intend to cooperate with the environmental and social investment communities by completing the annual CERES report.

February 4, 1993

"Sun Company endorses the CERES Principles as a generic environmental code of conduct applicable to business behavior throughout the world. Sun has adopted its own set of Health, Environment & Safety Principles and is pleased that the CERES Board recognizes these Sun Principles as consistent with the goals of the CERES Principles."

Robert H. Campbell
Chairman and Chief Executive Officer
Sun Company, Inc.

February 10, 1993

SUN

THE CERES PRINCIPLES

(Coalition of Environmentally Responsible Economies)

Introduction

By adopting these Principles, we publicly affirm our belief that corporations have a responsibility for the environment, and must conduct all aspects of their business as responsible stewards of the environment by operating in a manner that protects the Earth. We believe that corporations must not compromise the ability of future generations to sustain themselves.

We will update our practices continually in light of advances in technology and new understandings in health and environmental science. In collaboration with CERES, we will promote a dynamic process to ensure that the Principles are interpreted in a way that accommodates changing technologies and environmental realities. We intend to make consistent, measurable progress in implementing these Principles and to apply them in all aspects of our operations throughout the world.

1. Protection of the Biosphere

We will reduce and make continual progress toward eliminating the release of any substance that may cause environmental damage to the air, water, or the earth or its inhabitants. We will safeguard all habitats affected by our operations and will protect open spaces and wilderness, while preserving biodiversity.

2. Sustainable Use of Natural Resources

We will make sustainable use of renewable natural resources such as water, soils and forests. We will conserve nonrenewable natural resources through efficient use and careful planning.

3. Reduction and Disposal of Wastes

We will reduce and where possible eliminate waste through source reduction and recycling. All waste will be handled and disposed of through safe and responsible methods.

4. Energy Conservation

We will conserve energy and improve the energy efficiency of our internal operations and of the goods and services we sell. We will make every effort to use environmentally safe and sustainable energy sources.

5. Risk Reduction

We will strive to minimize the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures, and by being prepared for emergencies.

6. Safe Products and Services

We will reduce and where possible eliminate the use, manufacture, or sale of products and services that cause environmental damage or health or safety hazards. We will inform our customers of the environmental impacts of our products or services and try to correct unsafe use.

7. Environmental Restoration

We will promptly and responsibly correct conditions we have caused that endanger health, safety or the environment. To the extent feasible, we will redress injuries we have caused to persons or damage we have caused to the environment and will restore the environment.

8. Informing the Public

We will inform in a timely manner everyone who may be affected by conditions caused by our company that might endanger health, safety or the environment. We will regularly seek advice and counsel through dialogue with persons in communities near our facilities. We will not take any action against employees for reporting dangerous incidents or conditions to management or to appropriate authorities.

9. Management Commitment

We will implement these Principles and sustain a process that ensures that the Board of Directors and Chief Executive Officer are fully informed about pertinent environmental issues and are fully responsible for environmental policy. In selecting our Board of Directors, we will consider demonstrated environmental commitment as a factor.

10. Audits and Reports

We will conduct an annual self-evaluation of our progress in implementing these Principles. We will support the timely creation of generally accepted environmental audit procedures. We will annually complete the CERES Report, which will be made available to the public.

Disclaimer

These Principles establish an environmental ethic with criteria by which investors and others can assess the environmental performance of companies. Companies that sign these Principles pledge to go voluntarily beyond the requirements of the law. These Principles are not intended to create new legal liabilities, expand existing rights or obligations, waive legal defenses, or otherwise affect the legal position of any signatory company, and are not intended to be used against a signatory in any legal proceeding for any purpose.

This amended version of the CERES Principles (formerly the Valdez Principles) was adopted April 28, 1992.

Friends of the Earth • National Taxpayers Union
Nuclear Information & Resource Service • Public Citizen
Safe Energy Communication Council • Sierra Club
U.S. Public Interest Research Group

February 26, 1993

President William J. Clinton
The White House
Washington, DC 20500

Dear President Clinton

As organizations committed to slashing subsidies that endanger both our environmental and our fiscal health, we support your efforts to cut federal energy spending on polluting sources, like nuclear fission.

In response to your call for ideas of further spending cuts that can be made in the budget, we are submitting the enclosed list of proposed spending cuts and revenue increases that can help reduce the deficit and fight pollution at the same time.

Among the energy-related areas that can yield substantial savings are:

Nuclear Fission Research and Development: As you said in your February 17 address to Congress, "We're eliminating programs that are no longer needed, such as nuclear power research and development." All R&D should indeed be eliminated for nuclear fission, a costly and hazardous technology that has already enjoyed fifty years of government subsidies. (Nuclear fission and fusion have received 65 percent of all federal energy R&D funds since 1948, according to the Congressional Research Service.) The Light Water Reactor program should be shut down, in addition to the Advanced Reactor program. Ongoing programs in Light Water Reactor development should be ended and new commercial subsidies such as the First-of-a-Kind engineering program – projected to cost $100 million – should not be undertaken.

Nuclear Fusion Research and Development: Even its proponents admit that fusion energy cannot be made commercially viable until 2040 at the earliest. Because taxpayers have subsidized the fusion program since 1948, the public will ultimately pick up the tab for almost a century of R&D, with no reliable prediction of success. While we do not propose the elimination of the fusion program, we recommend that it be scaled back dramatically in light of the pressing need to reduce spending on low-priority items. Moreover, further R&D should be cost-shared by private industry.

Clean Coal Technology Program: Although its original intent was laudable, the Clean Coal Technology Program has not yielded environmental benefits and is no longer necessary because the Clean Air Act Amendments of 1990 establish a clear mandate for the private sector to develop cleaner coal technologies. We recommend that further federal funding for the Clean Coal program be eliminated to avoid redundancy with private sector efforts, and to discourage dependence on coal, a major contributor to greenhouse gas buildup.

Uranium Enrichment Corporation Revenues: The Energy Policy Act of 1992 establishes both a new Government Corporation to operate the uranium enrichment enterprise and a decommissioning and decontamination (D&D) fund to clean up the Department of Energy's heavily polluted enrichment facilities. We recommend that proceeds from the Corporation be paid directly into the cleanup fund with an annual target of $330 million. Such an arrangement would help ensure that the Corporation yields a return to the government while contributing to a past uranium program cost.

Tax Breaks for Coal, Oil, Gas and Uranium Extraction: Tax law allows coal, oil, gas and mineral extraction companies to immediately deduct (expense) certain exploration and development costs from their taxes, rather than capitalizing these costs and deducting them over time. In addition, the percentage depletion allowance for these same industries allows deductions based on gross income, rather than capitalized costs. This loophole results in a production subsidy, rather than a method of cost recovery. Expensing and percentage depletion allowances are tax giveaways that encourage extraction of resources rather than conservation and recycling. They should be repealed.

We look forward to cooperating with your administration and the Congress to reduce the deficit and enhance the environment and economy.

Sincerely,

Ralph De Gennaro
Friends of the Earth
202-544-2600

Jill Lancelot
National Taxpayers Union
202-543-1300

Michael Mariotte
Nuclear Information & Resource Service
202-328-0002

Bill Magavern
Public Citizen
202-546-4996

Martin Gelfand
Safe Energy Communication Council
202-483-8491

Melanie Griffin
Sierra Club
202-547-1141

Anna Aurilio
U.S. Public Interest Research Group
202-547-9707

Enclosure

cc: Vice President Al Gore, Hazel O'Leary, Leon Panetta, Katherine McGinty, Jack Gibbons

SIERRA CLUB

SIERRA CLUB CENTENNIAL 1892-1992

408 C Street, N.E. Washington, D.C. 20002 202·547·1141

FACSIMILE TRANSMITTAL

To: Marla Romash

From: Reid Wilson

# of Attached Pages: 5 Date:

Notes: Carl Pope's statement tonight and my statement at enviro. press conf. Thurs

Sierra Club, DC Office FAX Number: (202) 547-6009

SIERRA CLUB

SIERRA CLUB CENTENNIAL 1892-1992

408 C Street, N.E. Washington, D.C. 20002 202·547·1141

STATEMENT OF REID WILSON
SIERRA CLUB POLITICAL DIRECTOR
February 18, 1993

President Bill Clinton's economic package represents a bold reversal from the last twelve years of slash and burn economics. The Clinton plan will create jobs, reduce the deficit, spur investment, and protect the environment. The package offers fundamental change. It puts an end to the environmentally destructive status quo.

The Clinton package rightly recognizes the positive relationship between a healthy economy and a clean environment. For twelve years Americans have been told that the environment is the enemy of the economy. Bill Clinton has made environmental protection a cornerstone of his economic recovery plan. His program helps build our environmental infrastructure, slashes subsidies that allow destruction of our fragile public lands, and taxes polluting and wasteful energy use.

A cadre of well financed special interests has already formed to fight this package tooth and nail. The oil, mining, timber, chemical, and ranching industries will spend huge sums of money to kill the Clinton-Gore proposal because it will force them to come clean. These special interests -- which set environmental policy for the last twelve years -- would like nothing better than deafening silence from the vast majority of Americans that would benefit from this package, while they use campaign contributions and back room arm twisting to undo this package. We must fight back.

We strongly encourage all Americans to support the Clinton economic package. It is good for the environment, and good for the economy. It shrinks the deficit, creates jobs, and greens the nation. It looks beyond the short term to the long term good of the country.

The Clinton program invests in environmental progress and public health by funding public transit, new environmental technologies, park improvements, sewage treatment plant construction, and energy efficiency, thus cleaning up the environment and creating jobs simultaneously.

The package also cuts the government welfare programs for the mining, grazing, and timber industries, which will reduce the deficit and protect America's magnificent public lands from exploitation.

The Clinton plan takes an important step in the right direction by taxing wasteful and polluting energy use. Clean renewable energy sources such as wind and solar are exempt from the energy tax. This tax package will encourage energy conservation.

The special interests will claim that the Clinton package deprives them of their livelihood, when in fact they have been picking the pockets of American taxpayers for years at the expense of our shared natural heritage. They will claim that the package will ruin their way of life, when in fact all it does is end their free lunch paid for by the taxpayers. The Clinton package changes the rules of a system that has been rigged to favor the interests of a few at the expense of the many.

The upcoming war over this green economic package is the first -- and perhaps most important -- environmental battle of the Clinton and Gore Administration. Our children cannot afford for us to lose this fight.

The Sierra Club supports this package. We have launched a campaign to educate the public about the program's many environmental benefits. We will work to ensure that the chorus of voices of average Americans who support President Clinton's program drowns out the selfish complaints of the special interests.

To leave a cleaner and safer world for our children and grandchildren, the Clinton economic package must be enacted. We urge Americans to call and write their Senators and Representatives, phone radio call-in shows, and write letters to the editor in support of President Clinton's economic and environmental program.

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STATEMENT OF CARL POPE
SIERRA CLUB EXECUTIVE DIRECTOR
February 17, 1993

President Bill Clinton's economic package represents a bold reversal from the last twelve years of slash and burn economics. The Clinton plan will reduce the deficit, create jobs, spur investment, and protect the environment. The package offers fundamental change in environmental policy.

Bill Clinton and Al Gore consulted with leaders of the environmental community prior to producing this package. They listened carefully, and included many of our suggestions in the final product. They clearly recognize the positive relationship between a healthy economy and a clean environment. For twelve years Americans have been told that the environment is the enemy of the economy. Bill Clinton has made environmental protection a cornerstone of his economic recovery plan.

Well financed special interests have already lined up to fight this package tooth and nail. The oil, mining, timber, chemical, and ranching industries will try to use campaign contributions and back room arm-twisting to kill the Clinton proposal because it will force them to come clean. We must fight back.

The Clinton program cuts the government welfare programs for the mining, grazing, and timber industries, which will reduce the deficit and protect America's magnificent public lands from exploitation.

The package also invests in environmental progress and public health by funding public transit, new environmental technologies, park improvements, sewage treatment plant construction, and energy efficiency, thus cleaning up the environment and creating jobs simultaneously.

The Clinton plan takes an important step in the right direction by taxing wasteful and polluting energy use. Clean renewable energy sources such as wind and solar are exempt from the energy tax. The tax is also progressive; it provides a rebate system for low income Americans.

The upcoming war over this green economic package is the first -- and perhaps most important -- environmental battle of the Clinton and Gore Administration. Our children cannot afford for us to lose this fight.

The Sierra Club has launched a campaign to educate the public about the program's many environmental benefits. We will work to ensure that the chorus of voices of average Americans who support President Clinton's program drowns out the selfish complaints of the special interests. To leave a cleaner and safer world for our children and grandchildren, the Clinton economic package must be enacted.

###

11-E K. McGinty

004010

MECA

Manufacturers of
Emission
Controls
Association

202.296.4797

ICAC

INSTITUTE OF
CLEAN
AIR
COMPANIES

202.457.0911

February 24, 1993

The Honorable William Jefferson Clinton
President
1600 Pennsylvania Ave, N.W.
Washington, D.C.

Dear Mr. President:

We wish to commend you for your efforts to find solutions to the economic challenges facing this Nation and for your commitment to vigorously pursue the dual goals of sustained economic growth and a healthy environment. We share your view that these goals are compatible. Your strong support of elevating EPA to cabinet rank is an important step in achieving those goals. Perhaps of equal, if not greater importance, is ensuring that EPA's operating budget is adequate to carry out the enormous task of protecting the environment. For that reason, we request that every effort be made to provide EPA sufficient funds in the 1994 fiscal year to achieve its mission.

The Institute of Clean Air Companies (ICAC) and the Manufacturers of Emission Controls Association (MECA) are two separate, non-profit associations, both representing air pollution control manufacturers. ICAC's member companies produce controls applicable to all industries for U.S. and offshore industrial projects. MECA members manufacture emission controls for gasoline, diesel, and alternative fuel motor vehicles and certain stationary sources.

The industries represented by the ICAC and MECA are living proof not only that economic growth and a healthy environment are compatible, but that environmental programs create business opportunities and jobs. Both associations have long championed performance-based rules which promote flexibility and healthy competition in the marketplace to develop the most cost-effective compliance strategies possible.

Full and effective enforcement of the clean air requirements is critical not only to the environment, but to the U.S. emission control industry's maintaining its position as the world's technological leader in many areas of air pollution control. In recent surveys of MECA and ICAC companies, enforcement of the Clean Air Act was most often cited as the way the U.S. Government could help promote the growth of the U.S. emission control industry.

Key to the Clean Air Act's effective implementation and enforcement is the availability of adequate resources for EPA. Without the needed resources, the enormous task of implementing environmental legislation will not be addressed. It is for this reason that we request that EPA's Fiscal Year 1994 operating budget be adequately funded to meet the challenges of achieving a healthy environment.

In closing, we look forward to working with you and your Administration in the months and years ahead.

Sincerely,

Bruce I. Bertelsen
Executive Director
Manufacturers of Emission
Controls Association

Jeffrey C. Smith
Executive Director
Institute of Clean Air
Companies

ID# 004616

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: FEBRUARY 26, 1993

NAME OF CORRESPONDENT: MR. BRUCE I. BERTELSEN

SUBJECT: COMMENDS THE PRESIDENT FOR FINDING SOLUTIONS TO THE ECONOMIC CHALLENGES FACING THIS NATION AND FOR PURSUING THE DUAL GOALS OF SUSTAINED ECONOMIC GROWTH AND HEALTHY ENVIRONMENT

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION: ACT CODE	ACTION: DATE YY/MM/DD	DISPOSITION: TYPE RESP	DISPOSITION: C D	DISPOSITION: COMPLETED YY/MM/DD
KATIE MCGINTY	ORG	93/02/26			__/__/__
REFERRAL NOTE:					
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REFERRAL NOTE:					

COMMENTS:

ADDITIONAL CORRESPONDENTS: 1 MEDIA:L INDIVIDUAL CODES:

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

*ACTION CODES:	*DISPOSITION	*OUTGOING CORRESPONDENCE:
*A-APPROPRIATE ACTION	*A-ANSWERED	*TYPE RESP=INITIALS OF SIGNER
*C-COMMENT/RECOM	*B-NON-SPEC-REFERRAL	* CODE = A
*D-DRAFT RESPONSE	*C-COMPLETED	*COMPLETED = DATE OF OUTGOING
*F-FURNISH FACT SHEET	*S-SUSPENDED	
*I-INFO COPY/NO ACT NEC		
*R-DIRECT REPLY W/COPY		
*S-FOR-SIGNATURE		
*X-INTERIM REPLY		

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75,OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

SCANNED

BUSINESS COUNCIL ON INDOOR AIR
1025 Connecticut Avenue, N.W. Suite 712, Washington, D.C. 20036 □ (202) 775-5887
Fax: (202) 223-5979

February 22, 1993

Ms. Carol Rasco
Assistant to the President for Domestic Policy
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: Federal Indoor Air Quality Policy

Dear Ms. Rasco:

In last week's State of the Union address to Congress, the President pledged to work closely with the business community to develop effective yet efficient regulations. The Business Council on Indoor Air (BCIA) strongly supports that approach, and we believe that a general indoor air standard promulgated by the Occupational Safety and Health Administration (OSHA) is the most cost-effective method of improving indoor air quality.

BCIA represents companies from a variety of industries sharing a strong interest in indoor air quality, including manufacturers of raw materials, building and consumer products, and air cleaning equipment, as well as firms involved in building engineering, architecture, and indoor air quality monitoring and mitigation.

Although some degree of uncertainty surrounding indoor air issues will always remain, there is general agreement that (1) poor indoor air quality can lead to a wide range of occupant complaints and health concerns, and (2) common sense approaches exist that would alleviate most of these concerns. From a business perspective, it is also important to note that better indoor air quality has a great potential for increasing workplace productivity.

Fortunately, this is an issue that easily lends itself to efficient regulation, assuming federal agencies develop a coordinated strategy. We believe that while OSHA undoubtedly should play the lead role with regard to workplace air quality, an effective strategy requires the direct involvement of other agencies such as the Environmental Protection Agency, the Department of Energy, and the Consumer Product Safety Commission.

We are convinced that OSHA has adequate statutory authority to implement a timely and comprehensive indoor air standard. Moreover, because of its clear jurisdictional authority in the workplace, OSHA is the appropriate agency to promulgate such a standard. In September 1991, OSHA issued a request for information as the first step in the rulemaking process to establish a generic indoor air quality standard. Because an OSHA standard based on what we call the "building-systems approach" would result in reduction of exposures to the broadest possible range of indoor air contaminants, it is the essential first step toward a national indoor air program.

The building-systems approach addresses the two most common factors found in buildings with reports of poor air quality: inadequate ventilation and poor filtration. Poor filtration, in turn, is a frequent contributor to a third common problem: the accumulation of dirt, dust, microbes, and mold inside air handling units and their associated duct work. Our approach goes far beyond requiring adequate ventilation; it consists of a comprehensive and continuing process that focuses on the design, operation, and maintenance of heating, ventilation, filtration, and air conditioning systems. It offers the most cost-effective method for dealing with the broadest spectrum of potential contaminants throughout the lifetime of a building structure. A detailed description of the building-systems approach is provided in the enclosed white paper.

BCIA disagrees with the view that additional regulatory authority is necessary to address indoor air quality. Sufficient statutory authority already exists within several federal agencies to regulate pollutants and sources, and a vast array of regulatory and voluntary initiatives have been implemented or are underway. An OSHA regulation requiring the implementation of the building-systems approach would not eliminate the usefulness of such programs but would allow agencies to focus both regulatory and non-regulatory programs far more effectively. For these reasons, we urge the Administration to direct OSHA to vigorously pursue a comprehensive indoor air quality regulation that focuses on building systems.

During her confirmation hearing, EPA Administrator Carol Browner foresaw "a new era in communication between the EPA and America's business community, between environmentalists and business leaders." We believe that Ms. Browner's comments should set a tone for the Administration as a whole as it seeks to find practical solutions to today's environmental challenges. We look forward to working with your Administration to promulgate an efficient and highly effective indoor air program based on a building-systems approach. With that in mind, we would greatly appreciate meeting with you to discuss the issues raised herein. I will call your office later this week to see if such a meeting is possible.

Sincerely,

Paul A. Cammer, Ph.D.
President

Enclosure

cc: The Honorable Albert Gore, Jr.
The Honorable Carol M. Browner, EPA Administrator
The Honorable Robert B. Reich, Secretary of Labor
The Honorable Hazel R. O'Leary, Secretary of Energy
The Honorable Jacqueline Jones-Smith, CPSC Chairman
The Honorable Max S. Baucus, Chairman, Senate Environment and Public Works Committee
The Honorable Edward M. Kennedy, Chairman, Senate Labor and Human Resources Committee
The Honorable John D. Dingell, Chairman, House Energy and Commerce Committee
The Honorable William D. Ford, Chairman, House Education and Labor Committee
The Honorable George E. Brown, Jr., Chairman, House Science, Space and Technology Committee
Mr. Michael H. Shapiro, Assistant Administrator for Air and Radiation (Acting), EPA
Mr. David C. Zeigler, Assistant Secretary for Occupational Safety and Health (Acting), DOL
Mr. John P. Millhone, Deputy Assistant Secretary for Buildings Technologies, DOE

BUSINESS COUNCIL ON INDOOR AIR
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Fax: (202) 223-5979

March 1992

BUILDING-SYSTEMS APPROACH TO INDOOR AIR QUALITY

Executive Summary

It is generally believed that the vast majority of cases of poor indoor air quality are the result of energy-saving practices implemented since the 1970s, coupled with the inadequate design, operation and maintenance of ventilation, filtration, and other building systems. In studies of hundreds of buildings, the most common factors affecting indoor air quality were found to be poor ventilation, poor air filtration, and poor operation of building ventilation systems.

The building-systems approach to indoor air quality is a comprehensive, continuing process that promises to improve air quality indoors with a minimum of expense and regulatory intrusion. In the case of new buildings, this approach commences at the building-design stage, continues through the construction and commissioning stages, and includes proper operator training and effective building operation and maintenance throughout the entire life of the building. For existing buildings, it includes testing, maintenance, and possible redesign of ventilation, filtration, heating, and air conditioning systems. In either case, the building-systems approach incorporates the principles of a number of American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) standards and guidelines, including ASHRAE Standard 62-1989 regarding ventilation rates for acceptable indoor air quality. It also requires the use of appropriate design criteria and construction documentation, and the provision and implementation of operation and maintenance procedures to ensure the health and comfort of building occupants.

The Business Council on Indoor Air (BCIA) considers the building-systems approach to be an important management tool that should be applied to both existing and planned buildings to provide good indoor air quality. BCIA recommends that future regulatory approaches to indoor air include provisions for optimal air exchange and filtration and proper management of building systems. Because of its potential to address the majority of potential indoor air quality problems in the most cost effective way, the building-systems approach should receive high priority in federal or state indoor air research programs.

The Business Council on Indoor Air (BCIA) was formed in 1988 to address growing mutual concern of a wide spectrum of industries about the national issue of indoor air quality. This paper represents a consensus among BCIA member firms with industrial hygiene, analytical chemistry, and engineering expertise regarding the most effective program for ensuring good indoor air quality.

Introduction

Indoor air quality concerns emerged as an issue in the 1980s primarily as a result of the energy conservation philosophy that evolved from the energy crisis of the 1970s. While reducing the amount of outdoor air used to ventilate buildings, many new and renovated buildings also were made more airtight to improve energy efficiency. Other exacerbating factors included the proliferation of poorly designed and operated building ventilation systems, overcrowding and alteration of office spaces, and changes in building use without appropriate ventilation modifications.

As a consequence of these trends, concerns have emerged about potential emissions from construction materials, office equipment, pesticide applications, and other sources. In fact, measurable concentrations of substances attributed to these sources have been observed in several studies. These trends also have been found to exacerbate the potential for the proliferation of biological contamination.

In its 1987 report entitled "Policies & Procedures for Control of Indoor Air Quality," the National Research Council (NRC) concluded:

> The levels of both chemical and biological contaminants are strongly associated with the cleanliness of the heating, ventilation and air conditioning system.

Moreover, the NRC report noted the complexities associated with identifying the source of indoor air quality problems:

> A number of factors are involved in the generation of building-related occupant complaints. Many of these can occur simultaneously. It is rare that a specific source for

> the complaints can be identified, and solutions can usually be implemented without such identifications.

The U.S. Environmental Protection Agency (EPA), in the Research Needs section (Volume III) of its recent Report to Congress, further noted that "more can be done to reduce overall exposures and risks by altering building designs and ventilation patterns than by approaching the problem source-by-source or pollutant-by-pollutant."

Adequate Ventilation and Filtration

Two of the most common denominators in buildings with reports of poor indoor air quality are inadequate ventilation and poor filtration. Ventilation problems, in turn, can result from insufficient outdoor air intake and/or poor distribution of that air. Inadequate filtration is frequently a major contributor to the third most common problem: the accumulation of dirt, dusts, and microbes inside the air handling units and their associated ductwork.

The American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE), a standards-setting group that develops voluntary consensus guidelines for building designers and contractors, has recognized the importance of higher ventilation rates in improving overall indoor air quality. ASHRAE's new ventilation standard (ASHRAE 62-1989, Ventilation for Acceptable Indoor Air Quality) increases the base minimum ventilation rate from 5 cubic feet of air per minute per person (cfm/person) to 15 cfm/person. In developing its new ventilation guideline, ASHRAE recognized that the previously recommended ventilation rate was insufficient to provide adequate indoor air quality in most modern buildings.

For general office space, ASHRAE 62-1989 recommends a minimum rate of 20 cfm/person, assuming a maximum occupancy of seven persons per 1000 square feet. The ASHRAE guideline also prescribes supply rates of outdoor air required for acceptable air quality. In addition, ASHRAE 62-1989 specifies a second method for achieving acceptable indoor air quality (the "Indoor Air Quality Procedure") which provides a contaminant-based approach considering the different kinds of ventilation systems and incorporates both quantitative and subjective evaluations.

There are relatively few sources of indoor air contamination that cannot be at least reduced, if not eliminated, through proper design and management of heating, ventilation, filtration, and air-conditioning systems. In fact, if the prime factor in the design and operation of a building's ventilation system were air quality, rather than the maintenance of a specific temperature, far more emphasis would be given to minimum outdoor air intake levels, filtration efficiency, and a greater awareness of the hygiene aspects of air handling systems. Such a building-systems approach, including design, operation, and maintenance, is the most important and cost-effective step toward reducing contaminants in indoor air.

Building-Systems Approach

The building-systems approach incorporates the principles of the recently adopted ASHRAE Standard 62-1989 and a number of other ASHRAE Standards and Guidelines as the basis for achieving acceptable indoor air quality. Among these other ASHRAE consensus documents are the following: ASHRAE Standard 55-1981 (for comfort); ASHRAE Standard 52-76 (for filtration); and ASHRAE Guideline 1-1989 (for commissioning).

BCIA believes the necessary technology is already available to achieve acceptable indoor air quality. Based on the collective experience of BCIA members and others, few indoor air quality concerns result when an adequate ventilation rate is maintained in conjunction with clean, well-maintained heating, ventilating and air conditioning (HVAC) systems with efficient filtration equipment.

It is, therefore, unnecessary and counterproductive to develop an entirely new approach or avenue of research. The building-systems approach is a comprehensive, on-going process that commences at the initial building design stage, continues through the construction and commissioning stages, and includes proper operator training and effective building operation and maintenance throughout the life of the building. It requires the use of appropriate design criteria, construction documentation, and the provision and implementation of building systems operation and maintenance procedures to ensure the health and comfort of building occupants.

Within the expected life of the building, reasonable changes in its use and occupancy should be anticipated in the design stage. Consequently, specification of the design intent and performance of all installed building systems in suitable commissioning guidelines should be a critical part of the building design. Development of such a comprehensive statement of the ultimate heating, ventilation, and air conditioning (HVAC) system performance criteria will provide individuals interested in building renovation or modification with the necessary information to provide adequate indoor air quality.

Application of the Building-Systems Approach

The key to addressing potential indoor air quality problems is prevention. With the comfort of employees at stake and the prospects of increased absenteeism and the potential loss of productivity, forward thinking employers are finding it cost effective to ensure that indoor air quality and employee welfare are maintained. The building-systems approach, as described here, is an important management tool that should be applied to both existing and planned buildings to prevent problems rather than attempting to cure them once they happen. BCIA recommends that any regulatory approach to addressing indoor air quality include the following items:

I. Incorporation of the minimum ventilation rates defined in ASHRAE Standard 62-1989 ("Ventilation for Acceptable Indoor Air Quality") into applicable building codes. These rates will maintain the levels of most, if not all, indoor contaminants below acceptable levels.

   These ventilation rates presuppose that the air provided from the outdoors contains acceptable levels of any of the contaminants in question. If the outdoor air exceeds any of these levels, air cleaning systems may be required. If such technology is not available, it may be necessary to reduce the amount of outdoor air during periods of high contaminant levels (e.g., afternoon ozone level peak and rush-hour periods).

II. Provisions for annual inspections of the air handling equipment of all commercial buildings to ensure cleanliness and proper operation. These inspections should include, at a minimum: (1) internal chambers of each air handling unit, (2) coils and drain pans, (3) internal insulation of the air handling chambers and the main air supply duct, and (4) humidifying equipment. Inspections also should include verification of compliance with proper schedules for filter changes and maintenance and calibration of HVAC controls.

   It is critically important that building system performance and air quality be periodically reviewed as part of an ongoing building systems audit process, thereby assuring that the health and comfort of building occupants are both monitored and maintained throughout the life of the building.

III. Specifications that air handling systems in commercial buildings contain filters that meet the applicable ASHRAE guidelines. This will assure an efficiency of approximately 15 to 20 percent for the respirable sized particles (generally accepted as under 3.5 microns in size), while minimizing resistance to the airflow for energy conservation purposes.

These filters should be fitted to prevent air by-pass, periodically inspected for fit and condition, and replaced according to manufacturers specifications to provide continuous performance at rated efficiencies.

IV. Provisions that new building designs include a comprehensive statement of the ultimate HVAC system performance criteria to provide individuals interested in building renovation or modification with the necessary information to assure adequate indoor air quality.

This statement should include the following information: (1) suitable design criteria for all appropriate building systems and components, (2) a complete description of the HVAC system and its intended operation and performance, (3) a commissioning plan including a complete description of the work to be performed during construction, (4) verification procedures for any tests and demonstrations to be performed, and (5) a complete list of documentation submittals required at the completion of commissioning that can be used as educational tools for operator training of building personnel.

A large body of experience from public and private environmental organizations supports the building-systems approach. Extensive field experience in recent years has shown a very high level of success when applying these principles. Application of this approach has already proven itself to be the most economical and effective means of immediately making indoor environments more pleasant places to work. The use of this building-systems approach would eliminate complaints in most reported problem buildings.

Additional Research on the Building-Systems Approach

Indoor air research funds should be directed toward those strategies that are proven, or most likely, to provide practical, effective, and permanent solutions. It is clear that proper design, operation, and maintenance of building systems is the most effective strategy for addressing the widest variety of indoor air quality problems. As such, BCIA recommends that greater emphasis be placed on ventilation, filtration, and building-systems research, and that this research be conducted in cooperation with the private sector.

While much is known about the potential for the building-systems approach to eliminate or mitigate any potential indoor air quality problems, additional research is necessary to refine our understanding of the application of such an approach. Among those areas requiring additional research, BCIA includes the following:

1. Ventilation optimization - Ventilation for indoor air quality not only depends on the quantity and quality of the outside air that is brought into the building, but also on the movement of that air within the building. Research into the distribution of outdoor air through the building may provide insight into the maximum use of outdoor air in maintaining the comfort of all building occupants. It is possible that we could place less reliance on the quantity of outside air necessary to achieve acceptable air quality if more was known about optimal placement of the outside air coming into a building.

   Such research could include extensive measurement of the actual outdoor air volumes taken into buildings and investigation of indoor air distribution patterns, as well as the design and placement of supply and return points within individual rooms. The use of sampling systems built into the construction of buildings should also be included in this research area.

2. Filtration - At present, no standards exist for filter efficiency testing that uses particles of a size and type most representative of indoor air environments. Furthermore, continued research should be encouraged in the use of adsorbents and absorbents for removal of gaseous contaminants in both supply and return air.

3. Dry and liquid dessicants - These technologies are emerging as potentially useful tools in indoor air quality control. The potential for their widespread use should be studied.

4. Biological contamination - There is insufficient information about the extent, routes of exposure, and health consequences of microbiological contamination within buildings. Given that great variations occur with regard to the numbers of a particular species of microbes required to trigger infections or allergic reactions, compounded with the variability of individual susceptibility, research is needed to elucidate the role of microbes in the indoor air. It is essential that standard methods of sampling and culturing be established so that the results of independent researchers are comparable. Suggested areas of research include the health effects of bacterial endotoxins and fungal glucans, including evaluations of substances from commonly found species previously discounted as "harmless."

5. Productivity - Research on the effects of poor indoor air quality on productivity should be combined with building-systems research to provide additional incentives for the implementation of recommendations on building systems.

Summary

BCIA recognizes that not all indoor air quality problems can be avoided through improved design, operation, and maintenance of building systems. It is clear, however, that the building-systems approach is the most cost-effective way to address the majority of potential indoor air quality problems. Consequently, the highest priority should be placed on the promotion of responsible building systems design, maintenance, and operation. Steps to identify and control sources of individual pollutants should be undertaken only after it has been determined that the building-systems approach will not adequately address the problem.

Denise A. Bode

Dear Katie,

I really appreciate the opportunity to work with you to achieve the President and Vice President's goals on this energy provision. Since my guys and gals produce 60 percent of the natural gas in the country (not the majors) we also have a stake in encouraging production and use of natural gas. We also support conservation and development of alternative fuels, cause we agree ~~that~~ we need all these sources to be more independent.

I really look forward to working with you.

Denise

P.S. I am enclosing the study on collection points done by Joint Tax Committee.

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

MEMORANDUM

TO:

FROM: Harry L. Gutman Howd
H. B. Hartley Ben

DATE: February 5, 1993

SUBJECT: Issues in Design of a Comprehensive Energy Tax

Recent press reports have indicated that the Clinton Administration is considering proposing a broad-based, or comprehensive, energy tax as part of their deficit reduction package. This memorandum provides an overview of the structure of this tax, the history of its consideration, and an outline of major issues requiring resolution.

A current JCT revenue option description and analysis, with estimates is attached as Appendix 1. Two spreadsheets, developed in 1990, comparing (1) the comprehensive energy tax to carbon content and motor fuels taxes, and (2) BTU and ad valorem approaches to a comprehensive energy tax are included as Appendices 2 and 3, respectively.

Overview of Tax

The comprehensive energy tax proposal consists of five separate Federal excise taxes, structured where possible to parallel other, existing excise taxes. The taxes are imposed on the following products: petroleum, natural gas, coal, fuel alcohol, and electricity.[1] The comprehensive energy tax proposal evolved as a less-economically disruptive way to achieve energy conservation and raise revenue than the more sector-specific predecessors, increased motor fuels taxes and a tax on carbon content of fuels. Because of its broader tax base, equivalent revenues can be produced by the energy tax at substantially lower

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[1] The taxes are structured to ensure that taxable energy products (e.g. coal) used to produce taxable electricity are taxed only one time.

tax rates than is true of either the motor fuels or carbon taxes; however, these lower rates may reduce the environmental benefits from the tax.

The major issues that must be resolved in designing a comprehensive energy tax involve determining appropriate (1) regional impacts of the tax and (2) market effects across fuels. The following factors are relevant in this context--

-- A national average ad valorem tax or a BTU tax can be expected to lessen regional energy price disparities while an actual price ad valorem tax will increase those disparities.

-- An ad valorem tax (both national average or actual price) can be expected to produce fewer market shifts among fuels than will a BTU tax.

-- An actual price ad valorem tax can be administered effectively only as a retail sales tax; retail taxes present significant Federal tax administrative problems.

-- Both a national average ad valorem tax and a BTU tax can be collected before the consumer level, using structures much like those used for the current highway motor fuels taxes.

Prior Consideration

A comprehensive energy tax was approved by the Finance Committee in late 1983 as part of a deficit reduction package. Changed budgetary requirements in early 1984 led to abandonment of the proposal.

The tax next was debated during the 1990 budget summit meetings. In conjunction with that consideration, a statutory draft was prepared for the House summit participants.

Finally, during 1991, the proposal resurfaced at the request of then-Senator Gore and Representative Downey. The Gore-Downey proposal would have combined the comprehensive energy tax with a surcharge on carbon content. (Net revenues from the Gore-Downey energy tax, after certain environmental incentives were funded, were to have been used to finance refundable tax credits for children in low-income families.)

Design Issues

Structure of tax: BTU or ad valorem tax base

The comprehensive energy tax can be structured on either a BTU-equivalent or an ad valorem basis. Depending on the point in the chain of distribution at which the tax is imposed, both structures may be used to achieve a tax which is collected as a fixed amount per unit of energy, much like the present highway motor fuels taxes.

Parity among energy sources--The first structural issue involves relative impacts across energy sources. A BTU-based tax reflects only the fuel value of each energy source, as opposed to other attributes (e.g., environmental factors or ease of use) that affect relative market prices. Thus, a BTU-based tax can alter relative market positions among energy sources. For example, fossil fuels could be expected to be taxed more heavily under a BTU-base than an ad valorem tax base because of other attributes such as lack of flexibility in use and clean air concerns.[2]

An ad valorem-based tax, on the other hand, captures in the tax base all attributes of each energy source reflected in market price (including the value added as the fuel is delivered to the customer) if it is imposed at a specified percentage of the retail price. As such, some suggest the ad valorem-based tax is more neutral across fuels. However, it must be noted that applying the same ad valorem rate to differently priced energy sources increases the absolute price advantages of the least expensive sources.[3]

In both cases, consideration could be given to differential tax rates among energy sources if desired. For example, in 1990, when oil prices increased dramatically during the Desert Shield operation, the budget summit participants debated a reduced, or

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[2] This argument is most persuasive for petroleum and natural gas because the comprehensive energy tax in practice has a relatively minor impact on coal under most models. This occurs because those models impose tax on all electricity output with fuels used in generation activities being exempt. Approximately eighty percent of U.S. coal is used in electricity generation. This tax structure has been followed in all earlier options due to GATT requirements for taxing imported electricity.

[3] A corollary to this issue is the method by which prices are determined, if an ad valorem-based tax is adopted. Only retail prices reflect full market values; however, as described below, there are numerous tax administrative problems with collecting excise taxes at the retail level. Therefore, if tax is imposed earlier in the chain of distribution, use of average retail prices (national or regional) may be necessary.

phased-in, rate for the petroleum tax. Similarly, environmental objectives led Senator Gore and Representative Downey in 1991 to propose taxing carbon-based fuels more heavily.

Geographic impact--The second structural issue involves the relative geographic impact of the tax. Regionally, the United States differs not only in the types of energy consumed, but also in relative per-unit energy costs. For example, much of the retail price of natural gas is attributable to transportation costs from wellhead to consumer. Because of their proximity to the fuel's source, the Southwestern States experience large concentrations of energy-intensive petrochemical industries using relatively inexpensive natural gas energy. Similarly, the Pacific Northwest region has high concentrations of electricity-intensive industries because of relatively inexpensive hydro-generated electricity provided through the Bonneville Power Administration.

Both a BTU-based and an ad valorem-based tax using national average prices could be expected to affect these regions more heavily than high energy cost areas such as New York City (high electricity rates) and New England (home heating oil dependence). Conversely, an actual price ad valorem approach (preferred by Senator Bentsen in 1990) would favor the lower energy cost regions.

Point of imposition

Several competing factors arise in the choice of points of collection for the comprehensive energy tax, with the primary ones being administrability and parity across energy sources. These decisions interact with the ad valorem or BTU base decision in that it may be difficult or impossible to administer certain tax bases except at a given point in the taxable energy source's chain of distribution.

For maximum compliance and administrative ease, most current Federal excise taxes are imposed at the point in the chain of the taxable product's distribution where there are the fewest taxpayers. This point allows the Internal Revenue Service to concentrate its resources to minimize evasion. During the 1980s, for example, this argument persuaded Congress to move the points at which the highway motor fuels taxes were collected "upstream" away from the consumer level because of reports of widespread evasion, particularly in the New York and New Jersey areas.

Choosing such upstream collection points, however, renders use of an actual price ad valorem tax base difficult for two reasons. First, actual retail prices may not be known to the producer or wholesale taxpayer. Second, if the prices charged by these persons are used in the tax base, substantial elements of value may escape taxation. Further, integrated companies may develop transfer pricing arrangements to reduce further their tax liability. No similar problems occur with either a BTU-based or an average price ad valorem-based tax.

Energy source parity concerns also affect the choice of tax collection points. Absent a decision to favor a specific fuel or fuels, the collection points across fuels should be at points where remaining days to market and price mark-up are comparable across energy sources.[4] This objective can conflict significantly with administrative concerns in some tax models because of differing market patterns. For example, to the extent energy is marketed by utilities, retail tax collection can be efficient (as demonstrated by the telephone excise tax).[5] While natural gas and electricity are largely marketed by utilities at the retail level,[6] petroleum products are not and retail tax collection on those products is not easily administrable. Thus, a retail tax could be expected to disadvantage petroleum products somewhat relative to other energy sources because earlier collection would increase the carrying cost of the tax in inventory and lead to a possible mark-up of a profit margin on a tax-inclusive price.

Subordinate factors in choosing points of collection include the following: First, if exemptions are desired, a retail level tax allows their realization through tax-free sales, while refunds are typically required with producer-level taxes. The most commonly requested exemptions are similar to those provided for the highway motor fuels taxes: State and local governments, farmers, and other off-road users. Of course, because the comprehensive energy tax would not be a "user tax" dedicated to financing specific programs, exemptions may be seen as less justified. If approved, the tax-free sale versus refund method of realizing exemptions must be evaluated in light of relative evasion potential and the impact on business of the interest-free loan to the Government that is implicit in the refund method.

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[4] This argument is most often made by parties representing energy interests. Their concern relates to the time value of taxes paid attributable to the period when tax-paid products are held in inventory, and can be mitigated somewhat by differential tax deposit requirements.

[5] Increased prevalence of so-called "by-pass" arrangements whereby larger consumers bypass utility retailers to deal directly with producers has lessened this ease of collection on utility-supplied services in recent years.

[6] However, recent Congressional action deregulating natural gas prices and encouraging cogeneration of electricity by independent power producers have significantly expanded by-pass arrangements for these energy sources.

Second, an upstream tax may necessitate special rules similar to the cost recovery "normalization" rules of the Internal Revenue Code to ensure that regulated public utilities can include these costs in their rate base. Third, a similar pass-through issue arises for "independent power producers" who sell electricity to utilities under long-term, fixed-price contracts, a phenomenon that is of growing importance under non-tax energy policies. Further, the political issue of tax visibility may force compromise on other issues.

Taxable energy sources

As stated above, the comprehensive energy tax consists of five separate taxes on petroleum, natural gas, coal, fuel alcohol, and electricity. Both price and BTU-content vary significantly across different petroleum products and types of coal. Thus, sub-classifications of these sources may need to be delineated. Certain of these decisions can be left to Treasury regulations and rulings, but guidance for initial periods and for particularly sensitive products (e.g., Appalachian and Rocky Mountain States coal and lignite) likely will have to be provided legislatively.

Further, certain uses of these products are non-energy uses. Decisions must be made on whether these uses will be taxable. Examples include coke used as a catalyst in steel production, electricity used as a catalyst in aluminum production, and petroleum and natural gas used as feedstocks in plastics and fertilizer manufacture. If exemptions are desired for these nonfuel uses, the point of collection for the tax becomes a key determinate of whether the exemptions are realized through tax-free sales or refunds. The volume of such sales renders this a significant financial issue for certain affected industries as well as for the Federal Government.

High energy content products: border adjustments

As with all consumption taxes, a comprehensive energy tax can be expected to be borne by consumers to the extent that markets allow. Energy costs represent a large portion of the cost of certain products. This list grows longer if catalyst and feedstocks exemptions such as those described above are not provided. Thus, depending on the tax rate, the tax could affect both domestic and international markets for these products.

Both the 1990 and 1991 options included limited export exemptions and derivatives taxes on imports for certain very high energy content products. Operation of these provisions is complex because the energy component of manufacturing processes must be determined. Particular difficulty arises with imported products because of the lack of data on foreign manufacturing processes.

The derivatives tax on imports further raises GATT concerns. Except in the case of a value added tax, border adjustments generally are only permitted for taxes imposed on physically incorporated components of exported products. The comprehensive energy tax is a so-called cascade tax, and the USTR has argued in several GATT proceedings involving European energy taxes that energy is not physically incorporated in manufactured goods.

Effective date

The time period with which a comprehensive energy tax may be implemented depends largely on the degree to which collection points either (a) track existing excise taxes on the energy source or (b) involve relatively fewer taxpayers.

Two significant transitional issues also arise. First, if the tax is collected before the retail level, a floor stocks tax would generally be imposed on supplies held beyond the point of taxation. These taxes are standard whenever a new Federal excise tax is imposed or an existing tax rate is increased and are intended to preclude advance purchases to avoid tax. Second, in 1990, some information was presented by the New York Mercantile Exchange regarding flow-through problems on pre-effective date futures contracts for some petroleum products. It is not known whether the contract terms creating this issue have been changed since that time.

1993 Excise Tax Revenue Options: Comprehensive Energy Tax

Present Law

No comprehensive energy excise tax is imposed under present law. Certain energy sources (e.g., highway motor fuels) are subject to tax, with part or all of the revenues frequently being dedicated to various trust fund expenditure purposes.

Possible Proposals

1. **Base energy tax**

Tax base and points of collection

Impose excise taxes on the energy sources below at points in the chains of distribution indicated:

Petroleum	Refinery gate or terminal rack
Natural gas	Removal from pipeline to local distribution system (or direct user)
Electricity	Removal from generating plant
Coal	Use by major industrial installation
Fuel alcohol	Removal from distillery

Imported electricity, refined petroleum products, and fuel alcohol are taxed at the border; other petroleum products, natural gas, and coal are taxed at the points provided for like domestically produced energy sources.

A back-up use tax is included for energy sources used before the points at which tax generally is imposed.

A derivatives tax equal to the base tax is imposed on imported products at the border if the direct imbedded energy cost of producing the products exceeds 30 percent of their value on importation.

Tax rate

Rates for the tax are set at fixed dollar/cents amounts per unit of energy equal to five percent of the national average retail sales price of each taxable energy source. The Internal

Revenue Service is required to establish and update annually these per-unit tax rates and the underlying national average retail sales prices.

Exemptions

Exemptions, realized by exempt sales or credits/refunds, as appropriate, are provided for --

(a) Exports of taxable primary energy sources;

(b) Coal, petroleum, natural gas, or electricity used to generate electricity;

(c) Coal, petroleum, or natural gas used for non-fuel feedstock (including coke) use; and

(d) Exports of derivative products having direct imbedded energy costs in excess of 30 percent of their value on exportation.

No other exemptions are allowed.

Effective date

The base energy tax is assumed to be effective on January 1, 1994, with floor stocks taxes being imposed on taxable products held beyond the point of taxation on that date.

2. Combination base energy tax and carbon surcharge

Impose both the base tax and a carbon tax. Under this option, a carbon, or global warming, tax is imposed as a surcharge on the base tax rates.

Tax base and points of collection

In general, the carbon surcharge is imposed at the same point as the base tax. The surcharge on coal is imposed and collected at the same point as the present-law coal excise tax, however, rather than the point at which the base energy tax is collected because the coverage of the surcharge is more comparable to that of the existing coal tax.

Surcharge rates

Petroleum	$ 2.00 per barrel
Natural gas	0.25 per MCF
Coal	10.00 per ton
Fuel alcohol	0.25 per barrel

The carbon surcharge rates are phased in, with the rates indicated above becoming effective on October 1, 1999. A schedule of rates assumed to be applicable during the period January 1, 1994 - September 30, 1999, is included as an appendix to this option.

Exemptions

No exemptions (including border adjustments) are allowed.

Effective date

The carbon surcharge is assumed to be effective on January 1, 1994, with floor stocks taxes being imposed on energy sources held beyond the point of taxation on that date and on the subsequent dates when the phased increases are effective.

Analysis

Energy taxes of any type may be viewed as beneficial in that they will in the longer run promote conservation through higher prices. The base energy tax described in the possible proposal particularly accomplishes this result with minimal geographic and economic distortion, while at the same time raising significant amounts of revenue. While it produces more distortion than the base energy tax, the carbon surcharge may be justified as addressing more specific environmental objectives.

Several design and administrative issues arise in connection with these taxes.

1. Points of collection

To achieve minimum evasion and other efficiencies of administration, the taxes should be imposed at the point in each taxable energy source's chain of distribution where there are both (a) the least feasible number of taxpayers, and (b) manageable numbers of subsequent nontaxable uses for the energy source. Additionally, the taxes on each energy source should be imposed at comparable points to those of competing sources to prevent possible tax-driven market shifts (other than those intended by the carbon surcharge).

This approach may conflict somewhat with conservation objectives in that the visibility of a retail level tax could produce greater consumer awareness. However, the number of taxpayers may render a retail level tax unadministrable. Of particular note in this regard is the recent history of alleged evasion with the highway motor fuels taxes imposed at the wholesale and retail levels. Further, as an outgrowth of deregulation of these industries and other non-tax energy policies, retail delivery of certain sources (e.g., electricity and natural gas) traditionally provided by regulated utilities now is accomplished through a myriad of so-called "by-pass" arrangements.

2. Tax rates

Tax rates may be determined either on BTU (energy) content or by an ad valorem (price) approach. The BTU-content approach taxes energy value only while the ad valorem approach produces tax rates that reflect the full market price attributes of the taxable energy sources. As such, a BTU-content approach may alter market rankings of energy sources. For example, coal, a relatively inexpensive source of BTUs, could be expected to be taxed more heavily under a BTU approach than under an ad valorem approach.

Possible regional distortions are an integral factor in this decision. If actual price ad valorem taxes were imposed, low-cost energy States could be expected to increase their current energy cost advantage relative to higher cost areas. Conversely, both the BTU-content and national average ad valorem approaches tend to lessen any current advantages.

As with points of collection, evasion should be minimized if the BTU content or national average ad valorem approaches are adopted because taxpayers will have a fixed-per-unit tax rate rather than a rate which varies with individual contractual arrangements.

Carbon surcharge rates likewise are most efficiently set at fixed-per-unit amounts, determined in this case by reference to carbon content.

3. Exemptions

Whether exemptions are provided primarily reflects a balancing of the cost of potential market distortions with administrative feasibility and conservation objectives. Any exemption reduces conservation incentives to the exempt user. Because some or all of the tax may be reflected in the price of numerous products, exemptions may be considered appropriate, however, to protect international markets and certain economically important, but high-energy content, products.

4. Effective date

Because the possible proposals described are modelled on many existing Federal excise taxes, use readily available price data for tax rate determination, and minimize tax collection points, early implementation is possible. Variations which alter any of numerous aspects of the proposals could necessitate delays in implementation or reduced compliance for at least an interim period.

Impact of Proposals

Because of their scope, the taxes comprising a comprehensive energy tax affect all segments of the economy, both domestically and internationally. As described above, significant revenue may be produced at relative low rates of tax. A disadvantage to the tax, however, is that the lower rate of the base energy tax as compared to the carbon surcharge, may achieve less conservation.

To the extent taxes are imbedded in the price of products, an energy tax as with any consumption tax can be expected to increase inflation because energy is a significant portion of personal consumption and business costs throughout the economy. The comprehensive energy tax, as opposed to a tax on only one energy source, reduces that impact on any one sector. As described above, the base energy tax can be expected to minimize these distortions. The carbon surcharge, on the other hand, will increase costs associated with high carbon content energy sources. The impact of this tax may be particularly significant to users of coal, either directly or in the production of electricity.

Finally, with regard to both the base energy tax and the carbon surcharge, these taxes (like many consumption-based taxes) are regressive, with greater relative impact on low-income households than on high-income households. This is compounded by the lack of discretion for many low-income households in their purchases of energy for homes and transportation.

APPENDIX

Carbon Surcharge Phase-In Rates, 1994-1999

Petroleum -- $2.00 per barrel, phased-in as follows:

After	Before	
December 31, 1993	October 1, 1994	$ 0.30
September 30, 1994	October 1, 1995	0.60
September 30, 1995	October 1, 1996	0.90
September 30, 1996	October 1, 1997	1.20
September 30, 1997	October 1, 1998	1.50
September 30, 1998	October 1, 1999	1.80
After September 30, 1999		2.00

Natural Gas -- $ 0.25 per MCF, phased-in as follows:

After	Before	
December 31, 1993	October 1, 1994	$ 0.04
September 30, 1994	October 1, 1995	0.08
September 30, 1995	October 1, 1996	0.11
September 30, 1996	October 1, 1997	0.15
September 30, 1997	October 1, 1998	0.18
September 30, 1998	October 1, 1999	0.22
After September 30, 1999		0.25

Coal -- $9.00 per ton, phased-in as follows:

After	Before	
December 31, 1993	October 1, 1994	$ 1.50
September 30, 1994	October 1, 1995	3.00
September 30, 1995	October 1, 1996	4.50
September 30, 1996	October 1, 1997	6.00
September 30, 1997	October 1, 1998	7.50
September 30, 1998	October 1, 1999	9.00
After September 30, 1999		10.00

Fuel Alcohol -- $ 0.25 cents per barrel, phased-in as follows:

After	Before	
December 31, 1993	October 1, 1994	$ 0.04
September 30, 1994	October 1, 1995	0.08
September 30, 1995	October 1, 1996	0.11
September 30, 1996	October 1, 1997	0.15
September 30, 1997	October 1, 1998	0.18
September 30, 1998	October 1, 1999	0.22
After September 30, 1999		0.25

#93-2 008
PRELIMINARY
28-Jan-93

ESTIMATED REVENUE EFFECTS OF VARIOUS ENERGY TAX PROPOSALS

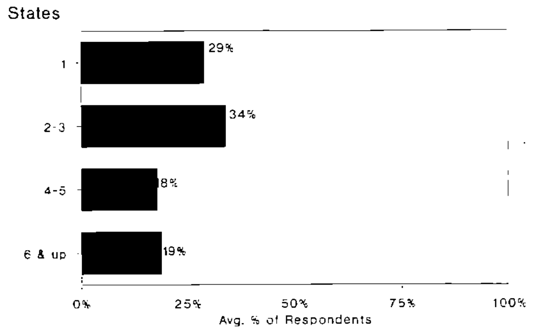
Fiscal Years 1994-1998

[Billions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994-98
1. 5% ad valorem broad-based energy tax..........................	1/1/94	13.0	18.7	19.4	20.3	21.3	92.7
2. 5% ad valorem broad-based energy tax with global-warming surcharge..	1/1/94	15.9	26.0	31.0	36.4	41.9	151.2

Joint Committee on Taxation

No. of States in Which Companies Operate



Alaska. More than two-thirds operate in more than one state. An average of 17 percent of their operations takes place on Federal and Indian lands, with the range varying from 0 to 100 percent.

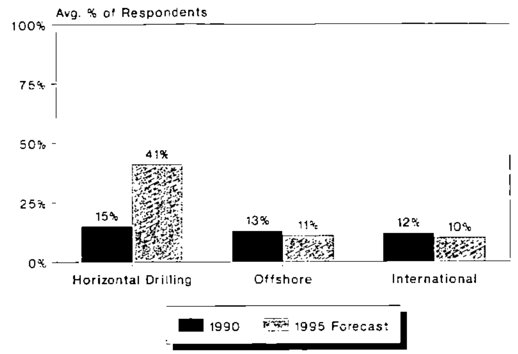
In line with the image of typical independents, 13 percent responded that they operate offshore. The larger firms (with more than 1,000 employees) have a much higher relative share, with 78 percent of their operations in the outer continental shelf.

When asked whether they expected to be involved in U.S. offshore operations by 1995, only 11 percent answered yes. This decrease in plans for future offshore activity occurred in nearly every size category of firms, including the largest companies. The reduced interest could be partly attributable to the growing amount of acreage declared off-limits by Congress, as well as the increasingly stringent offshore bonding requirements.

The outcome was similar when the survey asked whether they operate internationally. Only 12 percent answered yes, with Canada as the primary country, followed by Australia, Indonesia, the United Kingdom, and South America. When asked whether they expected to operate internationally by 1995, the response rate fell to 10 percent. The trend appears to be for independents to continue concentrating their operations in the domestic onshore area in the coming years.

An average of only 15 percent of the respondents said that they participated in a horizontal drilling venture last year. The geographical location of leases already held may have influenced this answer. Larger companies (with more than 1,000 employees) had a much higher response rate, with 56 percent involved in horizontal drilling. This is no surprise considering the high cost of drilling a horizontal well compared to traditional drilling methods.

Company Operations

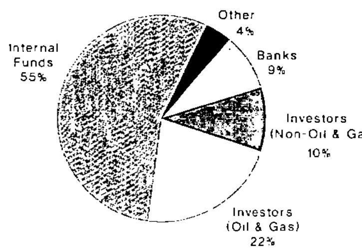


Unlike the situation with offshore and international operations, many companies are optimistic about the future of horizontal drilling. An average of 41 percent of the respondents expects to participate in a horizontal drilling venture by 1995, up from 15 percent in 1990. Even the smaller firms have significantly higher response rates for this category.

An important financial question in the survey pertains to the source of operating funds. On average, independents obtain funding from: internally-generated funds (55 percent), oil and gas investors (22 percent), non-oil-and-gas investors (10 percent), and banks (9 percent). The remaining four percent come from other sources such as pension funds, public securities, consulting fees, owner's equity capital, etc.

Although capital formation, environmental regulations and tax penalties present serious problems for the future, the information in this survey confirms that independents are still a viable part of the U.S. energy scene.

Source of Operating Funds
(Avg. % of Respondents)



Technical Information on Survey

Vice President of Economics Deborah Rowell and the IPAA Petroleum Information Services Department conducted a Profile Survey of Independents in 1991 to compile a statistical portrait of its members. For years, IPAA has used the basic statistical information on independents available through public sources. However, this survey marks the first time that we have sought information on all aspects of IPAA members' operations.

IPAA conducted the survey in association with C.C. Pace Resources Inc. of Fairfax, Va. The questionnaire included questions on demographics, company operations, sources of funds, and enhanced oil recovery projects for the year 1990.

We mailed a questionnaire to the approximately 5,300 members of IPAA. Members were asked to return only one response form per company, since many of the firms have multiple memberships. We received 555 responses to the survey, which represents 14 percent of the approximately 4,000 **individual companies** that are part of IPAA. There was no telephone follow-up effort in getting members to respond to the survey.

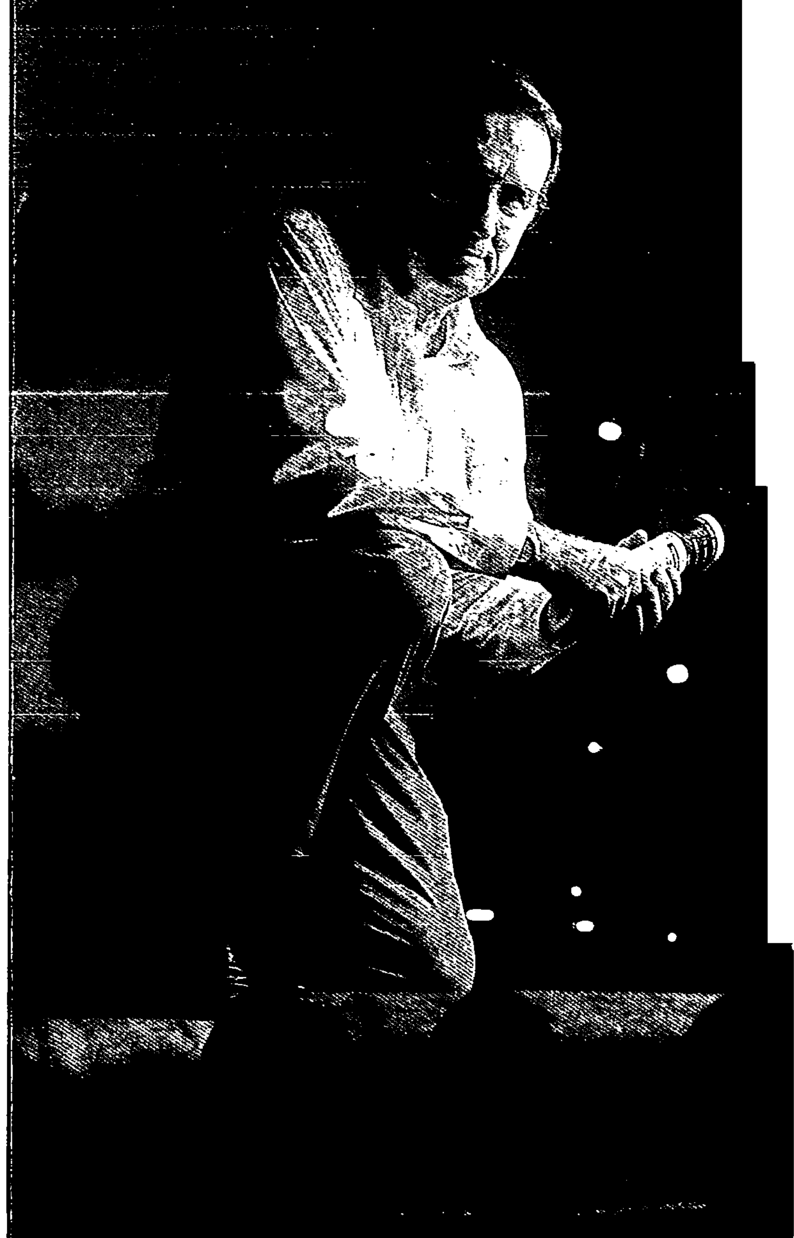
IPAA plans to conduct this type of survey on an annual basis to maintain a current statistical profile of independents.

January 1992

Petroleum Independent
1101 Sixteenth Street, N.W.
Washington, D.C. 20036

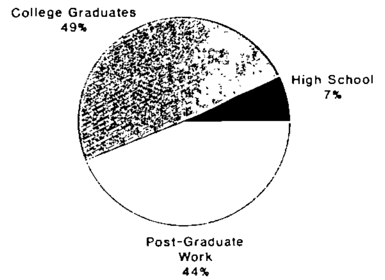
1-800-433-2851

Profile of Independent Producers



1992

Education
(Avg. % of Respondents)



The characteristics of the U.S. independent oil and gas industry that have made it a reliable source of energy supplies for the past century have been confirmed in a recent profile survey of independents conducted by the Independent Petroleum Association of America in association with C.C. Pace Resources Inc. of Fairfax, Va.

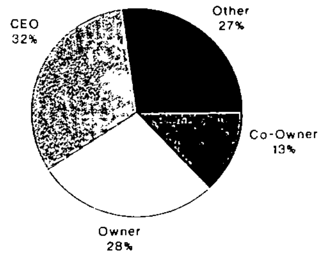
The major conclusions of the survey include:

- Independents are optimistic about the future prospects of exploration and production in the Lower 48 states. They indicate a waning interest in future offshore and international operations. This is in contrast to the reports often heard that there are no major petroleum resources to be developed in the U.S. except offshore and in Alaska.
- Independents are on the leading edge of business and technological developments. In particular, they have a high level of interest in enhanced recovery projects.
- By 1995, independents plan to significantly increase their participation in horizontal drilling ventures.
- Although independents range in size from small one-or-two person companies up to very large public firms, the typical independent is a small business owner who has been established for many years.
- Independents tend to be well-educated, and many are active professionally and politically at the local, state and national level.

These factors represent the spirit of the approximately 8,000 independent companies in the United States.

The following summarizes the results of the survey's four major components, with highlights on demographics, company profile, drilling and production, and scope of operations.

Position in Company
(Avg. % of Respondents)



Demographic Summary

The survey showed that nearly two-thirds of respondents are age 59 or younger. Independents are keeping pace with the professional challenges of today's industry through higher education. Nearly all (93 percent) are either college graduates or have post-graduate work. Two percent of independent companies have female chief executive officers.

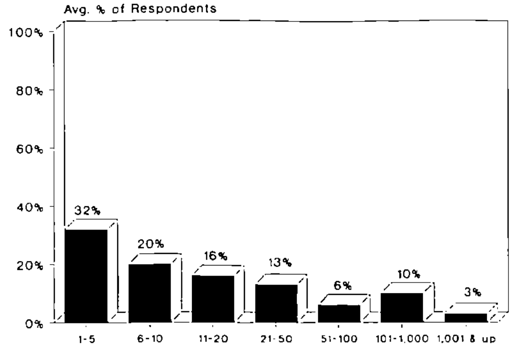
Many independents are active politically, with 13 percent having held elected or appointed government office at the local, state, or national level. This includes service as mayors, local or county council members, state senators, or energy-related government commissions — including the U.S. Presidency and various cabinet posts. IPAA members are also very active within professional and trade organizations, with nearly 90 percent holding membership in two or more industry-related associations.

Most the respondents (73 percent) are either the Chief Executive Officer, Owner or Co-Owner of their own firm. Nearly the same percentage said that they make the final decisions for purchasing oilfield services and supplies for the company. These statistics confirm that IPAA represents the decision-makers of the independent producing industry.

Company Profile

Despite the modern image of independents as efficient entrepreneurs, it is important to remember that the typical independent still operates as a small business owner. Almost one-third of all independents have one to five employees. More than two-thirds have 20 employees

NUMBER OF EMPLOYEES



or less. Clearly, the independent company faces all the constraints and problems of any small business person on Main Street, U.S.A.

The main business activity of IPAA members is exploration and production, with 75 percent of the respondents stating that their primary business function is within one of these two areas. Other members are geologists, engineers, drilling contractors, landmen, and service and supply companies, and from finance and banking.

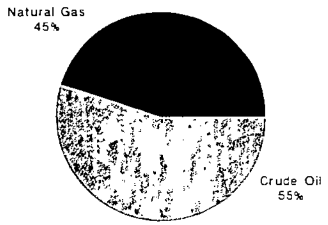
Respondent companies have been in business varying lengths of time, ranging from one year to 135 years. However, the average is 27 years. This shows that those independents who are still in business tend to be well-established and are not "fly-by-night" operations.

Drilling and Production Summary

An average of 61 percent of the wells operated by independents are stripper wells, which produce less than 10 barrels per day (b/d) of crude oil or 60 thousand cubic feet (Mcf) per day of natural gas. Some companies have 100 percent of their wells in the stripper category, while some have as few as two percent.

The typical independent's production is split almost equally between crude oil (55 percent) and natural gas (45 percent). That ratio changes depending on the size of companies, with the larger firms producing a much higher relative share of natural gas—up to 76 percent of their output. The accompanying table shows production ratios according to the size distribution of firms.

Average % of Total Production



Production Ratio by Company Size

No. of Employees	% of Respondents	% of Production Natural Gas	% of Production Crude Oil
1- 5	32	56	44
6- 10	20	61	39
11- 20	16	59	41
21- 50	13	50	50
51- 100	6	71	29
101- 1,000	10	39	61
1,001 & up	3	24	76
(Weighted averages by company size)			
TOTAL	**100**	**55**	**45**
1- 10	52	57	43
1- 20	68	58	42
1- 100	87	57	43

Exploring for and producing petroleum in today's economic climate requires business and political acumen and technical sophistication. More than two-thirds of independents currently use enhanced recovery methods, suggesting that the use of new technology is increasing steadily throughout the industry. Waterflooding is the technique used by 80 percent of the survey respondents, followed by natural gas injection, CO2 injection, and polymer-augmented waterflooding.

Scope of Operations

Most companies list their operations as located in Texas, Oklahoma, Louisiana, New Mexico, Kansas, Colorado, Wyoming, and Mississippi (in descending order). Only one percent of respondents do business in

Talking Points Regarding Environmental Impacts

o On June 13, 1992, the U.S., along with 157 other countries, signed a Climate Convention in Rio de Janeiro pledging to take action on the worldwide problem of climate change. Wasteful energy use is a key source of the climate change problem, and Americans are among the most profligate energy users in the world. While the European Community has agreed to stabilize its emissions contributing to global warming, the average American uses 75% more energy than his counterpart in Germany and 113% more than his counterpart in Japan.

o Instead of lagging behind the world in addressing this problem, the U.S. needs to assume the responsibility of leading the world to a path of sustainable development and environmental stewardship. The proposed energy tax allows the U.S. to assert its leadership role while meeting our international obligations. The proposed tax will reduce our carbon dioxide emissions, the most significant pollutant causing climate change, by 23 million tons in the year 2000. This is expected to stabilize U.S. emissions in the year 2000. Furthermore, the reductions will grow to 31 million tons by the year 2010.

o By stimulating energy conservation, the tax will cut U.S. energy use by 1.4% in the year 2000. This is equivalent to the energy consumed by 100 power plants.

o The energy tax will also reduce emissions that contribute to urban smog. Emissions of volatile organic compounds, carbon monoxide and nitrogen oxides will fall by 9,800, 89,000 and 11,000 tons per year, respectively. To place this in perspective, these gains in pollution are equivalent to taking 75,000 to 260,000 older, high emitting cars off the road. Other emission reductions would also be registered in the utility sector and from industrial sources; powerplant emissions of nitrogen oxides alone would fall by 150,00 per year, equivalent to 3.3% of all power plant emissions.

o Further environmental gains would result from fewer oil spills, less acid rain, less disposal of toxic wastes--all of which will lead to a healthier and sustainable level of environmental quality. Oil imports are expected to decrease by 350,000 barrels per day, resulting in 128 fewer tanker loads of oil coming to our shores annually (each tanker carries a million barrels).

Energy Prices in Other Countries Expressed as a Percentage of U.S. Prices
(U.S. = 100)

	Germany	Japan	OECD Europe
Industrial Energy			
Light Fuel Oil	148	119	148
Heavy Fuel Oil	130	171	155
Electricity	190	263	158
Natural Gas	169	372	122*
Steam Coal	411	276	241
Household Energy			
Gasoline	258	281	293
Residential Oil	104	111	141
Electricity	207	230	167
Natural Gas	170	404	147*

Asterix indicates 1989 data. All other data are for 1990.

Source: Energy Prices and Taxes 1992, International Energy Agency.

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BROAD-BASED ENERGY TAX

1. Specifications

- Indexed BTU tax with oil supplement

Basic tax:	25.7 cents/million BTU
Oil supplement:	34.2 cents/million BTU
Index:	GDP deflator

- Phased introduction over three years

July 1, 1994	1/3
July 1, 1995	2/3
July 1, 1996	fully phased in

- Tax base

  Fossil fuels: BTU content of coal, oil, and natural gas

  Nuclear fuel in electricity generation: BTU content of nuclear fuel

  Hydro-power in electricity generation: average fossil fuel BTU input required to generate equivalent electricity

  Excludes non-fuel uses of fossil fuels, non-conventional fuels (solar, wind, etc.) and exported fossil fuels.

- Collection point

  Coal: minemouth
  Oil: refinery; importation point for refined petroleum products
  Gas: pipeline
  Hydro and nuclear generated electricity: utility
  Imported electricity: importation point

2. Objectives

- Increase energy efficiency of economy for long-run competitive advantage

- Improve environment through reduced growth of fossil fuel consumption and modest incentives favoring cleaner fuels

- Enhance national security and U.S. trade balance by reducing oil imports

- Strengthen economic performance through vigorous deficit reduction, boosting long term U.S. investment, productivity and growth and encouraging U.S. exports.

3. Economic effects

- Broad base of tax keeps tax rate low and spreads effects across regions, industries and consumer segments. Scale of tax fits objectives of overall economic package.

- End user prices will increase modestly:

  gasoline - about 7.5 cents/gallon or 5%
  residential natural gas - about 26 cents/mcf or 4%
  residential electricity - about $2.24/month or 3%
  home heating oil - about 8.3 cents/gallon or 8%

  compared to the year 2000 level without tax.

- Energy expenditures of about $2,600 per year for a family of four with annual income of $40,000 will increase by about $120; expenditures on all goods and services containing an energy component will increase by about $320, or 4.6%.

- Consumption will decline less than prices rise -- 2% or less from the year 2000 level without tax -- representing modest conservation and fuel switching without shock to the real economy.

- Producer prices decline very slightly -- less than 1% from year 2000 level without tax. Production hardly changes, with reductions in oil, whose consumption declines most, coming principally from imports.

- Phasing of tax allows adjustment period for economy and fits stimulus - deficit reduction timing of economic package.

4. Competitiveness effects

- Cost increases for energy-using industries are kept low and widely spread.

- Phasing helps adjustment process. Help also from other elements of economic package -- investment tax credit and R&D tax credit, technology transfer from National Laboratories, model projects in industrial energy conservation.

- Deficit reduction will lower interest rates and improve export climate for all U.S. firms.

5. Environmental effects

- Carbon reductions in year 2000 could result in emissions meeting U.S. goal (expressed in climate convention at Rio Summit) of returning its greenhouse gas emissions to 1990 levels.

- Other environmental benefits include reductions in smog, acid rain, toxic waste, traffic congestion and transport accidents.

- Domestic action will enhance U.S. stature and leverage in international debate; front up to allies with contingent tax plans - notably European Community's BTU/carbon tax.

6. Regional effects

- Broad tax with low rate limits regional differences compared to narrower alternatives such as gasoline tax or oil import fee.

- National average per capita tax increase varies by less than + or - 10% across regions.

- Regional differential in home heating oil use ameliorated through first year exemption of home heating oil from supplemental tax, allowing users greater time for adjustment.

7. Income distribution effects

- Addressed within economic package as a whole, yielding progressive overall result.

- Other elements of package -- earned income tax credit, child benefit, food stamps, low income energy assistance -- offset any regressivity of energy tax portion.

- Energy tax itself is hardly regressive when consider embedded as well as direct effects (e.g., airline fares as well as gasoline prices), and when look at expenditure measures of well-being for lower income households rather than less-accurate reported income measures.