

BOB DOLE  
KANSAS

3/19  
Western Hotel  
Bachman So.

## United States Senate

OFFICE OF THE REPUBLICAN LEADER  
WASHINGTON, DC 20510-7020

### M E M O R A N D U M

March 18, 1987

TO: SENATOR DOLE  
FROM: JIM WHITTINGHILL  
SUBJECT: MEETING WITH ASHLAND OIL

Tomorrow morning, you are scheduled to meet with the Board of Directors of Ashland Oil (names attached).

Yesterday, the Department of Energy released its report on our nation's security. The report makes no recommendations with respect to assisting the domestic oil and gas industry, but rather lists options.

Options include an oil import fee and various tax options with primary attention given to increasing the percentage depletion allowance and expanding it to include major oil companies.

A \$10/barrel fee would increase oil-related jobs by 120,000, but reduce employment in other sectors by 400,000. In addition, the report estimates it would reduce U.S. GNP by \$30 to \$45 billion per year.

The report is required by last year's reconciliation bill, as **are subsequent recommendations to the Congress by the President.** The Cabinet Council is scheduled to meet on Friday to discuss options and make recommendations.

Secretary Herrington appears to be interested in raising the percentage depletion allowance to 27 1/2% and apply it to all producers. However, preliminary industry estimates range as high as \$7 billion/year for such a proposal.

At this point, you should stick with the Bentsen bill of which you are a cosponsor. It provides that, in effect, we will not allow imports of crude oil to exceed 50% (we are currently at 38% and had an all time high of 46% in 1979).

This report does nothing to help the industry, but will help focus the attention of the Congress, like the Bentsen bill, on this pending disaster.

The report estimates imports will exceed 50% by the mid-1990's.

Attached are figures used in your statement on the Bentsen bill..

STATEMENT OF SENATOR BOB DOLE

ENERGY SECURITY ACT OF 1987

MR. PRESIDENT, TODAY I AM JOINING A NUMBER OF MY COLLEAGUES  
IN COSPONSORING THE ENERGY SECURITY ACT OF 1987.

THE BILL IS A STATEMENT OF PURPOSE, AN ATTEMPT TO BRING SOME  
ORDER TO THE CURRENT AIMLESS DRIFTING THAT HAS BESET THIS COUNTRY  
WITH RESPECT TO ENERGY.

THE CONGRESS HAS ESTABLISHED AN UNFORTUNATE REPUTATION FOR  
NOT ACTING ON PROBLEMS FACING THE COUNTRY UNTIL IT IS TOO LATE.  
AND OFTEN, IN ATTEMPTING TO CORRECT A PROBLEM AT A LATE DATE, THE  
SOLUTION ONLY COMPOUNDS THE RECOVERY.

I HOPE THAT THE INTRODUCTION OF THIS MEASURE, AND SUBSEQUENT  
HEARINGS BY THE COMMITTEE, WILL FOCUS OUR ATTENTION ON A DISASTER  
WAITING TO HAPPEN.

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LIKE IT OR NOT, OUR ECONOMY, NATIONAL SECURITY, HEALTH AND SAFETY ARE DEPENDENT UPON OIL AND NATURAL GAS. BRING BACK THE GAS LINES AND THE GOOD HUMOR OF OUR CITIZENS WILL BE DEPENDENT UPON OIL AND GAS, TOO.

YET, WE ARE NOW STEERING OUR ENERGY POLICY ON A COLLISION COURSE WITH ANOTHER OIL CRISIS, VERY POSSIBLY A CRISIS FAR SURPASSING THE DISRUPTIONS OF THE PAST.

THE BILL BEGINS TO ESTABLISH A NATIONAL ENERGY POLICY THROUGH A MANDATE THAT WE WILL NOT ALLOW OIL IMPORTS TO RISE ABOVE 50% OF TOTAL CONSUMPTION WITHOUT REQUIRING SOME ACTION -- WHETHER IT BE CONSERVATION, AN IMPORT FEE, OR SOMETHING ELSE -- TO BRING IMPORTS BACK DOWN BELOW 50%.

#### HISTORICAL IMPORT LEVELS

QUITE FRANKLY, IF WE EVER DO REACH A 50% DEPENDENCY ON IMPORTED CRUDE OIL AND PETROLEUM PRODUCTS, WE WILL HAVE ALREADY REACHED A THE POINT OF NO RETURN.

THE ALL TIME RECORD IMPORT LEVEL WAS 45.7%, AT THE TIME OF OUR LAST OIL CRISIS IN 1978 AND 1979. THE 1973 CRISIS WAS BROUGHT ABOUT AT A TIME WHEN WE WERE ONLY 35% DEPENDENT ON FOREIGN SUPPLIERS.

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NOW, IN JUST A LITTLE OVER TWO YEARS, WE HAVE INCREASED OUR DEPENDENCY ON FOREIGN OIL FROM 27% TO OUR CURRENT 38%, A LEVEL ABOVE THAT PRECEDING THE 1973 OPEC EMBARGO.

#### ECONOMIC IMPACT

THE TWO OIL CRISES OF THE 1970'S WERE MORE THAN JUST TEMPORARY INCONVENIENCES. THE NATIONAL PETROLEUM COUNCIL RAN SIMULATIONS OF MACROECONOMIC MODELS ON THE U.S. ECONOMY TO DETERMINE WHAT EFFECT, IF ANY, THE LAST TWO OIL DISRUPTIONS HAD ON THE ECONOMY.

IN THE THREE YEARS FOLLOWING THE 1973 CRISIS, THE COUNCIL DETERMINED THAT GNP WAS REDUCED BY APPROXIMATELY 2.5%. AND, THE 1979 SHORTAGES WERE RESPONSIBLE FOR A 3.5% REDUCTION IN THE THREE SUBSEQUENT YEARS.

#### PRODUCTION LEVEL

AS WE CONTINUE TO WITNESS DRAMATIC INCREASES IN OUR DEMANDS FOR IMPORTED ENERGY, DOMESTIC PRODUCTION CONTINUES TO SLIDE. IN FACT, WE ARE NOW PRODUCING ABOUT 833,000 BARRELS OF OIL PER DAY LESS THAN WE WERE JUST LAST YEAR. THAT'S REPRESENTS ABOUT 10% OF OUR TOTAL PRODUCTION, AND THE DECLINE WILL CONTINUE IF LEFT UNCHECKED.

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ACTUALLY, THE LOSS OF DOMESTIC PRODUCTION FROM THE CONTINENTAL UNITED STATES IS EVEN MORE DRAMATIC. THESE RECENT FIGURES FAIL TO POINT OUT THAT PRODUCTION FROM THE ALASKA NORTH SLOPE HAS INCREASED AS DOMESTIC PRODUCERS SEARCH FOR AVENUES TO HALT IF NOT REVERSE THE DANGEROUS DECLINE IN DOMESTIC PRODUCTION. A.N.S. DELIVERIES HAVE ACTUALLY INCREASED BY 200,000 BARRELS PER DAY DURING THE PAST YEAR. WITHOUT THIS SURGE FROM ALASKA, OUR LOSS OF PRODUCTION WOULD BE WELL OVER 1 MILLION BARRELS PER DAY.

#### SUMMARY

CONGRESS MUST FOCUS ITS EARLY ATTENTION ON OUR NATIONAL PROBLEM OF OIL AND GAS BEFORE WE HIT THE NEXT CRISIS, NOT AFTER. WE DO HAVE THE OPPORTUNITY TO REVIEW OPTIONS AND MAKE INTELLIGENT CHOICES, IF WE ACT SOON. THIS WINDOW OF OPPORTUNITY WILL NOT LAST LONG, HOWEVER.

REVIEWING THE HISTORY OF PAST EFFORTS TO ADDRESS OIL SUPPLY DISRUPTIONS SHOWS THAT CONGRESS WAITED AND ACTED TOO LATE, AND THAT THE EFFORTS THAT WERE IMPOSED ONLY FRUSTRATED OUR RECOVERY.

THIS TIME, WE HAVE THE OPPORTUNITY TO ACT BEFORE THE CRISIS AND IN A PRODUCTIVE MANNER. LET'S ACT TO PRESERVE THIS VITAL SOURCE OF ENERGY.