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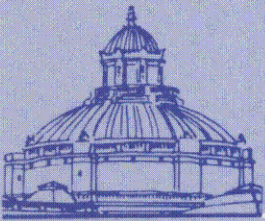
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ENERGY AND THE 98TH CONGRESS: OVERVIEW

ISSUE BRIEF NUMBER IB83100

# Issue Brief



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## ISSUE DEFINITION

Perceptions of the national energy problem -- its urgency and how it should be addressed -- have changed significantly in the decade since the Arab oil embargo. National energy policy during the 1970s was premised upon perceptions that world petroleum demand would outstrip supply by the mid-1980s and thus that the Federal Government should assume a broad interventionist and supporting role in energy policy.

As perceptions of the urgency of the energy problem have diminished, the nature of the policy response has changed. The Reagan Administration has sought to sharply cut Federal spending for energy programs and has vigorously opposed government intervention in energy markets. Energy is now only one part of a broader economic recovery program predicated on the view that unregulated markets should set the economic course for the United States. Philosophical and spending principles of the Administration have made a strong impression on Congress. However, differences remain between the Administration and significant elements in Congress over spending levels for some energy programs and the Strategic Petroleum Reserve. Other energy issues likely to occupy the 98th Congress, such as conservation and nuclear policy, are also described in this brief.

## BACKGROUND AND POLICY ANALYSIS

The Department of Energy Organization Act (P.L. 95-91) requires the Administration to make periodic reports to Congress on national energy policy. The most recent report to Congress ("Securing America's Energy Future: The National Energy Policy Plan," hereafter referred to as NEP-III), submitted by the Reagan Administration in July 1981, was a slim volume compared to its somewhat larger predecessors. Does the apparent diminishment of energy policy as an urgent focus of national legislative policy reflect changes in the energy situation itself, or only in perceptions of the nature and urgency of the problem?

President Carter, in a call to action in 1977, described the energy problem as one which could only be "effectively addressed...by a Government that accepts responsibility for dealing with it comprehensively and by a public that understands its seriousness and is ready to make necessary sacrifices." This declaration was accompanied by comprehensive energy legislation, some provisions of which were enacted in 1978 in five separate bills that extended Federal authorities to govern energy decisionmaking by industry, institutions, and individuals.

By contrast, the Reagan Administration believes that the expansion of the role of the Federal Government in energy policy was counterproductive and misguided. The Administration has pursued a course of transferring the center of the decisionmaking process from the Federal Government to the States, to the private sector, and to individuals.

While the Carter Administration advanced conservation as the "cornerstone" of its energy program and argued that fossil fuel demand had to be moderated to forestall the depletion of fossil fuel resources, the Reagan Administration holds that the Nation has a vast resource base that can be tapped and managed in an environmentally acceptable manner. The

Administration's immediate decontrol of petroleum after assuming office in January 1981 indicated its commitment to diminish Federal regulation. "The regulatory emphasis was overwhelming" in the past, according to NEP-III, "and experience suggests that national energy policy should break cleanly and candidly with that approach." In particular, price controls subsidized consumption, and therefore oil imports, while discouraging new domestic production. Regulation is costly, and with the Administration's more optimistic view of the Nation's resource base, it is not prudent to spend more than its replacement cost to conserve a barrel of fuel (or its equivalent) when unregulated market forces will promote efficient use of that barrel. "Achieving a low level of U.S. oil imports at any cost is not a major criterion for the Nation's energy security and economic health," NEP-III observes (emphasis in original).

The Administration tends to oppose extensive Federal "planning." Increased reliance on decisionmaking conducted in unregulated markets, it has asserted, is better than tying energy policy to a "stubborn reliance on government dictates" or regulations. One of the fundamental principles of energy policy in the early seventies was that the Nation could choose an energy future and chart a course towards it. The lesson of the last few years, the Administration contends, is that it is counterproductive to do so, that the Nation must be flexible, and that free markets will make the sensible decision. The Administration does allow for a limited Federal role, supporting research and development of promising high-risk energy technologies that will not attract private sector investment at this time.

The Reagan energy program involves a de-emphasis on energy as a problem that commands a discrete policy, and a determination that energy policy shall instead be servant to broader economic objectives and philosophies. The Administration states quite plainly in NEP-III that the reformulation of policies affecting energy are part of a "comprehensive Program for Economic Recovery." That program, when fully implemented, "will release the strength of the private sector and ensure a vigorous economic climate in which the Nation's problems, including energy problems, will be solved primarily by the American people themselves...."

The budget has been the major vehicle for the Administration's energy philosophy. Sharp reductions in FY83 spending for energy programs were proposed by the Administration and hotly challenged by the 97th Congress, which restored some proposed program cuts. In other instances, Congress and the Administration more or less "split the difference," but given the break with historic spending patterns, this seemed a victory for the Administration. The Administration also proposed eliminating the Department of Energy and dispersing its functions to other executive branch agencies. Hearings on a dismantlement proposal were held but no action taken, and it seems doubtful that the Administration will push dismantlement in the 98th Congress. Instead, the Administration continues to resist spending for energy programs in the proposed FY84 budget. Proposals for specific programs and the congressional response (H.R. 2587) are detailed where appropriate in the sections that follow. (See also MB83026 -- Energy: The Department of Energy's FY84 Budget.)

## OIL

Within days of its ascension to power, the Reagan Administration, meeting the promise of its frequent campaign vow to reduce Federal energy regulation,

exempted gasoline and crude oil from price and allocation controls. The 97th Congress passed legislation to retain standby discretionary authority to invoke civilian petroleum price and allocation controls, but President Reagan vetoed the legislation and Congress was unable to override. For once, controls on petroleum are not a legislative issue. Instead, the 98th Congress is weighing two petroleum-related issues: the pending lapse this fall of the prohibition on oil exports from Alaska, and oil pipeline deregulation.

The Trans-Alaskan Pipeline Authorization Act (P.L. 93-153) prohibited exports of Alaskan oil to non-contiguous foreign countries unless the President makes specific findings with the concurrence of Congress. It was widely thought at the time to be a reasonable prohibition, given perceptions then of imminent and perpetual petroleum shortages. The prohibition expires on Sept. 30, 1983, and Congress will likely debate legislation that has been proposed to retain it.

The provision precludes an oil "swap" that some argue would be more efficient and profitable for the Federal Government. Roughly 900,000 b/d of Alaskan production is refined on the West Coast -- the balance, 500,000 b/d, is shipped on U.S. tankers through the Panama Canal to East Coast refiners. An exchange has been proposed that North Slope crude would be shipped to Japan, displacing Mexican imports which would be shipped to U.S. Gulf and Atlantic Coast refineries in place of the Alaskan crude.

Major arguments cited in favor of removing the export prohibition are the savings in transportation costs because of the shorter distance, and the opportunity to use foreign tankers that the Panama Canal cannot accommodate. The domestic tanker industry has been vigorously opposed to the exporting of oil from Alaska because of the prospective loss of volumes presently shipped through the Panama Canal on domestic tankers. The Jones Act requires that U.S. flag vessels carry all cargoes shipped from American ports to other American ports. Legislation to lift the prohibition, subject to Presidential findings, has been introduced (S. 434).

Just emerging is the oil pipeline deregulation issue. Oil pipelines are common carriers, regulated by the Federal Energy Regulatory Commission as utilities. The pipelines are pressing for deregulation, arguing that it will afford them greater flexibility that will not materially affect rates or hurt competition. Large farm cooperatives and small refiners are opposed to deregulation, suggesting it would leave them captive shippers to the pipelines. Legislation has been introduced in the House (H.R. 2677), and the Administration is likely to make its own proposal pending resolution of an internal debate on whether the proposal should include some mechanism for reimposing regulation if it is perceived that a monopoly has developed. Until the Administration submits its own proposal, congressional action may be minimal.

## COAL

The Reagan Administration holds an optimistic outlook for coal, noting in the DOE Secretary's Annual Report to Congress (August 1982) that "for most planning purposes, coal may be considered a nearly unlimited resource." Administration policy on coal has been founded on a belief that unregulated markets will support an increasingly greater role for coal in the Nation's energy profile and that the Federal presence in coal policy should be

minimal.

The Powerplant and Industrial Fuel Use Act of 1978 (FUA) gave authority to the Secretary of Energy to prohibit the burning of oil or gas in existing coal-capable powerplants and major fuel burning installations, and prohibited the use of gas in existing powerplants after 1990. An amendment in the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) repealed this controversial provision, substituting a provision by which a utility can declare to DOE that a particular plant is coal-capable, in which case DOE can issue an order prohibiting the use of oil or gas in that plant. Issuance of such a prohibition order by DOE means that conversion of the plant to burn coal is considered a "modification," not subject to New Source Performance Standards (NSPS) under the Clean Air Act. The plant must still meet State Implementation Standards. In sum, the Administration eliminated the absolute prohibition on burning oil and gas, but removed the costly regulatory burden on utilities that might, at the discretion of the Secretary of Energy, be required to convert to coal.

The Administration has advocated initiatives to increase coal production, favoring acceleration of the coal leasing program on Federal lands. The coal leasing program has received particular attention in the 98th Congress. A General Accounting Office (GAO) study released in April 1983 concluded that Department of Interior procedures for determining fair market value of the leases were inadequate. At issue were leases sold in 1982 for several tracts in the Powder River Basin in Wyoming and Montana, allegedly for far less than market value. Legislation introduced in the House (H.R. 3018) would establish a temporary moratorium on leasing and require Interior to consider comparable sales and to establish minimum selling prices based on cents/ton rather than a price per acre.

On Aug. 3, 1983, the House Interior Committee voted 27-14 to vote to invoke Section 204 (e) of the Federal Land Policy and Management Act (FLPMA) to stop the upcoming leasing of coal in the Fort Union Basin of Montana and North Dakota. However, the recent Supreme Court decision ruling the legislative veto unconstitutional throws into doubt whether the congressional vote will stand. Attorneys of the Department of Interior are expected to advise the Secretary whether the lease sale should be held despite the vote of the Interior Committee.

Legislation to develop inland waterways (S. 1711) and ports (S. 865) as a means of facilitating coal transportation has been reintroduced in the 98th Congress. Opponents of water projects characterize them as "pork barrel" spending, but coal accounts for an estimated 21% of tonnage moving on inland waterways. Proponents of port development point to the potential market overseas for U.S. coal and the current inability to move significant quantities of coal from domestic ports.

The major coal use issue in the first session of the 98th Congress concerns coal slurry pipelines, which move pulverized coal suspended in water. Invariably, the route of a proposed pipeline crosses land owned or controlled by the railroads, which have refused to grant rights-of-way for pipeline construction. Legislation reintroduced in the 98th Congress would enable coal pipelines to apply for eminent domain authority. This authority would allow the pipelines to secure right-of-way at a fair price when it is denied.

The Staggers Rail Act of 1980 (P.L. 96-488) deregulated railroad transportation rates to a considerable extent; however, many believe coal

haul rates have risen steeply and capriciously since its passage. Supporters of coal slurry pipelines argue that competition from the pipelines will help to hold rail rates down.

The Senate Energy, House Interior, and House Public Works Committees reported coal slurry legislation early in the 98th Congress (H.R. 1010, S. 267). Most controversial, in light of recent Court decisions, have been concerns that coal pipelines would encroach upon scarce water resources. Both House and Senate bills would unequivocally delegate to the States the power to regulate the reservation, appropriation, export or other use of water for coal pipelines, even though that delegation might place an otherwise impermissible burden on interstate commerce. Thus, no commerce clause challenges could be raised against any State controls imposed on water for coal pipelines. (See also IB83008 -- Coal Slurry Pipelines.)

As in the 97th Congress, the DOE budget for fossil fuels research and development is again an issue. In its FY83 request, the Administration proposed a phasing out of fossil fuels programs, stating that the market provided adequate incentive for R&D in the private sector. The Administration proposed some deferral of FY82 funds and a total request of \$138.0 million, of which \$102.9 million would be spent on coal. In H.R. 2587, the DOE FY84 Authorization Act, passed by the House on May 12, 1983, provided \$310.4 million. Of that amount, \$258.2 million would be for coal programs, roughly 250% more than the Administration requested.

#### EMERGENCY PREPAREDNESS

Emergency planning has been, and will probably continue to be, an oversight issue during the 98th Congress as a result of legislation enacted by the 97th Congress -- the Energy Emergency Planning Act of 1982 (P.L. 97-229). The 97th Congress faced the impending expiration in September 1981 of the legislative authorities for petroleum price and allocation controls, and the standby gasoline rationing plan. Congress was witness to, and a reluctant architect of, a broad reversal in energy emergency policy and philosophy.

The Administration declared and has continued to maintain its strong opposition to controls, proposing instead maximum reliance on the free market, and public and private fuel stocks, during shortages. The mere possibility that controls might be instituted, the Administration argued, would discourage anticipatory initiatives within the private sector. "No other action," said the Administration in a July 1981 report, "could have a more salutary effect on the preparedness and endurance capability of producers and consumers alike than to guarantee that domestic price controls and allocation of oil for civilian purposes will never again be imposed."

Congress, many of whose Members were skeptical that a decentralized market was the appropriate response to shortages of any magnitude, proposed a standby authority to impose controls at Presidential discretion, but only as a response to shortages more severe than experienced in the past. The President vetoed the legislation (S. 1503) in March 1982 and an override motion failed in the Senate.

The failure to enact S. 1503 represented an abandonment of price and allocation controls as an energy emergency policy response. But left unaddressed were congressional concerns about the breadth and detail of the



Administration's emergency planning. To that end, Congress enacted the Energy Emergency Planning Act of 1982 (EEPA).

EEPA required the Administration to submit a number of reports and studies by the close of calendar 1982, including a revised drawdown plan for the Strategic Petroleum Reserve, a memorandum of law reviewing the authorities remaining after the expiration of EPCA which the President could invoke in a supply emergency, and a report describing how the Administration would consider implementing these policies. Most of these studies have been perceived by Congress and the General Accounting Office as failing to provide the degree of detail Congress was seeking.

The General Accounting Office (GAO) noted in a review of the report "Comprehensive Energy Emergency Response Procedures" that it was "inadequately detailed" and made it difficult to assess the effectiveness of specific programs or whether they could be effectively implemented. GAO noted that the authorities available to the President were scattered in a number of different statutes, describing it as a "legislative mosaic...many of which are not specifically targeted to cope with oil crises." Much of the testimony given at hearings held early in the first session in both the House and Senate was critical of the reports, and of the priority that the Administration has been willing to give to emergency planning.

This priority has been reflected in the Administration's budget requests for emergency planning. Spending in this area was cut, from from \$10.2 million in FY82 to \$5.4 million in FY83. The Administration has requested \$5.2 million for FY84. The Administration also proposed funding cuts for the SPR, proposing that Congress agree to reducing the fill rate to 145,000 barrels per day (b/d) in FY84. EEPA requires a fill rate of 300,000 b/d, which can be reduced to 220,000 b/d upon a Presidential finding. In its first concurrent FY84 Budget Resolution, the House proposed \$1.9 billion for oil acquisition, which would permit a fill rate of roughly 250,000 b/d, depending upon the price of crude.

The Administration also proposed deferring \$57.4 million in its FY83 budget for development of storage capacity that would be used in the last stages of filling the Reserve. On Mar. 10, 1983, the House approved H.Res. 80, a resolution disapproving the deferral, thereby making the funds available for expenditure. Subsequently, the General Accounting Office also reported that the Administration had also failed to report a deferral of some \$800 million in spending for oil acquisition for the Reserve. The agency indicated that the Reserve could be filled at a rate of 288,000 b/d to fully utilize appropriated funds -- a rate that would have meant filling the Reserve at nearly 550,000 b/d during the last quarter of FY83.

The debate over the fill rate and spending levels for the Reserve came to a head in late July 1983 when Senator McClure announced a compromise with the Administration that would provide for a 145,000 b/d fill rate during FY84-FY88. In return, the Administration has committed itself to a 750 million barrel Reserve to be completed during FY91. Senator McClure has also received assurances that the Administration will agree to some amendments to the Strategic Petroleum Reserve Drawdown Plan and to the Comprehensive Energy Emergency Response Procedure. Many of these provisions have been incorporated into proposed legislation, the Energy Emergency Preparedness Act Amendments of 1983 (S. 1678).

(See also IB 81101 -- Planning for Energy Emergencies: the Administration and Congress; and IB 81096 -- The Strategic Petroleum Reserve.)

## CONSERVATION

Conservation was a "cornerstone" of the Carter Administration's energy program, largely due to a less optimistic world perception that anticipated that world demand for petroleum would outstrip supply as early as 1985. The Carter Administration favored phased decontrol policies that accelerated the movement towards "replacement-cost" pricing for oil and gas and tax credits to make capital investments in conservation attractive. Partly because perceptions about energy availability are much more optimistic in 1983 than they were in 1977, the urgency that spurred the Carter Administration initiatives has largely vanished. This change in perception is reflected in the Reagan Administration's posture towards conservation.

The Reagan Administration expresses support for the principle of conservation, but has opposed Federal subsidization of conservation policies when the cost of conserving would exceed the cost of using conventional fuels. Instead, the Administration defines conservation in the most recent National Energy report (NEP-III) as "the economically efficient use of resources," which it sees as "best accomplished through well-informed market decisions" made by individuals acting in their economic self-interest.

To the Reagan Administration, it made little sense to control prices which, in turn, compelled the Federal sector to support research, development and commercialization of conservation technology. Accordingly, from the Administration's point of view, oil and gas decontrol, and unregulated markets enable individuals and industry to make the most sensible decisions about energy mix and conservation investment decisions. Unregulated markets themselves promote greater energy efficiency while also encouraging production from once marginally economic sources of supply -- making costly Federal support of conservation unnecessary. Instead, the Administration has advocated accelerated depreciation allowances, research and development tax credits, and the removal of regulatory "burden" as a means to encourage private sector investment in conservation technology. The only appropriate active role for the Federal Government, according to NEP III, in conservation is "to conduct basic research in fields of scientific inquiry where new knowledge can expand the generic technology base underlying...conservation."

The Reagan Administration philosophy of conservation has been reflected in its budget proposals for conservation in the DOE budget. In its FY83 budget request, the Administration proposed cutting R&D expenditures from \$143.8 million in FY82 to \$17.2 million in FY83. Conservation grants to State and local governments were to be effectively eliminated, down from \$240 million in FY82 to \$4.6 million in FY83. The 97th Congress resisted the proposed dismantlement of the conservation program, budgeting it at \$367.3 million for FY83.

In its FY84 budget request, the Administration is attempting once again to bring conservation spending in line with its philosophy. The proposed budget requests \$74.0 million for FY84, more than its request for FY83 but still significantly less than Congress has deemed appropriate to spend. Spending of \$133.3 million has been proposed for R&D, but the Administration has proposed once again to eliminate spending for State and local grant programs. Energy impact assistance funds would be transferred and distributed by the appropriate HUD agencies.

The House has proposed restoring more than \$74 million to the Administration's conservation budget in its DOE authorization legislation (H.R. 2587); a Senate bill has yet to be developed. Another bill, H.R. 2615, reported from the House Energy Committee, would authorize \$500 million dollars in FY84 and FY85 for low-income weatherization. Sponsors estimate savings of 75 million barrels of oil and \$3.4 billion on the fuel bills of low-income households. (See also IB 83003 -- Conserving Energy: The Reagan Budget and the Future Federal Role.)

## NATURAL GAS

Not long after decontrolling petroleum in January 1981, the Reagan Administration strongly indicated its intention to seek early decontrol of natural gas. The President's Energy Policy Task Force report, prepared and released in December 1980, urged "phased price decontrol...notwithstanding present 'decontrol' legislation," a reference to the Natural Gas Policy Act (NGPA) enacted in 1978. The intention of the NGPA was to encourage production of new sources of gas at higher prices, but to mitigate the impact of those higher prices by rolling in price-controlled volumes of so-called "old" gas -- gas discovered before 1978.

In anticipation of an Administration initiative in the 97th Congress, natural gas decontrol was the object of various studies, position papers, and discussions during the 97th Congress. Debate centered on determining what categories (and, therefore, what volumes) of gas should be decontrolled; and whether some categories of gas should be decontrolled immediately or subject to phased decontrol. If the latter, an additional issue was deciding what the "target" uncontrolled price should be. A related concern was that rising gas prices would prompt industrial and utility users to switch to oil.

In the early spring of 1982, the Administration indicated it would not seek natural gas decontrol in the 97th Congress, a decision probably motivated by awareness of the political opposition to decontrol in a sluggish economy. But concern over rising gas prices in the fall of 1982 spurred the introduction of a flurry of bills before the 97th Congress adjourned. The price increases were attributed in varying degree to "take or pay" provisions that pipelines had agreed to with producers during times of insecure supplies that require the pipelines to accept or pay for contracted volumes even if they cannot be feasibly marketed at the contract price. A number of solutions were debated, but there was concern among some Members of Congress that any action taken might preempt a more thorough and complete revision of the Natural Gas Policy Act in the 98th Congress.

On Feb. 28, 1983, President Reagan transmitted decontrol legislation to the 98th Congress (S. 615, H.R. 1760). Recognizing that Congress would not accept straight decontrol of natural gas prices, the Administration proposed a phased decontrol for new or renegotiated contracts. After Jan. 1, 1985, contracts could be abrogated by pipelines or producers. The Administration proposal also provided for adjustment of "take-or-pay" volumes to 70% of contracted volumes, and that cost-passthroughs on residential utility bills could not exceed the rate of inflation without approval from the Federal Energy Regulatory Commission. The legislation would waive post-1985 controls and some of the non-price controls created by NGPA. The Administration proposal would also confer contract carrier status on utility pipelines.

A number of alternatives were proposed to the Administration initiative.

One major alternative, H.R. 2154 (S. 966), would mandate that pipelines minimize gas acquisition costs, would retain controls over the next 3 years, and would permit purchasers to abrogate contracts for gas too expensive to market. Pipelines would not be obligated to accept more than 50% of "take-or-pay" volumes. H.R. 2154 would also roll back and adjust wellhead prices to Jan. 1, 1982, levels for a number of categories of gas, and index the price of others to certain economic barometers.

The struggle to fashion new natural gas legislation is likely to be as protracted a struggle as it was during the 95th Congress. It may even be more complicated because the natural gas industry is itself split on a number of the issues. Producers with large supplies of "old," inexpensive gas would benefit from decontrol, but decontrol or contract abrogation would likely lower prices for higher-priced class of gas (so-called "new" gas) and hurt producers whose investment is proportionately greater in "new" gas. Nor is it certain that "new" gas prices will fall comparably as old gas prices increase. Prices of old gas have increased with inflation under NGPA.

On Apr. 21, 1983, the Senate Energy Committee defeated (10-8) a non-binding "sense of the Committee" resolution of opposition to the deregulation of old gas. The vote was not considered to be the final word on the matter; indeed, it was not. On July 26, the Senate Energy Committee sent to the full Senate by an 11-9 vote without recommendation a bill that would decontrol old gas over a 44-month period. The committee bill would also establish a mechanism to provide for breaking or adjusting contracts between gas producers and pipelines negotiated when future supply appeared to be in jeopardy.

Not surprisingly, legislation approved by a 10-9 vote in the House Energy and Commerce Fossil and Synthetic Fuels Subcommittee proposed less sweeping changes in the law. One significant provision would reduce the "take or pay" requirement on pipelines to 50% of the volume specified in the contract. The subcommittee bill would retain controls on "old" gas but would decontrol volume stemming from more costly production enhancement technology.

Resolution of natural gas policy issues promises to be several months distant. (See also IB 81020 -- The Natural Gas Policy Act.)

## NUCLEAR

After 4 years of being treated as the energy source of "last resort" by President Carter, nuclear power has gained a supporter in the Reagan Administration, which regards it as a potentially large and long-term contributor to the national energy mix.

President Carter looked on uranium as an important fuel in the near term, but viewed it as a transition to long-term renewable energy sources. The Reagan Administration, however, considers fission an "essentially inexhaustible energy supply," and President Reagan, in a policy statement Oct. 6, 1981, termed it "one of the best potential sources of new electrical energy supplies in the coming decades."

The Reagan nuclear policy is based on these views. For the long term, development and demonstration of breeder reactor technology, deferred and deemphasized by the Carter Administration, was considered essential. Specifically, the Clinch River Breeder Reactor Project, which President



Carter had unsuccessfully tried to cancel, was revived in the Reagan budget proposals.

In the near term, the Reagan policy statement argued that the potential of nuclear power was not being realized because it had become "entangled in a morass of regulations that do not enhance safety," and because the Government had not developed an "acceptable system for commercial waste disposal." He directed the Secretary of Energy to recommend nuclear licensing reforms and pledged an accelerated waste disposal program.

The President noted that efforts directed narrowly at helping nuclear power, such as regulatory reform, "will be of little use if the utility sector cannot raise the capital necessary to fund construction of new generating facilities." Economic recovery, he said, was essential to bills passed during the first session of the 97th Congress as steps in that direction.

The economic recovery that the President had identified as essential was slow in coming. Instead, while interest rates came down only very slowly, the economy as a whole was in a deep recession, and the demand for electricity dropped in 1982 for the first time since the 1930s. One result has been the continuation of the trend in cancellation of nuclear construction projects. Six units were cancelled in 1981, and 18 more in 1982. In some cases, hundreds of millions of dollars had been invested in the projects at the time they were cancelled.

The Administration's plan to revive the Clinch River Breeder Reactor (CRBR) project has run into serious problems. Congressional opposition increased during the 97th Congress to the point that the House voted not to fund the project. The current budget legislation in the House stipulates that a scheme for greater utility funding of Clinch River be approved by the Congress before any more money is appropriated for it. (See also IB 77088 -- Breeder Reactors: The Clinch River Project.)

In the case of the CRBR, the Reagan Administration is including the breeder program among "technologies judged to be outside the range of normal industry risk taking," and thus in need of Government support. In this regard the breeder program differs from the Reagan Administration's position on the Barnwell (South Carolina) Fuel Reprocessing facility, a plant designed and built by a private corporation for commercial reprocessing of spent nuclear fuel and recycle of plutonium in present-day Light Water Reactors. The Barnwell plant was in limbo for 4 years because of the Carter Administration deferral of commercial reprocessing, and it had been suggested that the plant could be bought by DOE to demonstrate commercial plutonium recycle. But the Reagan Administration instead is proposing that reprocessing and recycle, which are much farther along technologically than the breeder, be carried out, if at all, by private industry. However, little private interest in reprocessing has been in evidence. (See also IB 77126 -Nuclear Energy: Enrichment and Reprocessing of Nuclear Fuels.)

Another major item in the nuclear budget is uranium enrichment. All three existing uranium enrichment facilities were built for the weapons program and are owned and operated by DOE. A fourth enrichment plant, the Gas Centrifuge Enrichment Plant (GSEP) at Portsmouth, Ohio, is under construction, and there is major debate on how soon that plant will be needed and how it should be funded. The Reagan Administration has suggested that enrichment might be an area in which private industry could have a role, but the idea has not been actively pursued.

A major legislative issue was largely resolved by the 97th Congress with the passage of the Nuclear Waste Policy Act (P.L. 97-425). The Act set up a system of user fees to pay for the waste management program, formalized the role of State and Indian authorities in siting of waste facilities, set a schedule for development of waste repositories, provided for limited Federal storage of spent reactor fuel, and authorized an unlicensed Test and Evaluation (T&E) facility. Most congressional attention at present is directed to monitoring the Department of Energy's actions in carrying out the mandates of the Waste Policy Act. (See also IB 83010 -- Nuclear Waste Management.)

In response to the President's October 1981 statement, the Department of Energy (S. 894) has proposed reforms to the licensing system for nuclear powerplants. Among the changes would be early approval of sites for nuclear plants, a combined construction permit and operating license, and legislative restrictions on the Nuclear Regulatory Commission's authority to order backfits on plants in operation or under construction. The NRC has also submitted proposed licensing reform legislation (S. 893), similar in some ways to the DOE proposal but lacking the backfit provisions. (See also IB 80081 -- Nuclear Power Plant Safety and Licensing.)

## LEGISLATION

### INTRODUCTION

#### H.R. 2587 (Fuqua)

Department of Energy Civilian Research and Development Authorization Act for Fiscal Year 1984. Introduced Apr. 19, 1983; referred to Committee on Science and Technology. Reported May 3, 1983 (H.Rept. 98-81); passed House, amended, May 12, 1983.

### OIL

#### H.R. 2677 (Breaux)

Amends the Interstate Commerce Act to reform and improve regulation of the transportation of oil by pipeline, and for other purposes. Introduced Apr. 21, 1983; referred to Committees on Energy and Commerce, and Public Works and Transportation.

#### S. 434 (Garn)

Office of Strategic Trade Act of 1983. Among other provisions, prohibits, with specified exceptions, exports of domestically produced crude oil transported by pipelines over the right-of-way pursuant to the Trans-Alaska Pipeline Authorization Act, unless the President makes specified findings with respect to such export. Introduced Feb. 3, 1983; referred to Committee on Banking, Housing and Urban Affairs. Hearings held Mar. 2, 1983.

### COAL

#### H.R. 3018 (Udall)

Prohibits the Secretary of the Interior from issuing any future Federal coal lands leases until certain requirements are satisfied and a report thereon submitted to the Congress, and for other purposes. Introduced May 12, 1983; referred to the Committee on Interior and Insular Affairs.

**S. 267 (Johnston)**

Coal Distribution and Utilization Act of 1983. Permits the exercise of the power of eminent domain with respect to the construction of any coal pipeline distribution system determined to be in the national interest. Introduced Jan. 27, 1983; referred to Committee on Energy and Natural Resources. Reported Apr. 19, 1983 (S.Rept. 98-61). Comparable legislation (H.R. 1010) reported from House Committee on Interior and Insular Affairs, Apr. 15, 1983 (H.Rept. 98-64, Part I), and from the House Committee on Public Works and Transportation, June 14, 1983 (H.Rept. 98-64, Part II)

**S. 865 (Hatfield)**

Establishes a nationally uniform deep-draft vessel tax for the purpose of financing operations and maintenance of deep-draft commercial channels and harbors; funds a percentage of new channel improvements; and provides an expedited procedure for the authorization and permitting of navigation improvement projects, and for other purposes. Introduced Mar. 21, 1983; referred to more than one committee.

**EMERGENCY PLANNING****H.Res. 80 (Yates)**

Disapproves the proposed deferral of budget authority for development of the Big Hill site of the Strategic Petroleum Reserve. Introduced Feb. 10, 1983; referred to Committee on Appropriations. Reported from Committee Mar. 3, 1983 (H.Rept.98-23). Passed House Mar. 10, 1983.

**H.Res. 89 (St. Germain)**

Provides that hearings should be held to review the implementation of Federal laws designed to ensure that each noncontiguous area of the United States and its regions has an adequate reserve of crude oil and refined petroleum products. Introduced Feb. 15, 1983; referred to Committee on Energy and Commerce.

**S. 1678 (McClure)**

Amends the Energy Policy and Conservation Act to strengthen national energy emergency preparedness. Introduced July 25, 1983; referred to Committee on Energy and Natural Resources.

**CONSERVATION****H.R. 2615 (Ottinger)**

Weatherization and Employment Act of 1983. Amends the Energy Conservation in Existing Buildings Act of 1976 to provide for the weatherization of the remaining eligible low-income dwelling units through the United States. Introduced Apr. 19, 1983; referred to Committee on Energy and Commerce. Reported May 12, 1983 (H.Rept. 98-106).

**NATURAL GAS****H.R. 2154 (Gephardt)**

Amends the Natural Gas Policy Act of 1978 to limit natural gas prices and to improve natural gas pricing and marketing practices, and for other purposes. Introduced Mar. 16, 1983; referred to Committee on Energy and Commerce.

## S. 1715 (McClure)

Amends Natural Gas Policy Act of 1978 to protect consumers from those price increases that would occur because of market distortions as a consequence of current regulation of natural gas prices, to permit natural gas contracts to reflect free market prices, to provide for a phased deregulation of natural gas prices in order to achieve a free market by a certain date, and for other purposes. Reported as a clean bill to the Senate, July 29, 1983 (S.Rept. 98-205).

## NUCLEAR

## S. 893 (Simpson, by request)

Amends the Atomic Energy Act of 1954, as amended, to improve the nuclear powerplant siting and licensing process, and for other purposes. Introduced Mar. 23, 1983; referred to Committee on Environment and Public Works.

## S. 894 (Simpson, by request)

Improves the nuclear licensing and regulatory process, amends the Atomic Energy Act of 1954, and for other purposes. Introduced Mar. 23, 1983; referred to Committee on Environment and Public Works.