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Series:	Brady, Phillip D., Files
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OA/ID Number:	05480
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Chron File 1/91 [1]

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THE WHITE HOUSE
WASHINGTON

January 31, 1991

[redacted]

TO: SHIRLEY GREEN

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

As we discussed, NSC concurs in our need/desire to respond to letters such as the attached although they'd ask we hold off on affirmatively sending out MIA or POW letters at this time.

Thanks.

[redacted]

[redacted]

THE WHITE HOUSE
WASHINGTON

91 JAN 31 PM 12:56

DATE: 1/30/91

TO: Phil

Per our discussion—

[redacted]

[redacted]

SHIRLEY M. GREEN
Special Assistant to the President
for Presidential Messages
and Correspondence
Room 94-OEOB, 456-7610

LETTER FOR OPERATION DESERT STORM POW/MIA'S

Dear:

Barbara and I were deeply saddened by the news of your husband/wife/son/daughter, (Name). Our hearts -- indeed, the hearts of all Americans -- go out to you at this very difficult time.

I understand the enormity of your concern for his safety. Although the days ahead will not be easy for you and your family, I hope you will take comfort in knowing that (firstname) has not been forgotten by his country, and we will do all we can to determine his status.

The entire Bush family is keeping you in its thoughts and prayers. God bless you.

Sincerely,

GB

NOTE: IF THIS LETTER IS USED ONLY TO RESPOND TO FAMILY MEMBERS OR FRIENDS WHO WRITE THE PRESIDENT ABOUT A POW OR MIA, THE PRESIDENT'S LETTER WOULD ACKNOWLEDGE THE INCOMING.

[redacted]

THE WHITE HOUSE
WASHINGTON

January 31, 1991

TO: ANDY CARD

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

[redacted]

Pursuant to our conversation, attached is the article written by the former general counsel of the FCC, Henry Geller.

[redacted]

Rules That Bar Network Ownership of TV Programs Have Outlived Their Usefulness

Author, General Counsel at FCC When 'Fin-Syn' Rules Were Adopted, Now Opposes Them.

Photo Copyright 1991, DBS Inc.

In a classic scene from CBS's "I Love Lucy," both the men and the women are caught red-handed trying to use a store-bought fish to win an angling contest. Under FCC rules enacted in 1970, networks are allowed only to exhibit programs in a TV series, not invest in them or own them.

By Henry Geller

In 1970, a generation ago, when I was general counsel at the Federal Communications Commission, the agency adopted rules aimed at what was then the dominance of the three TV networks. The rules prohibited network investment and ownership in TV-series programs that were produced by others.

Such programs constitute the great majority of evening entertainment shows, and the rules allow the networks to obtain only the right to exhibit the programs, usually twice a season.

The producer thus retains all other financial interest in the series, including the right to syndicate the shows for later re-runs. These "fin-syn" rules, as they are called, handicap the networks in their programming operations.

Fox Television, the new network, has soundly argued that it should not be so handicapped — that those rules make no sense today. And that has brought the issue to the fore.

In 1970, the networks were the only ball games in town. Cable was small; there were few independent stations; and the VCR did not exist. Today, cable reaches abut 85 percent of the TV households in the US and has close to 60 percent subscriber penetration, with scores of cable program services.

The VCR is in roughly 70 percent of households, and there are over 330 independent stations. The average viewer, who could watch only seven TV signals in 1970, can now receive 30 and does not distinguish between cable and over-the-air channels.

The three networks' prime-time audience has gone from 90 percent viewership in 1970 to 64 percent today, and will soon be in the 50s. Whereas the networks had 74 percent of all program purchases in 1970, the share has declined to 21 percent in 1989.

All this is most desirable. It means diversity of programs for the viewer. But it no longer makes sense to keep rules that severely handicap one set of players — conventional networks. Jim Mooney, the president of the National Cable Television Association, has correctly stated that the "big game" in this decade "is between all forms of subscription television and conventional television."

Independent producers must turn to the major studios for financing; with repeal, an important new source of funding would open up — the networks.

Unlike the three TV networks, the subscription networks have no handicap whatsoever. They are not limited in their funding arrangements with program producers, including obtaining the right to share in the profits from re-run sales both in the US and globally. For the competition is now global, and will become even more so. This is clearly shown by increasing foreign investment in US producers — by the Australians (Fox), Japanese (Columbia and MCA), and British (MTM and Reeves).

The over-the-air networks are important to the viewer, many of whom rely upon them for service (for example, Bedford-Stuyvesant; the poor and the elderly who do not take cable service).

The conventional TV system depends to a very large extent on flourishing TV networks, to supply to over 600 affiliate stations popular programming used as a base for these stations' important local efforts in news and later for off-network programming available to all stations — especially the independents.

As they face increasing competition from cable and other electronic media, the networks need the same flexibility as their rivals in funding programs and sharing in the risk or the success of programs carried by them, both in the US and globally. It is wrong for the government to tilt the playing field against this vital sector of the over-the-air system.

There are no offsetting detriments to the public interest with repeal of the fin-syn rules. Harm to independent stations because of "warehousing" or favoritism to network-owned stations is most unlikely and in any event can be dealt with by narrowly focused regulation. There is no basis today to skew the balance in favor of the large studios, such as Time-Warner, MCA, or Paramount.

As for the independent producers, they must turn today largely to the major studios for financing; with repeal, there would be an important new source of financial support available to them — the networks. Indeed, the record establishes that under the rule, the number of independent producers has markedly declined.

Nor would the networks' involvement in financial ownership "stifle" the creativity of the independent producer. With or without the rule, under the law, the networks must decide whether to take or continue the particular series or program.

In light of the present strong trends, it is time to let the market operate in this area. The FCC can continue its oversight and, if necessary (which I believe to be most unlikely), take remedial action directed at some concrete situation.

Henry Geller is a communications fellow at the Markle Foundation in Washington. He was formerly general counsel to the FCC and Assistant Secretary of Commerce for the National Telecommunications Information Administration in the Carter Administration.

[redacted]

THE WHITE HOUSE
WASHINGTON

Date: 01/30/91

FOR: SHIRLEY GREEN

FROM: **PHILLIP BRADY**
Assistant to the President
and Staff Secretary

[redacted]

- [ ] Information
- [x] Action
- [ ] Let's Discuss

[redacted]

THE WHITE HOUSE

WASHINGTON

Dear Mr. Campisi:

I read with ~~profound~~ great concern your letter regarding the medical attention given to your son John following his tragic accident in Saudi Arabia. I deeply regret that doubts about the quality of care he received have compounded the anguish experienced by you and your family.

After receiving your letter, I asked for a ~~complete~~ report on the series of events prior to John's death -- hence the delay in this response. ~~Contrary to what you had been led to believe about "no American doctors" and "no medics" to help John on the tarmac, Air Force medical personnel did respond quickly.~~ According to the Department of Defense report ~~I have obtained~~, two Air Force physicians (a general surgeon and a board certified internist) were transported to the scene within minutes. At the time of the accident, however -- which occurred in the first days of our military deployment -- Air Force hospital facilities had not yet been fully established. Thus, after immediate care was applied at the scene, your son was rushed to Riyadh Armed Services Hospital, with both Air Force specialists in attendance. Although they continued to render assistance and to make recommendations, the Air Force physicians did not have the medical authority to retain control of a patient once in a Saudi hospital because, at that time, there was not yet a memorandum of agreement for the use of Host Nation facilities.

Please know that this information is provided ~~not in an attempt to refute you or to belittle your concerns. Rather, I am writing~~ to assure you that U.S. Air Force medical personnel provided John with the best care they could under the circumstances. It may give you some comfort to know that the Air Force surgeon, after reviewing the case and knowing the actual extent of John's injuries, does not believe survival to have been likely.

As a parent I understand the magnitude of your loss, Mr. Campisi, and words alone cannot adequately convey my sympathy. Your son died while bravely serving his country. It is my hope that previous doubts about the circumstances of his death will not obscure the fact that he lived with honor, courage, and pride. As a member of the international effort to deter Iraqi aggression, John earned the lasting respect of his fellow Americans and that of millions of people around the world.

Barbara and I are keeping you and your family in our thoughts and prayers.

Sincerely,

Mr. Salvatore F. Campisi
849 Evanwood
West Covina, California 91790

THE WHITE HOUSE

WASHINGTON

91 JAN 30 AM 10: 03

January 29, 1991

MEMORANDUM FOR PHILLIP BRADY

FROM: EDE HOLIDAY

SUBJECT: Letter to Jack Kemp on the Housing Act Signing

Secretary Kemp has asked for a letter from the President to accompany the signing pens he received after the signing ceremony for the National Affordable Housing Act last November. While I understand that the President does not usually write such letters to Cabinet members, I know that Kemp would be very grateful to receive one.

I have attached a draft letter based on the original signing statement for the legislation. Is it possible for the original to be undated?

Attachment

1/30

Ede, Let's discuss – I'm advised we had not done a letter of this type during this Administration & I'd question the timeliness. Thanks, Phil

01/30/91

Ede,

Let's discuss --

I'm advised we had not done a letter of this type during this Administration and I'd question the timeliness.

Thanks.

Phil

THE WHITE HOUSE

WASHINGTON

DRAFT

Dear Jack:

I wanted to thank you for your ~~tireless~~ efforts in promoting and guiding toward ~~my desk~~ passage S. 566, the "Cranston-Gonzalez National Affordable Housing Act." The new programs contained in this Act will advance opportunities for homeownership and economic self-sufficiency in our Nation's most distressed communities. I am ~~delighted to~~ pleased to have signed this important legislation.

Among the many initiatives ~~created by~~ in the Act, I believe that our Administration can take particular pride in Home Ownership for People Everywhere -- HOPE. HOPE ~~will~~ aims to do what traditional programs have not done: empower low-income families to achieve self-sufficiency and to have a stake in their communities by promoting resident management as well as other forms of homeownership.

This program and others like it offer to incentives to public housing tenants to move out and then move up, into the ~~productive~~ economic mainstream. Thanks in great part to your determination and vision, ~~Jack,~~ the National Affordable Housing Act establishes an exciting bipartisan initiative ~~that will~~ break down the walls separating low-income people from the American dream of opportunity and homeownership.

Sincerely,

The Hon. Jack F. Kemp
Secretary of Housing and Urban Development

THE WHITE HOUSE
WASHINGTON

January 30, 1991

[redacted]

TO: BOYDEN GRAY

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President

Thought you might find the
Attorney General's comments
of interest.

[redacted]

THE WHITE HOUSE
WASHINGTON

January 30, 1991

[redacted]

TO: DAVE DEMAREST

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President

Thought you might find the
attached of interest.

From,
Pl. send on FYI copy to Dale Demers - "thought you might find the attached of interest." and one to Boyden "thought you might find the Attorney General's comments of interest" R

SE

1

91 JAN 30 PM 2:13

SUBJECT: Cabinet Response to State of the Union Message on January 29, 1991.

I thought you might be interested in the reaction of several Cabinet members with whom I have spoken today on the State of the Union message.

Mosbacher -- "Superb speech."

Watkins -- "Historic speech"; "will go down as one of the great speeches."

Kemp -- "Very pleased"; "good speech." Appreciated the empowerment themes. Thinks we need to elaborate on why we are for capital gains sometime in the future.

Thornburgh -- "Excellent speech"; "just the right tone on civil rights and crime."

Skinner -- Speech was "a good mix." Thought that the domestic agenda accomplishments were strong. "Delivery excellent." Thought it went well.

cc: Governor Sununu

for copy

already sent one to (P) + provided one to CoS

TR

Document Originally
Attached to
Following Page

THE WHITE HOUSE

WASHINGTON

January 29, 1991

MEMORANDUM FOR THE PRESIDENT

THROUGH: ED ROGERS
DEPUTY ASSISTANT TO THE PRESIDENT AND
EXECUTIVE ASSISTANT TO THE CHIEF OF STAFF

FROM: DAVID M. CARNEY
SPECIAL ASSISTANT TO THE PRESIDENT
AND DIRECTOR, OFFICE OF POLITICAL AFFAIRS

SUBJECT: REACTIONS TO THE STATE OF THE UNION ADDRESS

Sir, following your State of the Union speech this evening, we received comments from GOP officials across the nation and from national political community members.

Please find attached their statements for your benefit and review.

Thank you.

NATIONAL POLITICAL COMMUNITY MEMBERS

Rich Bond:

History will write that this speech was about peace, not about war.

There was a very good balance between the domestic agenda and the gulf crisis.

The President was tremendous in his articulation of the moral justification of war.

In particular, I like the mention of the IRA and crime summit proposals and hope that there will be time for the President to go out and sell them.

Frank Donatelli:

Generally, the speech was received very favorably. The end was the best by far as it conveyed so clearly the President's emotion.

The speech, however, was too long. In my opinion, all State of the Union Addresses are too long.

Further development of the "New World Order" would have been good.

On the domestic side, a more humanistic/thematic approach would have been more effective instead of promatically giving a laundry list.

The plug for a strong defense was excellent and necessary.

Craig Fuller:

You did an outstanding job. You entered the Chamber as strong and as respected as you have been in your political career. You left the Chamber stronger and even more respected. It was an excellent combination of foreign and domestic policy and you framed an excellent agenda.

Eddie Mahe:

Without question, the very best speech since your speech at the Convention in New Orleans.

I found the close of the speech particularly good.

Eddie Mahe continued:

Those who say that George Bush cannot communicate were proven wrong.

Reagan could have done no better.

Jim Lake:

It was exceptionally moving, especially at the beginning and the end. It called the attention of Americans and the world to the demands of freedom and leadership expected of them.

Paul Coverdell:

Historic, momentous and loving. It was an American President speaking. You could feel the heart and soul of our country. God speed.

Linda DiVall:

A great speech. It had a powerful close. It was heartfelt and emotional and addressed what Americans wanted to hear, just why we are over in the Gulf.

Bill McInturff:

The President was very forceful on the Gulf situation.

Politically, the PAC thing was a strong plus.

I think you will face the heat again from the Democrats on the Capital Gains issue.

I also think the domestic stuff will get lost in the rest of the stuff.

Kenneth Duberstein:

An absolute home run.

The tone of reassurance was superb.

I thought that the reaction in the hall appeared bi-partisan on foreign policy.

The major message that came across was of calm and competent leadership.

NORTHEAST REGION

Brian Gaffney, Connecticut Bush-Quayle '88 Chairman
36 Westwood Drive, New Britain, Connecticut 06052

"Excellent, timely speech that will be well received by the American people."

Representative Augusta Hornblower, Massachusetts National Committeewoman
Rocky's Point, Groton, Massachusetts 01450

"Excellent speech overall." Representative Hornblower thought that it was "inappropriate" to include capital gains in the domestic agenda in view of the "read my lips" statement.

Hugh Gregg, New Hampshire National Committeeman
RFD #5, Gregg Road, Nashua, New Hampshire 03062

"Extremely favorable" speech. Comments about the troops were "well directed." Governor Gregg believes it was important to mention, as was done, that the Allied Forces do not seek the destruction of Iraq. He believed that many were becoming worried about that facet of the war. Governor Gregg commented that the speech seemed to have been well received by the Congress.

Guy Molinari, New York Bush-Quayle '88 Chairman
3465 Amboy Road, Staten Island, New York 10306

"Excellent speech as far as making a case for being in the Persian Gulf." Mr. Molinari was disappointed in the absence of any mention of the environment, particularly with respect to calling on the Congress to elevate EPA to a cabinet level department. Mr. Molinari also believes it was important to have mentioned global environmental issues. He believes it was a mistake to mention capital gains in that, "all this does is give the Democrats an opportunity to capitalize." Mr. Molinari agrees with the issue, but believes that politically, it was wrong to open the issue again.

Dick Rosenbaum, New York National Committeeman
c/o Nixon, Hargrave, Devans & Doyle, Clinton Square, Rochester, New York 14603

"Excellent speech, delivered in an inspiring style, particularly with respect to morality and the troops." Mr. Rosenbaum would have liked to have seen the comments on Israel be expanded. He agrees with the policy of doing away with PACs. Mr. Rosenbaum said this speech was "one of the best State of the Union addresses he has ever heard, despite the subject matter of war."

Herb Barness, Pennsylvania National Committeeman
975 Easton Road, Warrington, Pennsylvania 18976

"Great! Said all the right things, especially regarding the economic message." Mr. Barness agrees with the Persian Gulf message as well, although he believes that there is a strong feeling among the public that the war end quickly.

Walt Freed, Vermont National Committeeman
RR1, Box 310, Dorset, Vermont 05251

"Terrific, wonderful, great, tremendous speech." Mr. Freed was particularly agreeable with the issue of freeing IRAs for first time home buyers. Mr. Freed pointed out that the Democrat response essentially agreed with the foreign policy message that was delivered, offering no room for criticism.

SOUTHERN REGION

BILL GRAHAM - NORTH CAROLINA
CHAIRMAN, BUSH-QUAYLE '88
STATE BANKING COMMISSIONER
Box 29512
Raleigh, NC 27626

". . .so good that Peggy Noonan must have written some of the lines. . .covered all the bases. . .mentioning PAC's was a good move. . .one of the best things I've ever seen him do. . .pleased he touched on so many domestic issues. . .good to credit U.N. and Allies, who are in this with us. "

TOMMY HOPPER - TENNESSEE
CHAIRMAN, TENNESSEE REPUBLICAN PARTY
FORMER EXECUTIVE DIRECTOR, BUSH-QUAYLE '88
2817 West End Avenue
Nashville, TN 37203

". . .masterful. . .no criticism. . .rivaled his convention speech. . .people were looking for re-assurance and got it. . .individualism theme played extraordinarily well. . .mentioning the two wives was a nice touch."

CONGRESSMAN LARRY HOPKINS - KENTUCKY
GOP CANDIDATE FOR GOVERNOR
U.S. House of Representatives
Washington, D.C. 20515

". . .am proud to join other members of Congress in standing with the President as he saluted our troops in the Gulf. . .appreciates the President's instinctive sense of what our nation is about. . .memorable and reassuring. . .best State-Of-The-Union he's ever heard."

EVELYN MCPHAIL - MISSISSIPPI
CHAIRMAN, MISSISSIPPI REPUBLICAN PARTY
CHAIRMAN, NATIONAL GOP CHAIRMAN'S ASSOCIATION
Post Office Box 60
Jackson, MS 39205-0060

". . .speech built to a crescendo. . .good to mention term limitations. . .he was in control. . .defined domestic programs well. . .recognition of wives was outstanding. . .could see the President's strength and compassion. . .firm without having to raise his voice. . .climax at end."

ALEC POITEVINT - GEORGIA
CHAIRMAN, GEORGIA REPUBLICAN PARTY
Box 506
Bainbridge, GA 31717

". . .poised and relaxed. . .domestic agenda was well placed in middle of speech. . .well organized. . .hit it out of the ballpark. . .sincere. . .we saw someone who is well-respected, standing tall as our President, and conveying a very sincere message."

VAN POOLE - FLORIDA
CHAIRMAN, REPUBLICAN PARTY OF FLORIDA
719 N. Calhoun Street
Tallahassee, FL 32302

". . .opening was warm and emotional. . .people felt the burden he was under. . .tremendous definition of our purpose for peace and freedom. . .individual examples of people reaching out were very strong and simple. . .great to mention elimination of PAC's. . .best speech he has ever given."

MIDWEST/TEXAS REGION

Hon. Tom Loeffler - Texas Bush Chairman ('88)
The Loeffler Group
555 13th Street NW, Suite 300E
Washington, D.C. 20004

"The President was right on target. He addressed Congress as a whole, but he really spoke to the American people tonight. This speech was superb for every freedom seeking person in the world. I think the President was very eloquent in his explanation of America's responsibilities. A superb, stout speech."

Hon. Tommy Thompson - Governor of Wisconsin
State Capitol Building
115 East State Capitol
Madison, WI 53702

"This was one of the finest speeches I have ever heard, the President has never been better. He touched the hearts and minds of the American people tonight. I think the balance between foreign and domestic issues was appropriate, and I was very pleased to see such emphasis put on state and local government. It is what America needs. I was so impressed with his explanation of our shared responsibilities, both at home and abroad. He was both sensitive and strong. I am proud of my President, and proud as an American."

Mr. Bob Bennett - Ohio Republican Party Chairman
172 East State Street, Suite 400
Columbus, OH 43215

"I think this is one of the best speeches the President has given. There was a very appropriate balance with foreign and domestic issues, but the true concern of most Americans tonight was the war. The President was not only reassuring, but resolute and believable in his expressions of commitment. Also, the President put Congress on notice regarding election reform, and that is an issue that we Republicans will win on. A great job."

Mr. Ed Murnane - Illinois Bush Executive Director (1988)
Regional Administrator
Small Business Administration
230 South Dearborn Street, Suite 510
Chicago, IL 60604

"George Bush has never been better, especially when tasked with something as difficult as this. The President spoke with such conviction and emotion, he truly rose to the occasion and made the most of the moment. I was pleased with the detailed domestic agenda - it signals the administration's need and desire to get the economy moving in the right direction. This did not come at the expense of the 'war' part of the speech. There should be no question of America's commitment or willingness to lead. A great moment in history."

Mr. George Wittgraf - Iowa Bush Chairman (1980,88)
223 Pine Street, Box 292
Cherokee, Iowa 51012

"A truly great speech leaves one feeling that the speaker was talking directly to him. This was the case tonight, and I am so pleased at how convicted George Bush came across. He was eloquent when necessary, tough where appropriate, and sincere throughout. The President struck a fine balance, which is not easy under current conditions. I will remember this speech for years to come."

Mr. Mike Grebe - Wisconsin Republican National Committeeman
Foley and Lardner
777 East Wisconsin Avenue, Suite 3800
Milwaukee, WI 53202

"As a Vietnam veteran, I was deeply touched at the President's concern and support of the troops. I know firsthand how much that really means to them and their families. The President was superb in defining the agenda - both domestic and foreign. Empowerment, choice, capital gains, political reform -- all winners for us. Most important tonight, however, was the President's eloquent and touching discussion of America's responsibilities, in the war and beyond. An outstanding job."

Mr. Don Cox - Indiana National Committeeman/Bush Chairman ('88)
4029 Fairfax Road
Evansville, IN 47710

"In addition to all of the great things said about the war effort, the domestic agenda and so on, the President exhibited a sense of warmth and sensitivity that is so needed at this critical time. He was strong when appropriate, but his call for individual caring and involvement was outstanding. The discussion of the war made our objectives crystal clear, and his strong emphasis on domestic issues prove that this administration is moving forward on all fronts. A wonderful speech."

NORTHWEST REGION

Evie Axdahl
National Committeewoman
Independent-Republicans
of Minnesota
2209 Payne Ave
Maplewood, MN 55117

"...wonderful speech. . . I was really impressed. The construction of it....the intertwining of the domestic issues with the Gulf crisis was excellent. I have never heard a more emotional, positive, confident, and patriotic speech. . . his emphasis on American values was terrific. . . I especially liked the statement regarding the responsibilities of each and every individual. . . putting the power back into the people's hand is long over due. I am in full agreement with the elimination of PACs and the need for term limitations."

Marjorie Rainwater
1988 Bush/Quayle Chairman
Wyoming
1303 Mary Court
Gillette, WY 82716

"...absolutely wonderful. . . I am in full agreement with the statement regarding citizen politicians. . . he addressed every issue that needed to be addressed. . .I loved the emphasis he placed on the individual and a community of conscience. . .it was good that he mentioned tax free family saving accounts and the need for better health care programs. . . one of the highlights was the statement about putting the power back in the hands of the State and away from the Federal government."

Dwight Adams
Chairman
South Dakota Republican Party
2150 Derdall Drive
Brookings, SD 57006

". . .tremendous. . he just hit all the right buttons. . . covered a good amount of domestic issues. . his comments on the war were parallel to the ones he made during the White House briefing last Friday before the RNC members. . . he has given people food for thought. . .it was a significant speech . . . a four star, a definite four star."

Chuck Heringer, Jr.
1988 Bush/Quayle Chairman
Montana
P.O. Box 486
Billings, MT 59103

". . . I just witnessed our President at his peak. . .he was confident. . . his emphasis on the issues was excellent. . .and the subject matter was deep and showed our genuine concern. . . I was really proud of him. . . it's the best I've ever seen. . .his sincerity is so apparent and genuine. . .God bless him and give him courage."

Ron Carlson
National Committeeman
Washington
24514 219th Ave. SE
Maple Valley, WA 98038

". . . excellent presentation. . . he made me proud to be an American and definitely proud to be a Republican. . .I liked the statements on enforceable spending caps and citizen politicians. . .I am in full agreement with him. . .I was glad when he mentioned the elimination of PACs and the refocusing of the SDI program. . .the reiteration that our cause in the Gulf is good, is right, is moral was excellent."

Barbara Campbell
Chairman
Montana Republican Party
471 Lake Hill Road
Dear Lodge, MT 59722

". . .incredible. . .absolutely the best State of the Union Address I have ever heard. . . President Bush was at his best. . .I have never been so moved before."

SOUTHWEST REGION

Governor Pete Wilson
State Capitol Building
Sacramento, California 95814
916-445-6144

"A first class speech - it took one hour because of the 52 interruptions of applause, which indicates how pleased and supportive everyone was. The President painted a clear vision of America by exalting the individual in saying that the troops are doing their best to preserve freedom in the gulf and that we must do our freedom at home. I was pleased by the number of goals he presented as giving child care and educational choices to the parents. All the elements pleased a bipartisan Congress -- in my 8 years as Senator this was by far the best State of the Union speech I have ever heard and I never heard the kind of applause the President received tonight."

John Lattauzio
State Chairman, New Mexico Republican Party
P.O. Box 61
Alamogorgo, New Mexico 88310
505-434-1100

"Everyone is grateful in New Mexico for the President's strong leadership. The President is the one person capable of a new world order. I thought it was the best State of the Union address I have ever heard."

Congressman Jerry Lewis (CA-36)
2312 Rayburn HOB
Washington D.C. 20515
202-225-5861

"I was very pleased with the speech - a great balance between the gulf crisis and domestic policy. His handling of the gulf crisis is nothing short of brilliant...It was obvious that his heart and head were in the gulf which was very appropriate for this time. The bipartisan support he is receiving is astounding and I think he spoke directly to the public."

Attorney General Dan Lungren
Republican National Committeeman
1515 K Street
6th Floor
Sacramento, California 95814
916-324-5436

"The President did a very good job -- this is a tough time we are in with the war and the recession and I think the President had the proper tone. I think the President received a great response and directly reached the American people. It was a very strong speech that covered many domestic policy issues."

Katie Boyd
California Finance Co-Chairman, Bush-Quayle '88
130 Bridge Road
Hillsborough, California 94110
415-344-0926

"The President came off looking like the solid and great leader that he truly is. The speech was a little long and I think he could have personalized it a little more with his own experiences when he served as a pilot. I thought there was a very patriotic feeling among the Congress."

Congressman Bob Dornan (CA-38)
California Co-Chairman, Bush-Quayle '88
301 Cannon HOB
Washington D.C. 20515
202-225-2965

"This was his best speech ever...it may never be better than this. I thought the POW thing brought both sides of the aisle together...very powerful. Domestically, I was very surprised to see that capitol gains was not booed and there seemed to be pleasant smiling disagreement which shows a true measure of good will. I could not be prouder of the President."

U.S. Senator John Seymour (CA-R)
720 Hart SOB
Washington D.C. 20510
202-224-9637

"A grand slam home run...I was very impressed and pleased with the speech. I thought the domestic agenda in the speech was superb and noticed that my Democratic colleagues were struggling to come up with their party line when talking to the press. The President was so real when talking about the Persian gulf and showed his true commitment to the men serving in the war."

JG cc: CoS?
PB
~~Sununu~~ Scowcroft
Fitzwater
Darman

USE
N

TO: MARLIN FITZWATER

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President

THE WHITE HOUSE
WASHINGTON

01/29/91

TO: RICHARD DARMAN

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President

THE WHITE HOUSE
WASHINGTON

01/29/91

TO: GENERAL SCOWCROFT

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President

THE WHITE HOUSE
WASHINGTON

01/29/91

TO: THE CHIEF OF STAFF

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President

The Secretary of Energy
Washington, DC 20585

91 JAN 29 PM 7:17

January 29, 1991

MEMORANDUM FOR THE PRESIDENT

SUBJECT: STRATEGIC PETROLEUM RESERVE DRAWDOWN

As you recall, on January 11, the IEA nations adopted a plan to make 2.5 million barrels of oil available automatically at the onset of hostilities. This action was in consonance with your requests to both Prime Minister Kaifu and Chancellor Kohl on January 8.

According to most experts, the allied military successes, buttressed by the IEA action, have calmed the oil markets and removed the "war premium" which was keeping prices high.

As planned, the IEA Governing Board met again yesterday and reaffirmed the Agency's commitment to proceed with the January 11 plan, but allowed for "flexibility" in implementation. This memorandum informs you how we are proceeding in the execution of our final U.S. drawdown plans.

The IEA plan allocated about 1.1 million barrels per day to the United States. Following normal U.S. bidding practices, this offered for sale a total of 33.75 million barrels over the next 30-day contract period. In response to our offer of sale, we received bids for 25 percent more SPR oil than we offered, but with a heavy preference (2:1) for sweet crude. We are now ready to act on bids received.

Taking into account the actual worldwide surplus crude situation; remaining sensitive to expected taxpayer interests in selling at the best price possible; anticipating that the "flexibility" concept will result in achieving somewhere between 50-75 percent of goal by IEA nations against initially planned objectives; and satisfying American crude oil buyers that we are reliable suppliers, I have made a decision that the best approach would be to set a policy of acceptance of only the highest priced bids.

As a consequence of the aforementioned, by setting a policy of selecting only those bids that are above 97.5 percent of benchmark value for SPR crude oils, we will achieve sales that actually yield 99 percent of the benchmark value. As a result, the total amount sold would be approximately 51 percent of the 33.75 million barrels of crude oil originally offered for sale, or 17.3 million barrels. This action will satisfy the full U.S. commitment to the IEA plan. Unless unforeseen disruption to oil supplies occur, we have no intention of executing further draws.

Our informal contacts with members of the IEA, oil industry leaders, and key Hill members indicate that the approach we have taken is prudent and will be viewed as balanced under the circumstances. We intend to notify successful offerors early Wednesday morning, January 30, so that contract awards can take place as scheduled, and expected, by 6 February. Deliveries will commence any time thereafter as the successful offeror desires.

It may be useful to note that, were the SPR oil to be delivered under current market conditions, the average sale price would be about $20. This could be compared with the five-year average purchase price of SPR oil from 1986 to 1991 (includes 100 million barrels) which was $17.54 per barrel. From SPR opening in 1977, the total average purchase price of oil, on the other hand, is $27.17 per barrel.

Jim

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

cc: The Honorable John H. Sununu
The Honorable Brent Scowcroft
The Honorable Nicholas Brady

[redacted]

Phil: This looks fine
to me. JE.

[redacted]

[redacted]

THE WHITE HOUSE

Office of the Press Secretary

FOR IMMEDIATE RELEASE February 1, 1991

The President today named Erick Sutherland, of Bradenton, Florida, as the 368th "Daily Point of Light." Erick Sutherland, a 67-year old retired tennis professional, provides tennis lessons as an alternative to "street life" for low-income children, while encouraging them to continue their education and stay away from drugs.

In 1988, Mr. Sutherland offered free tennis lessons to some youngsters at a community tennis court. He realized that teaching tennis was a tool that could be used to capture the attention of children, thereby encouraging them to be healthy in mind and body. Consequently, he founded the International Youth Tennis Foundation to address the needs of these young people.

Affectionately known by the children as "Coach Erick," Mr. Sutherland coordinates a summer tennis camp free of charge, where he provides tennis lessons and reading, writing, and spelling tutoring sessions each day. With the help of local, national, and international tennis-related organizations and corporations, Mr. Sutherland provides the children with tennis equipment, such as rackets, shoes, and balls.

During the school year, Mr. Sutherland gives tennis lessons to the children free of charge after school and on the weekends. At any given time, one can find the children on the tennis courts practicing a tennis serve instead of loitering in the streets. Mr. Sutherland spends 40 to 50 hours per week, transporting the children to the tennis court, teaching lessons, and raising funds for the programs' continued operation.

The President salutes Mr. Sutherland as the 368th "Daily Point of Light." Daily Point of Light recognition is intended to call every individual, group, and organization in America to claim society's problems as their own by taking direct and consequential action; to identify, enlarge, and multiply successful initiatives, like the efforts of Mr. Sutherland; and to discover, encourage, and develop new leaders in community service, reflecting the President's conviction that, "From now on in America, any definition of a successful life must include serving others."

# # #

FOR FURTHER INFORMATION CONTACT: Tracey Taylor or Jill Chodorov
(202) 456-6266

[redacted]

THE WHITE HOUSE
WASHINGTON

January 29, 1991

TO: BOYDEN GRAY

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

Please find attached a limited distribution fact sheet on the State of the Union speech. Please provide comments directly to Deb Amend by 12:00 pm today, January 29. Thank you.

[redacted]

[redacted]

91 JAN 28 PM 6:36

THE PRESIDENT'S STATE OF THE UNION SPEECH

JANUARY 29, 1991 -- TALKING POINTS

o Halfway around the world we are engaged in the hard work of freedom. A **new world order** of peace and security, freedom and the rule of law, is being built by the brave men and women now serving in the Persian Gulf. American stands with the United Nations, and the armed forces from 28 countries, to resist Saddam Hussein's aggressions in the Gulf, and we will prevail.

o To meet the challenges and demands of a new world order, the Strategic Defense Initiative will be refocused to protect America, and her friends and allies, from limited ballistic missile strikes -- whatever their source.

o **America's future lies in unlocking every citizen's potential.** The legislative accomplishments of the last year -- helping Americans with disabilities; giving child care support directly to parents; making affordable housing available to more Americans; and implementing new measures for cleaner air -- strengthen the power and freedom of choice for individuals and families.

o **The President seeks to affirm America as a nation of principle**, a nation without barriers and bias. A nation that protects and empowers individuals while it creates new jobs and economic growth as a competitor in the global economy.

o A strong economy and expanded economic freedom are chief among the goals of the President's **new economic growth package**, which includes tax-free family savings accounts; IRAs for first-time home-buyers; and a reduced tax for long-term capital gains.

o Highlights of **the President's agenda for the future** include:

-- legislation to achieve excellence in education;
-- support for research and development in technology;
-- a comprehensive national energy strategy;
-- the blueprints for a new national highway system;
-- comprehensive new banking reform measures;
-- a national crime summit; and
-- election law reform.

o President Bush called on every American to ready the nation for the future by working to enhance freedom at home, to foster freedom abroad, and to **make America a community of conscience.**

Ron, see Did 1/28/91

Pl get a
Copy of attached to
Wil Gunn (Sp 22) in Cab. Aff.
w/ a note: "Thought you would find the
attached of interest in light of our
discussion yesterday if it hasn't
already come to your
attention"
Hope this is helpful

TO: WILL GUNN

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

[redacted]

I thought you would find the attached of interest in light of our discussion today, if it hasn't already come to your attention.

Hope this is helpful.

[redacted]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

91 JAN 28 PM 4:25

January 28, 1991
(Senate)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

S. 238 - Agent Orange Act of 1991
(Daschle (D) SD and 36 others)

The Administration supports enactment of S. 238.

S. 238 would require that the Veterans Administration (VA) treat Vietnam veterans with non-Hodgkin's lymphoma, soft-tissue sarcoma, or chloracne (within one year of leaving Vietnam) as if these diseases were contracted as a result of Vietnam service. The VA acting pursuant to it's regulatory authority, permits approval of such claims. This bill codifies this authority. Because of the prior VA action the costs associated with these claims are included in the Office of Management and Budget (OMB) budget baseline. Since the pay-as-you-go requirements are measured against the baseline, enactment of S. 238 will not require offsets in order to avoid a sequester.

* * * * * * *

This draft position was developed by LRD (Pellicci) in consultation with LVED (Jacobs/Blanchon), NSD (Stanners/Fish), BRD (Dame), and HIMD (Clendenin/Nakahata). VA (per Tony Principi, Deputy Secretary), HHS (per Paul Spiegel, Office of the General Counsel), and DOD (per Sam Brick, Legislative Reference Service) concur in the draft position.

S. 238 is the product of negotiations between OMB, VA, and the House and Senate Veterans' Affairs Committees.

S. 238 was introduced on January 17th. The text of the bill is not yet available. The information used to prepare the draft position was provided by VA staff (Jack Thompson, Deputy Assistant General Counsel). According to VA staff, S. 238 is identical to H.R. 556 (Montgomery D-MS), the House companion bill.

As introduced, S. 238 would:

-- Create statutory presumptions of service-connection for Vietnam veterans who suffer from non-Hodgkin's lymphoma, soft-tissue sarcoma, or chloracne (within one year of leaving Vietnam) related to Vietnam service. VA is already utilizing its regulatory authority to approve claims involving these diseases.

-- Require VA to enter into a contract with the National Academy of Sciences (NAS) for a review and analysis of the scientific literature concerning the potential health effects of herbicide exposure. Based on advice from NAS, VA could add diseases for which service-connection is presumed.

-- Authorize VA to undertake certain Agent Orange-related activities. These include compilation of treatment data, tissue archiving, and blood-serum testing. Such activities would not be conducted if VA determines, after considering the NAS report, that the activities are not feasible or cost effective or would not make a material contribution to current scientific knowledge. In addition, these activities would be subject to specific appropriation of funds by the Congress.

-- Eliminate the dioxin review function of the Veterans' Advisory Committee on Environmental Hazards. (This function would be replaced by the work carried of NAS.)

LEGISLATIVE REFERENCE DIVISION DRAFT
1/28/91 12:20 PM

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 01/28/91

NOTE FOR: CHASE UNTERMEYER

The President has reviewed the attached, and it is forwarded to you for your:

Information	☒
Action	☐

Thank you.

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
(x2702)

cc:

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	Chase Untermeyer to the President Re: Freck Vreeland Update (1 pp.)	1/26/91	~~P-2, P-5~~	

Open on Expiration of PRA
(Document Follows)
By CSL (NLGB) on 6/7/05

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed:	6/6/2000	**OA/ID Number:**	05480-001
FOIA/SYS Case #:	1999-0735-F	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE PRESIDENT HAS SEEN
01-28-91

THE WHITE HOUSE

WASHINGTON

91 JAN 28 AM 9:09

26 January 1991

Chase good CB

MEMORANDUM FOR THE PRESIDENT

From: Chase Untermeyer CGU 26 Jan

Subj: Freck Vreeland Update

John Kelly, Asst SecState for Near Eastern Affairs, is enthusiastic about Freck's becoming DAS for the Mahgreb region. With Kelly's blessing and our sponsorship, he will get the job. (He succeeds Bill Perrin of Brownsville, Texas, who resigned to become president of the InterAmerican Development Foundation.)

Freck's earnest desire is to succeed Mike Ussery as ambassador to Morocco when Mike's tour ends about a year from now. But I plan to tell him that although both Ussery and his predecessor, Tom Nassif, went from DAS to Rabat, there isn't necessarily any "linkage" between the two positions and he should take the job at State for its own sake.

cc: LGen Scowcroft

EVENT: FEB 5
DUE: JAN 28

red tr'd 1-28-91 p.m. Sew

JB
JG

OK for AP as edited. Thanks, Phil

'HITE HOUSE

\SHINGTON

ıry 28, 1991

01/28

OK for autopen as edited.

Thanks,
Phil

CK

I am pleased to send greetings to every
in Los Angeles for the Hollenbeck Youth
annual "Salute to the Dodgers." It is fitting that this celebration of the Dodger's winning legacy includes a special tribute to Arnold Schwarzenegger, a man who has done so much to promote athletics in America.

By ing

Arnold has been an outstanding leader of the President's Council on Physical Fitness and Sports. ~~He has~~ encourag~~ed~~ Americans to adopt the habit of regular exercise, ~~and~~ he serves as a wonderful role model for our youth.

As members and friends of the Hollenbeck Youth Center, you, too, provide positive examples for young people. I commend you for helping youngsters in the Los Angeles area to avoid the dangers of drugs and gangs by offering them personal guidance and support, as well as rewarding athletic opportunities. Our kids need role models, and I can't think of better mentors than America's police officers.

Hollenbeck's literacy programs, which have been expanded through the help of student volunteers, are also enabling disadvantaged youths to discover the rewards of reading and learning. I salute you for your efforts.

Barbara joins me in sending our best wishes for a memorable event and for every future success. God bless you.

THE WHITE HOUSE
WASHINGTON

January 28, 1991

NOTE FOR PATTY PRESOCK:

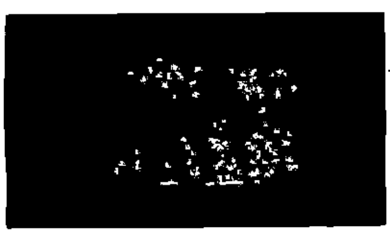
Attached please find the cover for the printed version of the State of the Union. Both Fred McClure and I like it, and I hope you do as well.

Thanks.

Phil

Phillip D. Brady

[redacted]



THE WHITE HOUSE
WASHINGTON

[redacted]

91 JAN 28 PM 2/07 1/28

TO: PHIL BRADY

FROM: FRED McCLURE Fm
Assistant to the President
for Legislative Affairs

☒ FYI

☐ Comment

☐ Action

The mock-up of the cover.

[redacted]

The State of the Union

Address to the
102nd Congress
First Session

President George Bush

January 29, 1991 Washington, D.C.

THE WHITE HOUSE
WASHINGTON

01/28/91

TO: GENERAL SCOWCROFT

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President

[redacted]

THE WHITE HOUSE
WASHINGTON

01/28/91

TO: CHIEF OF STAFF

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President

THE WHITE HOUSE

WASHINGTON

January 28, 1991

MR. PRESIDENT:

Pursuant to your request, please be advised I have spoken to Reverend Jackson with respect to the attached letter he sent to Saddam Hussein. Reverend Jackson indicated that he intends to follow up on the letter by meeting with the Iraqi Ambassador to the U.N. today to appeal for Iraq to observe the Geneva convention with respect to the treatment of POW's and to request Iraq's assistance in locating newsman Bob Simon and his party. Reverend Jackson also states that he would appreciate an opportunity to speak with you, as appropriate, following up on the conversation he reports you has on Christmas Day.

Phillip D. Brady

cc: Chief of Staff
General Scowcroft

GEORGE BUSH

1-25

Phil

You can tell

him

1. I saw his letter and thought it OK

2. Saddam has said he would us POW's as shields

3. Personally Disappointed in Jesse's position. tho Entitled to his views of, course

GB

National Rainbow Coalition, Inc.

Reverend Jesse L. Jackson
President and Founder

MR. PRESIDENT:

Jesse Jackson wanted to be sure you saw the attached.

Phillip D. Brady

January 22, 1991

THE PRESIDENT HAS SEEN
1-25-91

President Saddam Hussein
Presidential Palace
Baghdad, Iraq

Dear President Saddam Hussein:

We are living in difficult times. The failure of dialogue has brought violence and pain to all of us, and we pray for peace for our nation and yours, and for the whole world.

I reflect upon our long conversations and those with Foreign Minister Aziz. The worst scenario has emerged with bombs dropping, people dying, and world destabilization ensuing. When I was in Baghdad and you responded to my appeal to let foreigners return home, it gave the world some hope. The return of other foreigners over the next months continued to feed this hope. This hope must not be allowed to die, especially at a critical time such as this.

I appeal to you even in this time of war and violence not to let the doors of dialogue and humanitarianism close. I urge you to turn the prisoners of war into an opportunity for peace. As you know, the media has reported that you would use prisoners of war as human shields. You have said that you would not. The 1949 Geneva Conventions are a cornerstone of international law, and we urge all our world leaders to respect and adhere to them. But I hope that you would take an even bolder measure, and release the prisoners of war. Adherence to the Geneva Conventions and an announcement of Iraq's intention to release these prisoners would be a tremendous step in aiding the world in seeking a negotiated solution.

In these terrible times, we must remind ourselves and each other that a common humanity unites us. Now is the time to display the courage and strength to challenge the world to measure human rights by one yardstick. You did

1110 Vermont Ave., N.W. • Suite 410 • Washington, D.C. 20005 • (202) 728-1180 Fax (202) 728-1192

so only weeks ago when you released the foreign nationals. As the crisis has escalated, such a gesture is now even more valuable and necessary.

Sincerely,

Jesse L. Jackson, Sr.

Reverend Jesse L. Jackson

through: Charge D'Affaires Khalid Shewayish
cc: Dr. Abdul Amir Anbari
Iraqi Ambassador to the United Nations

National Rainbow Coalition, Inc.

Reverend Jesse L. Jackson
President and Founder

TO: President George Bush, attn: Fran Wessel

FAX NO. 456-2883

OFFICE NO.

SENT BY: Reverend Jesse Jackson

DATE: 1/23/91

NO. OF PAGES INCLUDING THIS PAGE 3

If there are any problems with this fax please contact Sasha Natapoff at 728-1180.

Thank you.

[redacted]

THE WHITE HOUSE
WASHINGTON

chron

January 26, 1991

TO: SECRETARY OF THE TREASURY

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President

Please provide any comments to me today if possible.

[redacted]

The courage and conviction we see in the Persian Gulf today is simply the American character in action. The indomitable American spirit that is winning this victory for world peace and justice, is the same spirit that gives us the power and the potential to meet our toughest challenges at home.

We are resourceful and resolute. If we can confront evil for the sake of good in a land so far away, then **surely** we can dare to make **this** land all that it can and should be.

If anyone tells you America's best days are behind her, they're looking the wrong way. \\

Tonight, I come before this House, and the American people, with an appeal for change. But tonight will be more than a call for new government initiatives. It is a call for new initiative in government, in our communities, and from **every** American -- to prepare for the **next** American century.

Who will lead us? Who will be the leaders of this next American century? Everyone who steps forward, **today**. To get one addict off drugs. Convince one troubled teenager not to give up on life. Comfort one AIDS patient. Teach one farmer in Africa how to feed his village. Help one hungry child, anywhere in the world.

We have within our reach the promise of a new and more ennobling age -- with no dark corners, no forgotten places, no one lost in the dreamless sleep of indifference, or the nightmare of despair.

We can find meaning and reward by serving some purpose higher and broader than ourselves. It is to know the irresistible force of a child's hand, of a friend who stands by you and stays there --of an idea that is simply right.

The problems may be different, but the solution remains the same: it is the individual -- the individual who steps forward. And the state of our Union, is the union of **each** of us, one to the other: the sum of our friendships, marriages, families, and communities.

This has been the source of our strength since the birth of our nation. Government's potential to solve problems alone will be limited -- but **America's potential knows no limits.** \\

So if you've got a hammer, find a nail. If you know how to read, find someone who can't. If you're not hungry, not lonely, not in trouble -- seek out someone who is.

Join the community of conscience. Do the hard work of freedom. For there lies the state of our union. \\

We are a nation of rock-solid realism, and clear-eyed idealism. We \\ are Americans: **We** are the nation that believes in the future. \\

Together, these last two years, we have begun working **for** the future, instead of against it: by putting dollars for <u>child care</u> directly in the hands of parents, instead of bureaucrats. By unshackling the potential of <u>Americans with disabilities</u>. By applying the creativity of the marketplace in the <u>service</u> of the environment, for clean air. By making affordable housing available to more Americans.

These legislative achievements represent government on a human scale: putting power and freedom of choice at **ground** level -- with the individual, and the community. The strength of a democracy is not the bureaucracy. It is the people. Let us give them the tools they need to succeed, **now.** \\

Right now, in some regions of our country, people are in genuine economic pain. I talk with them, see them -- and I hear them. Earlier this month, Kathy Blackwell of Massachusetts wrote me -- asking, "Can you begin to imagine the loss of confidence, the shame, the family arguments, the problems that all of this causes for people?" \\

I can. And I'm not about to paint some rosy scenario for the future. But Americans have never followed false prophets of doom -- and I don't think they'll follow them now. I think we have reasons for optimism in our economy.

First, we don't have to drive enormous inflation out of the economy. Second, most industries don't have big inventories piled up, so they won't have to make big cuts in production. And third, exports are running solid and strong. In fact, American businesses are exporting at a record rate. \\

So let's put these hard times in perspective. Together, since 1981, we've created almost 20 million jobs, cut inflation in half, and cut interest rates in half.

Yes, the largest peacetime economic expansion in history has been temporarily interrupted. But we can return to growth -- soon -- and get on our way to a **new** record of expansion, for competitive strength that will carry us into the next American century. We must focus our efforts on encouraging economic growth **today**, investing in the **future**, and **always**, giving power and opportunity to the individual.

Strong economic growth **today** begins by **cutting** the federal spending that drags the economy down, adds to the deficit, and deprives the private sector of funds for investment and job creation.

That's why, amid all the sound and the fury of the budget debate, we established new, enforceable spending caps and put government on the pay-as-you-go plan -- so that future spending debates will mean a battle of ideas, not a bidding war. Along the way, we saved the taxpayer nearly 500 billion dollars, freeing those funds for savings and job-creating private investment.

Now, let's do **more**. Last February, I sent Congress proposals to spur savings and investment, and create jobs -- by cutting capital gains rates, creating tax-free Family Savings Accounts for middle-income Americans, and allowing young families to use their IRAs to come up with the downpayment on their first homes. Congress failed to act. **The people are waiting. Let's get the job done.** \\

But these incentives for economic growth today must be matched by long-term investments for the next American century.

Our first investment is first-class talent. That means an **education** system second to none. Our historic partnership with the governors, begun at the Education Summit, is already sparking a revolution in education.

Now, let's work for higher education reform, and pass a new Educational Excellence Act. And let's give schools an **incentive** to run better -- by letting parents **choose** where to send their kids, so **all** have access to the best. \\ We can turn out the best in the world. **And we will.** \\

The future also calls for first-class financial security. Tomorrow, we will unveil our plan to bring America's financial system into the 21st century. The deposits of America's workers and savers will continue to be protected. We will take steps to assure that our financial institutions are **safe** and **sound** -- not a burden on the nation's taxpayers -- and that they can get on with their primary mission: providing adequate credit to America's factories, businesses, and home buyers.

Technology and the American future go hand in hand. America must remain technologically preeminent -- not only militarily, but commercially. So let us strengthen our research and development capacity -- and commercialize the results of basic federal research, to benefit the marketplace, and help our entrepreneurs do what they do best: **create jobs.** \\

We must ensure that our energy sector is able to meet the demands of continued economic growth, while at the same time preserving the safe and clean environment we all depend on. Saddam Hussein's brutal invasion was a forceful reminder that we must reduce our energy vulnerability. I will soon present a comprehensive National Energy Strategy, to reduce our growing oil imports and achieve a safer and healthier environment.

Our forefathers built our future on mobility, and so must we -- by investing in our transportation infrastructure. I will soon propose a new National Highway System. If we want to keep America on the **rise**, let's **keep America on the move**. \\

And now that exports are our strong suit, let's continue to expand world trade with a successful Uruguay Round of world trade talks. And through a Mexican Free Trade Agreement, and our Enterprise for the Americas Initiative, let us create a free trade zone stretching from Canada to Cape Horn. Because open markets create more jobs, more growth, and more opportunity, worldwide. And on a **level playing field**, Americans can **outwit**, **outwork**, and **outproduce anyone**, **any** time, **anywhere**. \\

Putting more power in the hands of individuals, communities, and institutions will be crucial to the next American century -- breaking the bondage of dependency, and building the bonds of community in neighborhoods that need help, and above all, **hope**.

That means new incentives to create jobs in our inner cities, by encouraging investment through enterprise zones. \\ It also means **tenant** control and ownership of public housing. \\

Freedom and the power to choose should **not** be the privilege of wealth. They should be the birthrights of **every** American. \\

Let us protect a fundamental civil right -- freedom from crime, and the fear that stalks our cities. We will soon convene a **Crime Summit**, for action at street level. And from the Congress, we need tough **crime control legislation.** \\

In the future, the heart of our ability to compete depends on how we enlist a large, untapped source of talent -- among the young and unskilled, who need <u>training</u>. The disadvantaged, whose lives can be turned to advantage. Older, more experienced Americans, who want to work but need retraining or incentives. All who **want** to work should be **able** to work. \\

So let **no** senseless rivalry or racism divide us. Let us confirm America as a nation of principle, through civil rights that abolish <u>all</u> barriers, bias, inside tracks, and unfair breaks -- for **all** Americans, for **good, forever. No one** is unnecessary. **We don't have a soul to waste -- or a minute to lose.** \\

Let us help Americans take control of their most important asset, good health. I'm proposing new <u>prevention initiatives</u>: for <u>infant mortality</u> and <u>childhood immunizations</u>, <u>smoking</u>, and <u>breast and cervical cancer</u> -- to **keep** costs from spiralling, and **stop** these threats **before** they start. \\

Finally, let us give people more choice in <u>leadership</u>, by reviving the ideal of the citizen politician who comes not to stay, but to serve. Washington, once a wilderness of swamps and fields, is now a wilderness of special interests. It's time for election reform. \\

Let's eliminate PACs -- and put the **national interest** over the **special interests**. \\ Plan not for the next election, but the next generation.

That was the spirit that drove our forefathers. They put power in the hands of people. They built a community of conscience. They planned for the future.

[redacted]

THE WHITE HOUSE
WASHINGTON

01/25/91

TO: PATTY PRESOCK

FROM: **PHILLIP D. BRADY**
Assistant to the President and
Staff Secretary

The attached has been forwarded to the President on the early Saturday morning run to Camp David.

[redacted]

[redacted]

The President's Schedule

JANUARY 1991

Issue: 01/25/91

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Proposed & Tentative for Administrative Use Only **T Tentative** **B First Lady** *** Away from White House**		1 New Years Day B* 2:30 Depart for Washington B 3:00 Arrive White House **RON WASHINGTON, D.C.**	2 7:50 Photo Op 11:30 Photo Ops 12:00 Lunch with VP 1:30 Mtg. w/Sec. Baker 3:00 Admin. Time **RON WASHINGTON, D.C.**	3 Senate Convenes 8:00 Mtg. with Select Members of Congress 8:30 Congressional Leadership Meeting 10:00 Staff Time 3:30 Video Taping Session **RON WASHINGTON, D.C.**	4 B 7:15 Coffee with Mayor Sharon Pratt Dixon 8:30 Coffee with House Republicans 10:00 Radio Taping 11:00 Mtg. with Sec. Baker 1:15 Staff Time 3:15 Radio Taping 3:20 Photo Op B 3:30 Depart for Camp David **RON CAMP DAVID**	5 * 10:45 Mtg. w/Sec. General of the U.N. B* 12:00 Lunch w/Dr. & Mrs. Javier Perez de Cuellar **RON CAMP DAVID**
6 B 4:00 Arrive White House **RON WASHINGTON, D.C.**	7 11:00 Staff Time 1:30 Staff Time 2:45 Mtg. w/Clayton Yeutter 3:30 Mtg. with Sec. Cheney **RON WASHINGTON, D.C.**	8 9:30 Video Taping Session 10:00 Economic Policy Council Mtg. 1:30 Staff Time B 3:30 Photo Op and Drop-by Recept. w/Fundraisers f/Eagle's Inaugural Event 5:15 Haircut **RON WASHINGTON, D.C.**	9 10:00 Presen. of the 1990 Senior Exec. Service Presidential Rank Awards 11:30 Photo Ops 1:00 Congressional Leadership Meeting 3:55 Press Conference 4:30 Cabinet Meeting **RON WASHINGTON, D.C.**	10 7:45 Photo Op 10:00 Staff Time 11:45 Photo Op with Crew of Space Shuttle Columbia 11:55 Photo w/Sen. Seymour 12:00 Lunch with VP 2:00 Mtg. w/Senator Dole 2:30 Mtg. w/Senators **RON WASHINGTON, D.C.**	11 8:30 Brkfst. w/Members of Congress 10:00 Mtg. w/Sen. Moynihan 11:00 Staff Time 11:30 Photo Op with Veronica Khlichevskl B 7:05 Depart for Camp David **RON CAMP DAVID**	12 3:25 Arrive White House 4:00 Press Conference 4:40 Depart for Camp David **RON CAMP DAVID**
13 B 3:55 Arrive White House 4:00 Press Conference **RON WASHINGTON, D.C.**	14 1:30 Mtg. w/Japanese Foreign Minister Taro Nakayama 2:00 Mtg. w/Joseph Wilson 3:30 Mtg. w/Sec. Brady 4:00 Congressional Leadership Mtg. **RON WASHINGTON, D.C.**	15 1:30 Photo Ops B 1:45 Video Taping Session 2:45 Mtg. w/ Ambassador to New Zealand **RON WASHINGTON, D.C.**	16 11:50 Photo Op w/Mike Deland 1:30 Meeting with Sec. Baker 2:00 Drop-by mtg. of Educ. Policy Advisory Comm. 3:00 Admin. Time 9:00 Address to the Nation **RON WASHINGTON, D.C.**	17 7:45 Photo Ops 9:30 Congressional Leadership Mtg. Arlington, VA B* 11:00 Church Service at Ft. Myer 3:00 Cabinet Mtg. **RON WASHINGTON, D.C.**	18 11:00 Mtg with Sec. Baker 12:00 Press Conference 12:30 Lunch with VP Arlington, VA * 2:30 Pentagon Briefing B* 3:30 Depart for Camp David **RON CAMP DAVID**	19 **RON CAMP DAVID**
20 **RON CAMP DAVID**	21 M.L. King, Jr. B-Day Observed B 12:00 Arrive White House 5:00 Mtg. with former Prime Minister of Singapore **RON WASHINGTON, D.C.**	22 11:00 Staff Time 12:00 Telephone call to March for Life event 2:20 Drop-by mtg. w/Baltic American Association 3:00 Haircut **RON WASHINGTON, D.C.**	23 Senate Reconvenes 10:20 Mtg. w/Sec. Baker, Cheney, and Powell 11:00 Mtg. w/Pres. Ochirbat of the Mongolian People's Republic 12:15 Working Luncheon with President Ochirbat 1:15 Departure Statements 1:30 Mtg. with Sec. Baker 3:00 Admin. Time B* 7:15 Reserve Officers Association Dinner (Black Tie) **RON WASHINGTON, D.C.**	24 9:15 Staff Time 10:00 GOP Congressional Leadership Mtg. 12:00 Lunch with VP 1:30 Photo Ops March of Dimes Nat.l Poster Child **RON WASHINGTON, D.C.**	25 7:45 Mtg. w/Members of the RNC 10:30 Drop-by mtg. with Arab American Leaders 11:00 Mtg. with Sec. Baker 1:30 Photo Op w/Johnny Gill 4:30 Telephone call to Cong. Jamie Whitten B 4:45 Depart for Camp David **RON CAMP DAVID**	26 **RON CAMP DAVID**
27 B 4:00 Arrive White House **RON WASHINGTON, D.C.**	28 B* 8:45 Address Ntl. Religious Broadcasters Assoc. 10:30 Staff Time 1:30 Mtg. w/Soviet Foreign Minister Bessmertnykh 2:00 Staff Time 3:30 Mtg. with Sec. Cheney **RON WASHINGTON, D.C.**	29 10:00 Cabinet Mtg. 11:00 Staff Time 3:00 Staff Time 8:15 Speech Preparation B* 9:00 State of the Union Address **RON WASHINGTON, D.C.**	30 10:00 Mtg. w/Greek Foreign Minister Samaras * 11:00 50th Anniversary of Four Freedoms Speech 1:30 Meeting with Sec. Baker 2:00 Mtg. w/ William Moss and Alva Chapman 3:00 Admin. Time **RON WASHINGTON, D.C.**	31 B* 8:00 National Prayer Brkfst. 10:30 Congressional Leadership Meeting 3:30 Congressional Hour **RON WASHINGTON, D.C.**		

SENSITIVE — DO NOT COPY

THE WHITE HOUSE

WASHINGTON

91 JAN 25 PM 4:45

January 25, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: FREDERICK D. MCCLURE FM

SUBJECT: Weekly Legislative Report

THE WEEK OF JANUARY 21 - 25

HOUSE AND SENATE FLOORS

HOUSE

The House convened at noon Wednesday and passed the following five bills and non-binding resolutions by **unanimous votes**: H. Con. Res. 41, condemning Iraq's unprovoked missile attacks on Israel; H. Con. Res. 48, condemning the treatment of U.S. and other coalition partner prisoners of war; H.R. 4, extending the IRS deadline for Desert Storm troops; H.R. 3, increasing the rates of disability compensation for veterans; and H. Con. Res. 40, condemning the recent use of Soviet military force in the Baltic States.

The House also convened on Thursday to conduct internal business concerning the election of Members to Committees.

SENATE

On Thursday the Senate passed the five legislative items listed above by votes of 99-0.

HOUSE AND SENATE COMMITTEES

HOUSE

Federal Reserve Chairman Alan Greenspan testified on the state of the economy before the **Budget Committee**. He told Committee members that adhering to last year's budget agreement was critical to expansion of the economy. He further stated that undoing the Budget Agreement would lead to a lack of confidence in financial markets and would prolong and deepen the economic slowdown.

91 JAN 25 PM 9: 32

Office of
Cabinet Affairs

CABINET REPORT

For the Week of:

January 27 - February 2

THE WHITE HOUSE

WASHINGTON

January 25, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: EDE HOLIDAY

SUBJECT: Cabinet Report -- January 27 - February 2

* * * THE WEEK AHEAD * * *

AGRICULTURE

January 30. Secretary Yeutter will meet with Danish Ambassador Peter Dyvig. Topic: GATT negotiations.

January 31. Yeutter will join the President at the National Prayer Breakfast. Secretaries Baker, Derwinski, Kemp, Lujan, Skinner, Watkins, Attorney General Thornburgh and Acting Secretaries DeArment and Sanders will also attend.

January 31. Yeutter and Ambassador Hills will brief the Senate Agriculture Committee. Topic: the Uruguay Round.

COMMERCE

January 28. Secretary Mosbacher will meet with National Federation of Independent Business President and Chief Executive Officer John Sloan. Topic: the Department's National Export Initiative. This initiative will include a series of high-profile missions to U.S. cities over the next several months to encourage businesses to use programs and services of the federal government to boost U.S. exports and to emphasize the importance of quality in international competitiveness.

January 28. The department's Eastern Europe Business Information Center (EEBIC) will begin its second year of activity. Since opening in January 1989, EEBIC has responded to more than 30,000 inquiries for information on the economic outlook in Eastern Europe, specific trade and investment opportunities, trade promotion activities and other U.S. government programs to support the development of private enterprise in the region.

January 30. Mosbacher will meet with German Aerospace Chairman Jurgen Schrempp. Topic: the international aerospace industry.

THE WHITE HOUSE
WASHINGTON

DATE: 01/24/91

NOTE FOR: EDE HOLIDAY

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐

Action ☒XX

[redacted]

Thank you.

PHILLIP D. BRADY
Assistant to the President
and Staff Secretary
(x2702)

cc:

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	Nicholas F. Brady to the President Re: National Energy Strategy (2 pp.)	1/11/91	P/5	

Open on Expiration of PRA
(Document Follows)
By ___ (NLGB) on 6/7/05

Collection:

Record Group:	Bush Presidential Records
Office:	Chief of Staff to the President, Office of the
Series:	Brady, Philip D.
Subseries:	
WHORM Cat.:	
File Location:	Chron File 1/91 [1]

Date Closed:	6/6/2000	**OA/ID Number:**	05480-001
FOIA/SYS Case #:	1999-0735-F	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

January 11, 1991

Signed 1-21-91 CB

MEMORANDUM FOR THE PRESIDENT

SUBJECT: NATIONAL ENERGY STRATEGY

The Economic Policy Council met with you on December 21, 1990 and January 8, 1991 to consider the proposed National Energy Strategy (NES) and to discuss in some detail various non-consensus options.

The EPC is now ready to submit to you a formal decision document. I am, therefore, transmitting to you the attached decision memorandum for your consideration. This memorandum is essentially the same document circulated for the December 21 and January 8 EPC meetings. It contains an overall strategy paper that summarizes the energy goals and policy proposals that have been developed interagency under the leadership of Secretary Watkins. In addition, the appendices to the strategy paper set forth the six non-consensus options that individually require your decision. The presentation of these non-consensus options has been modified to take account of recommendations or suggestions for compromise made at the January 8 EPC meeting in the following respects:

- o The alternative fuels option (Appendix 2), which would have required all centrally fueled fleets with 10 or more vehicles to be 90% alternatively fueled by the year 2000, has been modified to raise the minimum number of vehicles to 20, except in urban areas specified in the Clean Air Act for which 10 would be the number of vehicles.

- o DOE has proposed a scaled-back renewable energy production credit (Appendix 3) that would narrow the coverage and reduce the federal revenue cost from $1.8 billion over five years to $670 million. In addition, options entailing an extension of the current renewable energy investment tax credit have been included.

- o Treasury has proposed a compromise option with respect to utility rebates (Appendix 4) which would support exclusion of income from rebates to electricity customers so long as the rebates are in the form of discounts on electricity bills, rather than a direct rebate on the efficiency investment.

Each appendix also now lists the positions of agencies with respect to each option. In some instances, agencies have declined to take a position on the various options, and thus their views have not been recorded.

For your reference, I am appending here my December 20 memorandum to you transmitting the prior draft of the decision document. It contains some overall observations on the strategy and process which you may find of interest.

As indicated both by Admiral Watkins and myself at the meeting, the issue of timing of public release of the NES needs to be dealt with separately. I am seeking to schedule a meeting with you as soon as possible in order that Admiral Watkins and I, along with your senior White House advisers, can address the timing issue.

Nicholas F. Brady
Chairman Pro Tempore
Economic Policy Council

Attachments

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	James D. Watkins to the President Re: NES (2 pp.)	1/10/91	~~P-5~~ Open on Expiration of PRA (Document Follows) By GBL (NLGB) on 1/19/09	

Collection:

Record Group:	Bush Presidential Records
Office:	Chief of Staff to the President, Office of the
Series:	Brady, Philip D.
Subseries:	
WHORM Cat.:	
File Location:	Chron File 1/91 [1]

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The Secretary of Energy
Washington, DC 20585

91 JAN 10 PM 12:08

January 10, 1991

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

After Tuesday's second EPC Meeting with you regarding the National Energy Strategy (NES), I thought it might be helpful to summarize what I believe to be sole remaining elements of strategy development still needing resolution. These include:

- o final resolution of the six non-consensus options (as modified)
- o timing and tactics of announcement of the NES

Regarding the first element, of the six non-consensus options, one was modified and largely resolved (Alternative Fuels) as you heard at the meeting. However, sizing of the fleets at ten vehicles to be alternatively fueled needed further review. I have forwarded a proposed compromise and explanation on this one to Secretary Brady. The compromise results from aligning fleet sizing rationale more precisely with that of the Clean Air Act for consistency, while at the same time, lessening unnecessary burdens on small businesses.

Of the remaining five non-consensus options, only one required my further review (Renewable Energy Production Incentive). A substantially less costly proposal, responsive to the Chief of Staff's concerns about geothermal energy, is set forth in my letter to Secretary Brady. The other four option papers seemed to require no further review or modification by me. Merits, pros and cons, of all non-consensus options have now been well aired by EPC members in your presence.

Before proceeding to the second element--timing--however, I want to endorse strongly the point you made that the strategy, <u>when announced</u>, must be balanced. Conservation and renewable energy provisions, principally embodied in the five non-consensus options within the Department of Energy package I placed before the EPC, are critical to achieving political consensus that would, in turn, allow desired energy security outcomes...for example, opening the ANWR. Were we not to include reasonable, cost-effective measures in these "balancing" areas up-front in your strategy, the Congress would surely adopt their own. As a result, they would deprive you of the credit you deserve for taking leadership control over this important domestic policy initiative.

Now, regarding the second element, as I indicated at Tuesday's meeting, I believe it is important that your National Energy Strategy be announced no later than the date the FY 1992 budget is submitted to the Hill. In this connection, however, Brent Scowcroft is rightly concerned about consequences of releasing an anemic or unbalanced NES at a time when war is imminent or underway in the Middle East. But I feel confident that, with the non-consensus five options (as modified) I have advocated, in addition to the 45 option EPC consensus package, you will have an effective, credible, and <u>balanced</u> NES that will support, not undermine, your Persian Gulf policy.

Congress already has begun the debate on national energy policy. More than 25 bills have been introduced, or are likely to be introduced, in the near future. Yet, it was you who took the initiative over a year before Iraq's invasion of Kuwait when you tasked us to develop a comprehensive NES in consultation with the American people. I strongly believe that timely action in early February is necessary in order to lead the Congressional debate and to take credit for your 18-month effort.

I look forward to assisting you in any way to help resolve the remaining elements.

Respectfully,

Jim

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

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	Nicholas F. Brady to the President Re: National Energy Strategy (4 pp.)	1/11/91	P5	

Open on Expiration of PRA
(Document Follows)
By [illegible] (NLGB) on 6/7/05

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed:	6/6/2000	**OA/ID Number:**	05480-001
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THE WHITE HOUSE

WASHINGTON

December 20, 1990

MEMORANDUM FOR THE PRESIDENT

SUBJECT: NATIONAL ENERGY STRATEGY

The Economic Policy Council is ready to begin discussions with you on the National Energy Strategy (NES). An initial meeting is scheduled for Friday, December 21, at 10:00 a.m.

Attached you will find a strategy paper that summarizes the energy goals and policy proposals that have been developed interagency under the leadership of Secretary Watkins and the Department of Energy. With the exception of several areas referenced below, this paper presents a consensus package of approximately 40 separate options.

The package takes a strong growth-oriented approach and underscores our continued commitment to the environment and to a policy of market reliance. At the same time, it recognizes an appropriate role for federal government leadership, because energy markets are frequently influenced by security, environmental, and regulatory factors.

The EPC considered the energy policy dilemmas highlighted by recent events in the Persian Gulf. The EPC has sought to face the significant reliance on foreign oil by the United States and to think realistically about the available policy options for managing that vulnerability.

<u>Key Observations on Oil Import Reliance</u>

As a result of the Iraqi situation, some in this country would propose to force the level of oil imports sharply downward, without regard to economic or social costs. In this regard, the EPC has reached several general conclusions:

- o The U.S. and its allies will continue to import a significant amount of oil from insecure suppliers for the foreseeable future, even with conservation and domestic production measures.

- o Because the U.S. is a world power with global responsibilities and far-reaching economic interests, the U.S. cannot insulate itself from world energy markets, even if it could eliminate imports.

- The appropriate response to vulnerability to world oil market disruptions is to reduce the use of oil in the U.S. economy over the long term. The key is the transportation sector, which is responsible for nearly two-thirds of U.S. oil consumption.

- There are policies the U.S. government can pursue to reduce the risks of vulnerability without imposing unacceptably high economic and social costs. This goal can be achieved, in part, by removing regulatory impediments in oil, natural gas, hydroelectric and nuclear power markets.

- In addition, the U.S. should focus on managing and reducing vulnerability to world oil disruptions, such as through foreign policy measures and by working internationally to expand oil production capacity and strategic reserves.

To pursue these approaches, the Administration will need to be prepared to address the degree to which the goal of energy independence is difficult to attain. The Administration should define the energy agenda by underlining the importance of: free markets; energy market deregulation; energy efficiency; diversified sources of production; foreign policy measures to reduce international supply uncertainties; and potential technological breakthroughs in energy-related fields, especially transportation.

The NES Consensus Package

Rather than embracing the failed energy policies of the 1970s, which included gasoline allocation rules and price controls, the NES continues the successful policy of market reliance and augments it with an appreciation for foreign policy factors and the potential for technological advances.

Key policy initiatives in the NES package include:

- Increase domestic oil and gas production by developing the Arctic National Wildlife Refuge (ANWR), Alaska's North Slope, and outer continental shelf (OCS) areas (consistent with your earlier decisions), under strict environmental safeguards.

- Further deregulate natural gas markets and enhance competition in electricity markets, by removing outdated barriers to production and transmission of energy.

- o Stimulate exploration and production of foreign, non-Persian Gulf resources.
- o Spur a new wave of innovation through support of industry-led R&D consortia and a national prize program for achieving specific technological breakthroughs.

The NES also builds on previously announced Bush Administration initiatives including:

- o incentives for domestic oil and gas production
- o the Clean Air Act
- o a strong commitment to the Strategic Petroleum Reserve

Combined with these Administration policies, the NES would in the long term seek to reduce the risks of oil imports, while relying on market-driven gains in energy efficiency and environmental quality.

<u>Options Not Proposed for Presidential Decision</u>

The EPC has examined, but is not proposing, several options that were opposed on policy grounds:

- o Increasing the Corporate Average Fuel Economy (CAFE) standard.
- o Reducing consumption by imposing new taxes, such as an oil import fee, carbon taxes, BTU taxes, ad valorem taxes, and raising the motor fuels tax. Department of Energy analyses showed that even a $1 per gallon tax would reduce imports by only a moderate amount.
- o Providing additional tax credits or incentives to stimulate production or conservation, except as noted below.

<u>Issue for Presidential Decision</u>:

The NES consensus package does not now contain a strong set of options that promote renewable energy, efficiency or alternative fuels. The Clean Air Act will have some impact in these areas. However, the Department of Energy and some other Cabinet agencies believe that it is important to balance the consensus package emphasis on development of fossil fuels and nuclear energy.

The EPC did not reach agreement on the substantive merits of the following six options:

- alternative fuels package
- renewable energy production tax credit
- tax treatment of utility rebates
- phase out of federal power subsidies
- federal lighting efficiency standards
- reform hydropower licensing process

These items require Presidential decision. Separate options papers on each of these specific issues are attached to the overall strategy memorandum.

Public Announcement of NES

The packaging and timing of the public release of the NES is important. This issue will be addressed separately.

Nicholas F. Brady
Chairman Pro Tempore
Economic Policy Council

Attachments

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Paper	A National Strategy: Setting the Course on Energy (16 pp.)	n.d.	~~P-5~~ Open on Expiration of PRA (Document Follows) By [illegible] (NLGB) on 4/5/05	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed: 6/6/2000	**OA/ID Number:** 05480-001
FOIA/SYS Case #: 1999-0735-F	**Appeal Case #:**
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A NATIONAL STRATEGY: SETTING THE COURSE ON ENERGY

A National Strategy: Setting The Course On Energy

Introduction:

As recent events have demonstrated, energy is closely linked to economic prosperity at home and abroad. The United States is the world's largest energy consumer, and its second largest energy producer. With 5 percent of the world's population, we consume 25 percent of its oil.

The market-oriented energy policies of the 1980s have substantially improved the ability of the U.S. economy to withstand disruptions in world oil markets. Oil import costs as a percentage of GNP fell from 2.8 percent in 1980 to 1.0 percent in 1989. During the recent crisis, the United States has through market reliance avoided the gasoline lines and excessive economic disruption that earlier crises precipitated.

Nevertheless, the U.S., as the largest oil consumer in the world, remains vulnerable to world oil market disruptions. In addition, the drive to enhance global environmental quality places new pressures on energy production, distribution and consumption.

For many years, we were able to supply our oil needs, but the gradual depletion of American reserves has led us since the 1950s to rely increasingly on imports. Much of the oil on which we and the rest of the world depend is produced in politically volatile regions of the globe. The oil fields of the Persian Gulf area alone provide one-quarter of the oil the world presently consumes; they contain nearly two-thirds of its known reserves.

For seventeen years, American administrations have sought to balance the economic and environmental benefits of increasing reliance on imported oil against the foreign policy and military costs of dealing with threats to the free flow of oil, in particular from the Persian Gulf. Although the probabilities of events such as the current Gulf crisis are quite small at any time, when one occurs it shows conclusively the high cost of supply disruptions and military intervention.

It is tempting to imagine the United States free of all dependence on external sources of energy. The term "energy independence" seemed at one time to describe an important goal we could achieve in the relatively short term, but it proved elusive. The NES review confirmed that no feasible combination of domestic or foreign energy policy options can fully relieve us of the risks of oil dependency in the next two decades. Indeed, it shows that America's and the world's oil dependency on Middle East suppliers is likely to grow -- and as the current crisis demonstrates, with major implications for our foreign, economic and defense policies.

We can, however, by implementing prudent policies, reduce our dependence on oil, increase our foreign policy flexibility in time of crisis, and thus reduce our vulnerability to supply disruption. To achieve this result, our energy policy response must be multifaceted.

The United States could, at great economic cost, institute a series of policy measures aimed at radically curtailing oil imports. These measures would include an oil import fee; large taxes on gasoline; subsidies for the production of liquid fuels from coal, shale and gas; rapid introduction of alternative transportation fuels; and sharply higher fuel efficiency standards that would force auto makers and consumers to choose smaller cars. The combined impact of these measures would be to reduce oil imports dramatically or substantially depending on the level, type, and phase-in of subsidy or taxation. But the result would be unacceptable GNP losses and unemployment increases. Moreover, these policies would not shield the U.S. economy from future oil market disruptions.

To the extent that we cannot substantially reduce our oil vulnerability problem through energy policies, we must prepare our diplomatic and defense assets to cope with its consequences. We cannot wish away the geology of world oil, and we cannot turn our backs on the Middle East. More and more in recent decades, energy security is national security -- for us and for every country. The enormous and enduring costs of such a commitment are clearly the strongest argument for taking to the American people the difficult choices essential to reaching consensus on a robust, market-driven NES.

The proposed NES package[1] charts a course for reduced vulnerability to oil disruptions, a more efficient and technologically diverse electricity sector, an unconstrained natural gas industry, enhanced environmental quality, and availability of ample supplies of reasonably priced energy to fuel a growing economy. It has been shaped by consideration of the role that petroleum plays in the security of the U.S. and other nations; by the influence that regulation in the electricity and natural gas sector exerts on technology choices, economic efficiency and environmental quality; and by the promise of science and technology.

The proposed NES continues the successful policy of market reliance, recognizing, however, that market forces do not give

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[1]The specific measures proposed in this package are interagency consensus items, except for six bracketed items for which options papers are attached in Appendices 2-7.

adequate consideration to the objectives of environmental quality and national security.

The proposed NES package seeks to balance the often conflicting objectives of our increasing need for energy at reasonable prices, our commitment to a cleaner and safer environment, our determination to foster economic growth, and our goal to reduce our vulnerability, and that of our friends and allies, to potentially unreliable energy supplies.

I. ENERGY SECURITY

A key goal of the NES is to reduce our vulnerability to oil market disruptions. Assessing the options to achieve this goal is made more difficult because national security and environmental costs are much more difficult to establish than are direct economic costs. Thus, as policy proposals were screened, we sought to identify those NES options that would help the United States to:

- Secure and maintain unrestricted flows of oil from all major producing regions;
- Reduce the importance of oil use in the U.S. economy by using oil more efficiently and replacing it with other fuels;
- Develop and maintain contingency mechanisms, including international strategic oil reserves and stocks, and "excess" world production capacity;
- Reduce underlying tensions that threaten major world oil producing regions, via foreign policy mechanisms; and
- Diversify the sources of supply outside the Persian Gulf into producing regions such as the U.S. (OCS, ANWR), the Western Hemisphere, Europe and Asia.

The United States uses oil to transport people and goods (62%), in buildings (8%), in industry (25%) and to generate electricity (5%). The availability of world oil supplies for the foreseeable future will be substantially influenced by a limited number of producers holding both large reserves and excess production capacity.

Sixty-five percent of the world's known oil reserves lie in the Gulf region, where oil can be produced at lowest cost. Recent events have once again illustrated the risks inherent in reliance on a key energy source that is found in greatest abundance in this historically unstable area of the world.

Moreover, oil imports play a substantial role in the U.S. balance of trade. The U.S. trade deficit for the third quarter of 1990 was $30.7 billion, driven in part by higher oil prices. In the past four years, oil's share of total imports has more than doubled.

Between August 1 and December 1, 1990, U.S. consumers paid $21 billion more to oil producers ($8 billion to foreign producers) than would have been the case without the Iraqi crisis. Worldwide, $83 billion were transferred from oil consumers to oil producers in the same period.

The Forecast

Oil use in the U.S. economy, measured as the ratio of barrels per day of oil used per $1 million of annual GNP, has been substantially reduced over the last 30 years (from 4.5 to about 3.1). Japan, however, uses about 1.2 barrels per day per $1 million of annual GNP.

There are many reasons for this disparity. Some are structural and can never be changed. For example, Americans travel greater distances because of the large land area, and because development patterns have induced more dispersed settlement. Japan is roughly the size of California, but has a population about half the size of the U.S. Reflecting geography and development patterns, the U.S. has 5.1 times as many highway miles as Japan.

Other aspects of U.S. oil consumption lend themselves to improved efficiency and fuel diversity, which can be brought about by policy changes and application of new or improved technology for private and public transportation. Policies and R&D need to address U.S. energy consumption patterns which are shaped, for example, by the fact that nearly 90% of American passenger travel is by private vehicle, compared to less than 45% in Japan.

Without new policy initiatives, U.S. imports of oil are forecast to rise from 42% of domestic consumption in 1989 to 62%, or about 11 mmB/D in 2000, and to nearly 70% in 2010. The U.S. oil and gas import bill is forecast to rise by between $25 and $30 billion (in 1989 real dollars) in 2000, and by about $90 billion by 2010. Gulf producers will supply an estimated 30% of the world's oil in 2000.

Policy Response

The goal of energy security policy is to manage and reduce the risks from vulnerability to supply disruption. It is not energy independence. An increase in the world price of oil, brought about by events, anywhere, would raise the price of U.S. oil, and the price of oil to our allies and trading partners, regardless of the degree of import dependence. In 1979, for example, Great

Britain, which was almost totally self-sufficient in oil, suffered the same oil price shock as other Western nations.

The U.S. should not define the problem in a way that makes eliminating foreign supply the objective. At the same time, steps can be taken to reduce dependence. Improvement in U.S. energy security requires efforts on several broad fronts: (1) support the environmentally responsible development of oil production capacity around the world, including the U.S., and increase strategic reserves; and (2) reduce the use of oil in the U.S. economy through increased efficiency and fuel switching, and by broader use of alternative fuels to decrease the transportation sector's near total reliance on petroleum. More specifically:

A. Measures to increase strategic reserves and production capacity around the world, including U.S. production:

   1. Improve the investment climate in nations such as the Soviet Union to encourage the necessary foreign investment to rehabilitate and expand the hydrocarbon industry; stimulate exploration and production in promising developing countries. (Option 24)

   2. Substantially increase the level of worldwide strategic reserves by the year 2000; review the conditions under which these reserves would be used so as to affect the expectations of oil market participants and maximize the deterrent value of the reserves; lease the Naval Petroleum Reserve. (Option 23)

   3. Development of ANWR, Alaska's North Slope, and areas of the OCS unrestricted by Presidential decision, under strict environmental safeguards. (Options 2, 3, and 4)

   4. Expand research and development for enhanced oil recovery; deregulation of oil pipelines. (Options 25 and 60)

B. Measures to reduce the use of oil in the U.S. economy through higher efficiency and fuel switching, and by broader use of alternative fuels to decrease the transportation sector's near total reliance on petroleum.

   1. Assess the impact of Clean Air Act and safety requirements on manufacturers' ability to increase auto and light duty truck fuel efficiency, without restricting consumer choice, or adversely affecting competition in the transportation market. (Option 11)

2. Enhance research and development of auto efficiency technology and develop new technology for intra and inter city movement of people and goods. (Option 60)

3. Establish Federal/State incentives to scrap old cars. (Options 12)

[4. Remove the cap on fuel efficiency incentives to manufacturers of alternative fuel vehicles by amending the Alternative Motor Fuels Act of 1988; expand alternative fuel use in all commercial light and heavy duty vehicle fleets, including Federal fleets; require the sale of non-petroleum fuels. (Option 18)] (See Appendix 2)

5. Reform natural gas pipeline construction regulations and pipeline rate design; deregulate pipeline sales rates; improve non-discriminatory access to pipeline transportation; and eliminate DOE import/export regulation. (Options 5 through 9)

6. Increase the amount of non-taxable employment mass transit benefits and study the appropriate longer term level. (Option 14)

U.S. international initiatives long underway contribute to greater global energy flexibility:

-- Greater consumer country cohesion was the object and the result of formation of the International Energy Agency in 1974. Its members are the world's leading industrial democracies. Our collective readiness to meet short-term supply interruptions through consultation, release of stocks and, if needed, sharing of scarce supplies deters panicky responses to a crisis. Because strategic stocks have proven their effectiveness as a safety net during the Gulf crisis, NES option 23 calls for a substantial expansion of these reserves by the U.S. and other consuming countries;

-- Regular, bilateral dialogue with our major oil suppliers helps develop awareness of mutual dependency and promotes a stronger commitment to a stable market. It has paid off in the Gulf crisis, as Saudi Arabia and other producers rapidly increased supply in order to offset the loss to the market of embargoed Iraqi and Kuwaiti crude;

-- Nor have we exhausted the potential for diversification of supply, substitution, and conservation of oil. Great gains in energy efficiency can be realized in Eastern Europe and the Soviet Union, and this is an object of Western efforts to assist these nations' transition to market-based economics. Similarly, in the Soviet Union and in many nations of Latin America, Africa and Asia, major increases in oil, gas and coal production are possible if (as NES option 24 indicates) investment climates are liberalized sufficiently that foreign investors find it feasible to introduce advanced technologies.

Additional international energy policy measures in progress include:

- cooperation in Soviet oil and gas development;
- cooperation in Eastern Europe, the USSR and the Third World to promote efficient energy use, a prerequisite to sound economic development;
- ways to accelerate SPR fill within existing budgetary limitations;
- vigorous efforts in the International Energy Agency to address the need for alternative fuels, energy cooperation with non-OECD countries, and broader strategic stock building, and to deal with the consequences of global climate change;
- expanding the energy agenda in new regional initiatives: the Enterprise for the Americas and the Asia-Pacific Economic Cooperation forum

Effects of New Measures

Taken together, the consensus measures are forecast to reduce oil imports to 50% of projected U.S. consumption in 2000 and in 2010. If the alternative fuels measures are included, oil imports would be 48% of projected U.S. consumption in 2000 and in 2010.

Domestic oil production will increase by 1.7 mmB/D above levels projected for 2000, largely due to enhanced oil recovery (EOR). Domestic production will increase by 3.3 to 5.3 mmB/D above projected 2010 levels, due primarily to EOR (2.5 mmB/D), OCS (0.4 - 1.3 mmB/D), and ANWR (0.4 - 1.5 mmB/D).

U.S. oil consumption will decrease by 0.5 mmB/D in 2000, largely due to displacement of oil by natural gas in electric utilities and by reduction in electricity demand. The alternative fuels options which remain under discussion would decrease U.S. oil consumption an additional 0.7 mmB/D by 2000 and 1.9 - 2.7 mmB/D by 2010.

The projected cost of oil imports is reduced by about $24 billion ('89 real dollars) in 2000, due to reduced oil import levels and an assumed oil price of $27.90/barrel. In 2010, the projected cost of oil imports is reduced by about $70 billion ('89 real dollars) due to reduced import levels and an assumed oil price of $37.20/barrel.

II. ELECTRICITY

Key goals of the NES are to provide more reliable, lower cost service to consumers, increase efficiency in the electricity sector and foster fuel and technology diversity, including renewable energy technologies, in electricity generation and end use.

In 1970, electricity accounted for 24% of primary energy consumption. This figure is expected to rise to 36% in 1990 and to 42% in 2010. Because our economy is becoming increasingly electrified, the technologies and systems used to produce and deliver electricity must be efficient, reliable and protective of the environment.

The Nation presently has about 700 gigawatts (GW) of installed electric generating capacity. It is estimated that, under conservative assumptions, a minimum of 200 GWs of new capacity will be required to meet demand in the next 20 years.

The electric utility industry is one of the most highly regulated sectors of the U.S. economy. Thus, what capacity will be built, by whom, with what technology/fuels, and with what environmental consequences, will to a large degree depend on the Federal/State regulatory regime that governs investment decisions in electricity supply and demand.

Statutory and regulatory provisions impede construction of new hydroelectric capacity or expansion of capacity at existing dams. The State-Federal impasse on construction of a high-level nuclear waste repository, an impossibly cumbersome nuclear licensing process, and the loss of public confidence in our ability to manage the technology, have contributed to halting the development of new nuclear capacity.

New coal technologies offer substantial efficiency and emissions reduction benefits, but excessively risk-averse regulators and utilities will make it difficult for these new technologies to enter the marketplace, especially given the requirements of the Clean Air Act Amendments of 1990. Use of wind, solar, geothermal, and biomass technologies, though promising for the longer term, is constrained to varying degrees by location, economics, or technical limitations that will not be fully overcome before 2000. Siting new generating facilities of <u>any</u> kind has become all but impossible in some parts of the country.

On the supply side, competition among wholesale electricity producers, on a regional or inter-regional scale, was not considered feasible when PUHCA was passed in 1935. Since the enactment in 1978 of PURPA, limited competition has emerged, but under PUHCA some of the most able potential competitors cannot participate, a result seemingly at odds with the public interest in reliable supplies of electricity at the lowest reasonable cost.

On the demand side, wide-ranging experimentation is taking place at State and local levels to increase efficiency and reduce consumption. Key factors that influence demand choices include technology, efficiency standards, prices, regulatory policy, tax policy, and consumer behavior. For each of these elements an opportunity exists for Federal and State governments to achieve progress through constructive partnerships.

Integrated Resources Planning (IRP) (also known as "Least Cost Utility Planning") is the process increasingly used by public utility commissions to determine the relative cost-effectiveness and desirability of new investments in electricity supply additions and demand reductions. Although the development of this process has been supported by the Federal government, its adoption has been limited.

Successful implementation of measures proposed in the National Energy Strategy will free electric utility markets from outdated regulatory and statutory barriers to greater competition; revitalize technology choices whose benefits have been overwhelmed by regulatory uncertainty, imbalance, and cost; impose discipline on the currently fragmented nuclear and hydroelectric licensing processes; establish clearer Federal/State responsibility for setting performance standards; and improve the environmental performance of electricity generation.

Specific measures to achieve a more efficient, technologically diverse electricity sector include:

A. Regulatory/Statutory Reform

1. Amend PUHCA to increase wholesale power generation options with protection for consumers. (Option 26)

2. Amend PURPA to permanently eliminate size caps for all renewable generation sources selected by a competitive bidding process, and reduce co-firing limits. (Options 36 and 37)

3. Pursue wholesale transmission access under current authority to assure that greater competition in supply is not hampered by uncertain access to transmission. (Option 27)

[4. Reform hydropower licensing in order to reduce current uncertainty and costs; deregulate licensing of small dams; expand capacity at existing Federal and non-Federal dams. (Option 29)] (See Appendix 7)

5. Reform nuclear power licensing and obtain legislation to implement the high level waste repository. (Options 30 and 31)

[6. Recover more of the Government's cost of debt from the Federal Power Marketing Administration. (Option 28)] (See Appendix 5)

B. Technology Development and Transfer

1. Accelerate deployment of clean coal technologies through regulatory treatment. (Option 33)

2. Develop standardized advanced light water reactors design certified by the NRC. (Option 30)

[3. Transform the renewable energy tax credit due to expire in 1991 into a production tax credit. (Option 34)] (See Appendix 3)

C. Federal, State and Private Efficiency Measures

1. Require IRP processes for all Federal power producers. (Option 38)

[2. Eliminate taxation of utility efficiency rebates. (Option 38)] (See Appendix 4)

[3. Extend current appliance standards to lighting and require labeling for lighting fixtures. (Option 39)] (See Appendix 6)

4. Assist States in promulgating and implementing improved building standards. (Option 40)

5. Encourage more widespread use of mortgage incentives for energy efficient housing. (Option 41)

6. Increase emphasis on home weatherization under existing low income energy assistance programs. (Option 16)

7. Improve the energy management of Federally funded public housing. (Option 43)

These measures would reduce electricity consumption by up to 7% in 2000 relative to projections based on current policy, and by 12% in 2010. This is equivalent to generation of power from about 80 (1000 Megawatt) power plants in 2000 and about 150 plants in 2010, although the reduction in capacity needs will lag reduction in energy use by several years. The measures would increase renewable electricity generation capacity by 8% in 2000 and 30% in 2010, and nuclear power generation capacity by 10% in 2010.

III. SCIENCE AND TECHNOLOGY

> A key goal of the NES is to expand the role that energy science and technology plays in achieving energy, economic and environmental objectives.

Technology development, application and management is the foundation of future U.S. economic and energy security. New technology is also a prerequisite to achieving global environmental objectives.

The primary responsibility for technology development and commercialization lies with the private sector. But the Federal government plays a critical role in basic and applied scientific research, which is the basis for technological breakthroughs. Through its extensive system of National research laboratories and its support of academic and private research, the Federal government substantially influences the scope and pace of energy technology development.

The results of laboratory research do not always reach the market place in a timely fashion, nor are they necessarily applied in areas of special national concern. To the extent that investments in technology development or improvement are likely to yield near term economic benefits, private firms have strong incentives to undertake them. In areas where future prospects are clouded by price and other economic or policy uncertainties, private investments are less likely.

Three areas of technology development are key to the successful implementation of the NES:

- Technologies that reduce the transportation sector's near total reliance on oil either by increasing efficiency of oil use, introducing alternative fuels and technology, and diversifying travel modes;

- Technologies that increase production of domestic energy resources, especially oil and gas; and

- Technologies that improve energy efficiency and increase technological choice and competition in all sectors of the economy.

Cooperative technology development efforts between industry and government reduce private sector investment risks and increase the likelihood of timely commercialization of R&D results.

Specifically proposed in the NES are: greater industry-led, 50/50 cost shared research, encouragement for the formation of R&D consortia, and encouragement of major innovation through a national prize/award program.

The NES will foster investment in a diversified portfolio of research that will offer the possibility of major breakthroughs, or major improvements, in technologies deemed critical to meeting U.S. energy, economic and environmental objectives in the late 1990s and in the first decade of the 21st century.

Specific high pay-off R&D measures under consideration for the NES, and subject to budget negotiations between the agencies involved and OMB, comprise:

1. Advanced Design Nuclear Energy Plants: Expanded R&D aimed at second-generation, passively-safe reactors.

2. Advanced Oil Recovery Technologies: Expanded R&D aimed at reducing per barrel recovery costs to $20 - $30.

3. Advanced Transportation Fuels From Biomass Technologies: Expand research aimed at reducing the production cost of ethanol to $.60/gal.

4. Aeronautics and Air Systems: Research on new materials and engine designs.

5. Basic research to support advanced energy technologies.

6. Electric Vehicles: Expanded R&D on batteries to increase vehicle range and performance.

7. High Speed Rail and Magnetic Levitation (Maglev) transportation: Research on advanced propulsion and guideway construction methods.

8. Industrial Technologies: Research aimed at reducing oil use in energy intensive industrial processes.

9. Intelligent Vehicle/Highway Systems: Implementation of the DOT Intelligent Highway System Initiation as a means to reduce oil consumption and increasing safety.

10. Telecommuting: R&D to promote technical solutions to increased use of telecommunications that could reduce work related travel.

11. Vehicle Propulsion: Enhanced R&D on ceramic components to increase market potential for more efficient alternative vehicles such as gas turbines.

Overall, the proposed R&D initiatives could achieve combined oil savings of 5 to 8 mmB/D by 2030.

Additionally, the NES recognizes that America's energy security, future energy technology growth, and workforce competitiveness are directly linked to the quality of our national mathematics and science education. By all accounts, American student achievement in these areas is below desired levels. The NES contains key recommendations for improving and increasing the technical competence of the American workforce through improved math, science, technology and engineering education.

IV. ENVIRONMENTAL QUALITY

> A key goal of the NES is to improve environmental quality through policies that emphasize clean, efficient energy sources and technologies, without sacrificing economic growth or affordable energy.

Energy policies that do not enhance environmental quality and protect public health cannot be sustained. Environmentally sensitive energy policies, plus science and technology, can substantially reduce the impacts of energy production, distribution and consumption on the biosphere.

Electric utilities produce approximately two thirds of total national SOX emissions. Other air pollutants -- NOX, CO, and VOCs -- result primarily from transportation energy use. Also, power plants, petroleum refineries, coal and uranium mines and some oil wells produce waste that unless carefully managed, adversely affects water quality. About 20% of all point sources discharges to surface waters in the U.S. are energy related.

Notwithstanding current statutes, which are more comprehensive than those enacted by any other Nation, the current policy case forecasts increased environmental stress, largely due to growth in population, cars and vehicle miles travelled, unless the American standard of living is to be reduced.

The 1990 Clean Air Act Amendments will limit, and in many cases reduce substantially from current levels, the major air pollutants from power plants, transportation use and energy using industries. The NES, coupled with existing DOE R&D programs, such as the development of alternative fuels for transportation, clean coal technologies, and energy efficiency improvements, would further reduce air and water pollutants and waste from projected levels.

NES measures are estimated to reduce sulfur dioxide emissions by 30 percent, nitrogen oxide by 25 percent and volatile organic compound emissions by 10 percent in the year 2030 from estimated projections. To offset the volumes of waste from energy production, the NES proposes measures to reduce current regulatory inefficiency, and encourage greater use of technologies that minimize wastes.

Although there remains a great deal of scientific uncertainty, growing international concern regarding the potential for climate change is causing many nations to consider measures to reduce greenhouse gases, in particular carbon dioxide (CO2). Since 1950, the U.S. share of total CO2 emissions has declined from about 42% to 23%. By 2025, the U.S. share is projected to be 14% of the world total. By contrast, developing countries have increased their share of CO2 contributions from 9% in 1950 to 30% today. By 2025, their share is projected to be about 48% of world total.

The measures set out in the NES would reduce the rate of growth of U.S. CO2 emissions by about 60% of the projected growth from 1990 to 2030. Greater use of nuclear power, renewable energy, and improvements in energy efficiency in the electricity and transportation sector, would be the major contributors to this reduction.

Implementation of the measures proposed in the NES will substantially improve environmental quality while improving economic efficiency and maintaining reasonably priced energy. The cost to the Nation of environmental regulation is over $100 billion per year and growing (1.5% of GNP). The NES proposes to reduce these costs through more efficient management of environmental compliance. It calls for wider use of emissions-trading and other market mechanisms that will be demonstrated in the implementation of the CAA, and should be extended to other environmental protection programs. Also, to reduce the costs of energy, the NES proposes measures to expedite the citing, permitting and licensing of new energy facilities. Ultimately, the key to meeting National requirements for energy, for economic well being, and for environmental quality, will be new technology. For these reasons, the NES concerns itself not only with the historical Federal role in basic science and research, but also with technology transfer and with the quality of the educational system that will train future technology developers and managers. Specific measures to better harmonize energy and environmental objectives include:

1. Implementing greenhouse gas emission reduction measures that also make sense for other environmental, energy security, and economic reasons. (Option 45)

2. Pursuing research aimed at resolving uncertainties associated with potential global climate change. (Option 47)

3. Greater use of mechanisms such as emissions trading and marketable allowances to reduce compliance costs. (Option 50)

4. Greater use of waste minimization technologies in all energy using sectors. (Option 52)

5. Clarifying the application of new source review requirements to existing power plants. (Option 51)

6. Using model programs to expedite citing, permitting and licensing of energy facilities. (Option 48)

7. Assuring that State programs to regulate radionuclide emissions are promulgated only if they improve health and environmental protection, and are applied equally against risks from all sources. (Option 53)

8. Better assessments of the impacts on energy supply, distribution and cost of environmental rulemaking. (Option 49)

Conclusion

As a National Energy Strategy, these measures advance the national interest by:

- Securing adequate energy supplies at reasonable cost
- Reducing our vulnerability to oil market disruptions
- Increasing efficiency in the production and use of energy
- Removing barriers to the development of domestic energy resources
- Exerting U.S. leadership in energy research, science and technology.
- Enhancing environmental quality.

The NES, as constructed by the measures identified in this paper, seeks to satisfy the President's directive to improve energy security, enhance environmental quality, and provide the energy necessary to fuel a healthy economy.

ISSUES FOR DECISION

Approve the strategy paper and the consensus options recommended by the Economic Policy Council.

Approve ✓ ____ Disapprove________ Need more information_______

The attached Appendices 2-7 present the non-consensus options for Presidential decision.

Attachments

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06. Option Paper	List of Options (1 pp.)	n.d.	P-5	

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APPENDIX 1

CONSENSUS OPTIONS

Option #	Option
2	Allow Access to OCS Consistent with President's 1990 Decisions
3	Allow Access to ANWR
4	Alaskan North Slope Development
5	Gas Pipeline Construction without Federal Certification
6	Gas Pipeline - Coordinated NEPA Review
7	Deregulate Pipeline Sales Rates
8	Reform Pipeline Rate Design
9	Improve Pipeline Transportation
10	Eliminate DOE Import/Export Regulation
11	CAFE Study
12	Accelerate Scrappage of Older Cars
14	Stimulate Mass Transit
16	Low Income Home Efficiency
23	NPR Leasing
24	Stimulate Oil and Gas Production Outside Persian Gulf
25	Oil Pipeline Deregulation
26	PUHCA Reform - Greater Competition
27	Transmission Access for Wholesalers
30	Facilitate Expansion of Nuclear Power
31	Nuclear Waste - Comprehensive Solution
32	Nuclear Waste - Alternative to Federal Management
33	Encourage Clean Coal in Electric Utilities
35	Municipal Solid Waste to Energy
36	Reform PURPA - Remove Size Cap
37	Reform PURPA - Relax Co-firing Limits
38	Promote Integrated Resource Planning by Utilities
40	Strengthen Building Energy Efficiency Standards
41	Mortgage Financing Incentives
43	Improve the Efficiency for Public Housing
44	Reducing Environmental Impacts of Energy Systems
45	Global Climate Change - Integrate NES
47	Added Global Climate Change Research
48	Reduce Delays in Siting and Permitting
49	Enhanced Energy Analysis for Environmental Rulemaking
50	Emissions Trading for Environmental Compliance
51	Modified New Source Applicability
52	Encourage Waste Minimization in Industry
53	Dual Regulation of Radionuclides
54	Re-align Federal R&D Priorities
55	DOE Basic Research Capabilities
56	Leverage NES-Related R&D Resources
57	Reform the National Technology Transfer Service
58	Spur the Export of Energy Technologies
59	Math/Science Education Initiative
60	Enhanced R&D

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Option Paper	Options Paper on Alternative Fuels (4 pp.)	n.d.	~~P-5~~ Open on Expiration of PRA (Document Follows) By [illegible] (NLGB) on 4/5/05	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed: 6/6/2000	**OA/ID Number:** 05480-001
FOIA/SYS Case #: 1999-0735-F	**Appeal Case #:**
Re-review Case #:	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
AR Disposition Date:	**MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
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P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Title: Alternative Fuels Options Package

Option: Support an integrated package of incentives and regulations designed to replace a significant fraction of vehicle oil use with alternative fuels (including methanol, ethanol and compressed natural gas) by the year 2005.

Discussion: The NES reference case projections show oil consumption growing from about 17.4 million barrels/day today to 20.7 million barrels/day in 2005. Other NES options are projected to reduce this by 1.0 million barrels/day. Significant additional reductions can only be achieved by reducing oil use in vehicles. This option package would reduce oil consumption by 1 million barrels/day in 2005, rising to 1.9 - 2.7 million in 2010.

A significant increase in the use of alternative fuels would enhance energy security by diversifying the supply of transportation fuels. In the absence of government action, alternative fuels would probably not achieve significant market penetration in the next 15 years.

The Clean Air Act Amendments of 1990, and clean air programs in California, will promote alternative fuels because of their potential to reduce air pollutants. This option package, combined with a commitment to some use of alternative fuels in the Federal fleet, would expand those programs significantly.

Components of the Package:

1. <u>CAFE Incentive for Alternative Fueled Vehicles</u>: Current law gives vehicle manufacturers a credit towards their required Corporate Average Fuel Economy (CAFE) level for producing vehicles that can burn alternative fuels, but caps the credit at 600,000 vehicles/year. Under this option, <u>legislation would be proposed to remove this cap</u>. It is expected that this would result in the sale of numerous "flexible-fueled vehicles" (FFVs), capable of burning either gasoline or methanol.

2. <u>Expanded Alternative Fueled Fleets</u>: The Clean Air Act imposes clean fuel requirements on the owners of fleets of 10 or more vehicles in the 26 smoggiest urban areas. Under this option, <u>legislation would be</u>

proposed to require nationwide that all centrally-fueled fleets with 20 or more vehicles be 90% alternative-fueled by 2000, except that in the 26 urban "non-attainment" areas specified in the Clean Air Act the requirement would apply to fleets with 10 or more vehicles. Exemptions similar to those in the Clean Air Act would apply.

3. Non-petroleum Fuel Mandate: To increase the use of non-petroleum-based fuels in the general vehicle population, this option would propose legislation to require all refiners and importers to sell 5% non-petroleum fuel by 2000 and 10% by 2005. Credits and trading would be used.

Estimated Costs: Flexible Fueled Vehicles are estimated to cost an extra $275 dollars today, falling to $100 (in today's dollars) by 2010. Constructing vehicles to burn compressed natural gas is estimated to increase vehicle cost by $800, although much of this cost could be offset by savings in lower fuel costs.

Parts (1) and (2) of the package are expected to lead to increased vehicle and infrastructure costs of about $5 billion and $7 billion, respectively (discounted present value, 1990 dollars). Overall, the package would incur vehicle and infrastructure costs of $5 - $7 per barrel of oil displaced. This range is a discounted average over the entire period; costs per barrel would be higher in early years and lower later on.

The cost of the alternative fuels themselves is subject to great controversy, and varies depending on the fuel considered. If oil prices rise steadily in real terms from 1990 pre-crisis levels, imported methanol-based fuels would likely be cost-competitive with imported oil within the next ten years. It is possible, however, that they will be more expensive for the foreseeable future. Ethanol costs nearly twice as much to produce today than gasoline, while compressed natural gas is cost competitive with gasoline.

Pros: The package as a whole is projected to reduce oil demand by 1 million barrels/day in 2005, rising to 1.9 - 2.7 million in 2010. Parts (1) and (2) of the package are projected to reduce oil demand by 800,000 in 2005, rising to 910,000 in 2010.

This is the only potential NES component that can be confidently predicted to reduce the demand for oil. By increasing supply diversity, it may make it more difficult for OPEC to artificially increase oil prices.

The CAFE incentive provides an alternative to manufacturers that may be more cost-effective than meeting CAFE levels.

Provides an incentive for the use of U.S. natural gas and for the development of a U.S. alcohols industry based on biomass, waste or coal.

Cons: Creates a new government regulatory program.

Imposes significant costs on the economy, which may be wasted if alternative fuels do not prove economic.

Much of the new fuel is expected to be imported methanol made from natural gas. Although worldwide natural gas reserves are more widely dispersed than oil reserves and significant amounts of methanol are expected to come from the Western Hemisphere, the Persian Gulf countries would be among the lowest cost suppliers.

Changing the CAFE incentive would require a legislative proposal that might be difficult to control once suggested, and may make it more difficult to resist increases in CAFE levels themselves.

ISSUES FOR DECISION

Option 1: Approve the consolidated package outlined above.

Approve _______ Disapprove ✓ Need more information____

Agencies in Favor: Agriculture

Agencies Opposed: All Others (except EPA, State, and Interior which declined to record a position on the consolidated package)

Option 2: Approve one or more of the components of the consolidated package.

(i) CAFE Incentive for Alternative Fueled Vehicles

Approve CM Disapprove _______ Need more information_____

Agencies in Favor: Energy, Treasury, OMB, CEA, OPD, CEQ, Commerce, Defense, Transportation, EPA, State, Agriculture, Interior, OSTP

Agencies Opposed: None

(ii) Expanded Alternative Fueled Fleets

Approve CB as modified Disapprove _______ Need more Information_____

Agencies in Favor: Energy, Treasury, OMB, CEA, OPD, CEQ, Commerce, Defense, Transportation, EPA, State, Agriculture, Interior, OSTP

Agencies Opposed: None

(iii) Non-petroleum Fuel Mandates

Approve _______ Disapprove CM Need more Information_____

Agencies in Favor: Agriculture

Agencies Opposed: All Others (except EPA, State, and Interior which declined to record a position)

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08. Option Paper	Options Paper on Renewable Energy Production Incentive (4 pp.)	n.d.	P5 Open on Expiration of PRA (Document Follows) By CH (NLGB) on 4/5/05	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed: 6/6/2000	**OA/ID Number:** 05480-001
FOIA/SYS Case #: 1999-0735-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

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Title:	Renewable Energy Production Incentive
Option:	Enact a performance-based production incentive for certain renewable electric energy technologies.

Discussion:

The proposal for a production incentive would provide a tax credit of up to 2 cents per kilowatt hour to producers of electricity generated from new renewable energy sources. Electricity generated by wind, solar thermal, photovoltaics, geothermal (excluding dry steam systems), and biomass (excluding the direcit combustion of waste) would qualify. The credit would be allowed for the first seven years of system operation. The incentives would be available to facilities placed in service over the next ten years, but the rate of credit would be phased down from 2 cents per kilowatt hour after five years. The credit would, however, be adjusted for inflation.

The production incentive option represents a shift in policy because benefits are directly tied to energy production, in contrast to investment credits, which benefit investors regardless of the amount of energy produced. Current law allows a 10% investment tax credit for investment in solar or geothermal properties. This tax credit is due to expire on December 31, 1991.

Estimated Benefits and Costs:

These options are not intended to displace oil. Instead, these incentives would accelerate the penetration of renewable energy technology. The production incentive option is projected to result in earlier renewable energy capacity and production additions relative to the NES base case: approximately 19.1 gigawatts (or 1.4 quads) by the year 2000 and 28 gigawatts (or 2.2 quads) by the year 2010.

The program costs for the production incentive option are estimated to be $1.8 billion for the first 5 years and $17.3 billion total over the life of the program (in constant 1990 dollars).

Alternatively, the Department of Energy has proposed that the cost of the production-based credit could be reduced by halving the credit for geothermal energy and further restricting the geothermal and biomass technologies eligible for the credit. These changes would be configured to fit within a maximum revenue cost proposal of $670 million over five years. Additional projected renewable energy production would be .7 quads by 2000 and 1.1 quads by 2010.

Further, this compares with an approximate annual cost of $67 million for the existing investment tax credit for solar and geothermal systems, which was extended by the Budget Reconciliation Act through December 31, 1991. A five-year extension of the existing investment tax credit has an estimated revenue cost of $228 million.

<u>Option 1</u> Performance-based Production Incentive.

Pros: Provides a stimulus to energy technologies capable of delivering power from domestic energy sources with little pollution and provides broader coverage (wind and biomass) than the existing credit.

The phase-down of credit rates and limited program life is expected to encourage accelerated development of the technologies, with benefits felt beyond the period of the tax credit provided.

Because the credit supports only actual production, if systems fail to perform, incentive costs to the federal government are reduced accordingly.

Cons: Subsidizes projects that may not be cost-effective, without providing energy security benefits.

Producers of other energy sources may seek similar tax incentives in order to maintain a "level playing field."

Would be economically and politically difficult to propose a significant new tax credit in light of the budget agreement.

<u>Option 2</u> Extension of current renewable energy investment tax credit.

Pros: A one-year extension reflects a continuing interest in the development of alternative fuel technologies at a minimal revenue cost.

A five-year extension would signal an even greater commitment to renewable fuel technology.

Cons: The investment tax credit rewards only investment, not necessarily electricity generated from renewable energy sources.

Continues to subsidize high cost investments without significant oil displacement.

Action Required and By Whom: The proposed legislation would be developed by DOE and Treasury.

ISSUES FOR DECISION

Option 1: Approve the performance-based production incentive:

(i) Approve the full package ($1.8 billion over 5 years)

Approve____ Disapprove_____ Need more information_____

(ii) Approve the modified package (configured to $670 million over 5 years)

Approve_____ Disapprove_____ Need more information_____

Agencies in Favor: Energy, Defense, State, Interior, EPA, CEQ, OSTP, Agriculture, USTR. (All agencies supporting the full package support the modified package as a fall-back preference.) Commerce supports the modified package, but does not support the full package.

Agencies Opposed: Treasury, OMB, CEA, OPD

Option 2: Approve extension of the investment tax credit for renewable energy:

(i) Approve a one-year extension to December 31, 1992 ($67 million revenue cost)

Approve GB 1-21-91 Disapprove_____ Need more information_____

(ii) Approve a five-year extension ($228 million revenue cost)

Approve_____ Disapprove_____ Need more information_____

Agencies in Favor: CEA and OPD favor a one-year extension. (Treasury and OMB could accept a one-year extension as a fall-back position consistent with other budget decisions.)

Agencies Opposed: Energy, Commerce, Agriculture (Other agencies favoring Option 1 could support some form of extension if Option 1 is disapproved.)

3. Disapprove both the performance-based production incentive and the extension of the investment tax credit for renewable energy:

Approve_____ Disapprove_____ Need more information_____

Agencies in Favor: Treasury, OMB

Agencies Opposed: Energy, Defense, State, Interior, EPA, CEQ, OSTP, Agriculture, USTR

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09. Option Paper	Options Paper on the Elimination Taxation of Efficiency Rebates (2 pp.)	n.d.	P5 Open on Expiration of PRA (Document Follows) By CBL (NLGB) on 4/5/05	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed: 6/6/2000	**OA/ID Number:** 05480-001
FOIA/SYS Case #: 1999-0735-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

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Title: Eliminate Taxation of Efficiency Rebates

Option: The Administration would support exemption from taxation of electric utility rebates for efficiency investments.

Discussion: Electric utilities throughout the United States have developed programs to encourage investments in electricity efficiency by customers. These programs commonly involve efficiency rebates to residential, commercial, and industrial customers. These incentives may take the form of payments to customers of a portion of the cost of their investment in electricity conservation and efficiency. For example, if a customer purchases equipment from a third party that will reduce electricity consumption, the utility may make a payment to the customer equal to part of the cost of the equipment. Alternatively, a utility may agree to allow a discount on utility bills to customers that participate in conservation programs.

Roughly half of the nation's electric utility customers are served by utilities with energy efficiency rebate programs.

The Internal Revenue Service has determined that utility rebates to customers of part of the cost of buying conservation equipment result in taxable income to the customers. The Service has distinguished these payments from purchase price discounts, which have traditionally not been subject to tax. The rebate payments are not made by the seller of the conservation equipment, and thus cannot be viewed as discounts on the price of the equipment. The payments are not conditioned on the purchase of electricity, and thus cannot be viewed as discounts on the price of electricity.

Legislation has been introduced in the Congress last session to exclude from gross income for Federal tax purposes utility conservation program rebates to customers.

Pros: By lowering the cost, the proposal encourages consumer investment in energy efficient technologies.

The reduced demand for electricity would reduce the need for new generating plants.

- The proposal would preempt Congressional initiative as passage of legislation is likely.

Cons: The proposal deviates from existing tax policy by creating a new category of tax-exempt income.

Tax-exemption could be accomplished without a statutory change by utility programs that allow discounts on monthly utility bills to customers who participate in conservation programs.

DOE estimates that the proposal would cost $400 million over the 5-year budget period. Although Treasury's projections are much closer to DOE's estimates, the Joint Committee on Taxation estimated that a similar proposal would cost about $800 million over 5 years.

Action Required and By Whom: The Administration would support exempting from federal taxation utility efficiency rebates to consumers either through administrative clarification or amendment of the federal tax code.

ISSUES FOR DECISION

Option 1: Support exempting from federal taxation utility rebates to customers on the cost of buying conservation equipment.

Approve____ Disapprove____ Need More Information____

Agencies in Favor: Energy, CEQ, EPA, Defense, Justice, Interior, State, Agriculture

Agencies Opposed: Treasury, OMB, CEA, OPD, OSTP, Commerce

Option 2: Provide administrative guidance exempting from federal taxation only utility rebates structured as discounts on the price of electricity.

Approve ✓ CB Disapprove_____ Need More Information_____

Agencies in Favor: Treasury, OMB, CEA, OPD, OSTP, Commerce

Agencies Opposed: Energy, CEQ, EPA, Defense, Justice, Interior, State, Agriculture

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
10. Option Paper	Options Paper on the Recovery of the Government's Cost of Debt from Federal Power Marketing Administrations (2 pp.)	n.d.	P5 Open on Expiration of PRA (Document Follows) By [illegible] (NLGB) on 4/5/05	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed: 6/6/2000	**OA/ID Number:** 05480-001
FOIA/SYS Case #: 1999-0735-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Title: Recover More of the Government's Cost of Debt from Federal Power Marketing Administrations (PMAs)

Option: Reduce PMA hydro-electric subsidies by requiring that outstanding debt be repaid at the Treasury long-term interest rates in effect when the project went into service. (This option does not extend to the Rural Electrification Administration.)

Discussion: Federal policies historically have provided lower electricity prices and preferential treatment to different classes of utilities and their customers. The inequities arising from some customers or regions of the country receiving preferential treatment would be reduced somewhat. The major remaining federal electricity subsidy is DOE's Power Marketing Administration (PMA) debt repayment practice.

The Government's current policy allows PMAs to sell power at a price which is artificially low, thereby inducing additional demand for federal hydro-power. OMB estimates that to date this below cost pricing policy has cost the Treasury over $4 billion. Over the life of existing loans the subsidy will cost the federal government over $15 billion. Many PMAs are allowed to repay project debt at low or no interest. The Administration has previously proposed to charge full interest on this debt. This compromise option would charge the PMAs the cost of Treasury borrowing at the time the project went into service -- likely to be far lower than current Treasury rates.

Pros: Equitable to both PMA customers and federal taxpayers because the interest rates would be those the lender (Treasury) had to pay at the time the projects were built.

Stimulates energy conservation and reduces the need to build new dams. Requiring Treasury-cost financing for the PMAs would eliminate multi-billion dollar energy consumption subsidies at a time when the government is encouraging conservation measures in the NES.

Fiscally advantageous, because it reduces financing subsidies and increases federal revenues by almost $500 million per year.

Cons: Many in Congress will strongly oppose any change in the status quo. In the past, Congress has been unwilling to reform federal electricity policies.

Negatively affect the economy in areas where federal power provides a significant portion of electric use, such as in the Pacific Northwest.

Opposition to this proposal may jeopardize other elements of the NES.

Action Required and By Whom: DOE can administratively reduce PMA financing subsidies by requiring debt repayment practices which cover federal costs. Legislation would be developed to change some historic interest rates. The proposal would be included in the NES report.

ISSUE FOR DECISION

Approve ✓ Disapprove____ Need More Information____

Agencies in Favor: OMB, OPD, OSTP, State, Treasury, Agriculture, CEA, CEQ, EPA

Agencies Opposed: Energy, Commerce, Defense

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
11. Option Paper	Options Paper on Federal Lighting Efficiency Standards (2 pp.)	n.d.	~~P5~~ Open on Expiration of PRA (Document Follows) By CW (NLGB) on 4/5/05	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Brady, Philip D.
Subseries:
WHORM Cat.:
File Location: Chron File 1/91 [1]

Date Closed: 6/6/2000	**OA/ID Number:** 05480-001
FOIA/SYS Case #: 1999-0735-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
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APPENDIX 6

Title: Federal Lighting Efficiency Standards

Option: The Administration would propose legislation giving DOE authority to set efficiency standards for residential, commercial, and industrial lamps (i.e., light bulbs).

Discussion: DOE has established efficiency labeling and standards for 13 categories of residential appliances and for fluorescent lighting system ballasts. Under this option, the current program would be expanded to include lamps. (Other components of commercial lighting systems (fixtures and controls) and other categories of equipment, including commercial space conditioning equipment and controls, office equipment, and small (up to 25 hp) electric motors will be required to carry labels indicating energy performance. There is no dispute regarding this labeling program.)

A variety of barriers appear to have limited the penetration of energy-efficient lamp technologies that are cost-efficient in many uses. These barriers include poor information and weak incentives to incur higher initial costs that produce small energy savings relative to total business costs or to household budgets.

About 16 percent of electricity demand (5 percent of total energy demand) is accounted for by lighting; about 5 percent of electricity generation is oil-fired. Approximately $2 billion is spent annually on large incandescent and fluorescent lamps. Incandescent bulbs consume about 45 percent of electricity used in lighting but produce only about 17 percent of light output. DOE estimates that adoption of cost-efficient lamp standards would reduce electricity demand by 1.3 percent by 2010 using 1990 technology.

Pros: Standard-setting is confined to the area in which evidence for market failure is strongest, with labeling relied upon elsewhere, and enforcement is simplified by setting bulb standards rather than lighting system performance standards.

Engineering studies suggest that a shift to more efficient bulbs would both save energy and create net economic benefits at current market prices.

A mandatory conservation effort of this sort may be necessary to produce an NES that will be perceived as balanced.

Cons: This proposal is at odds with Administration regulatory philosophy: it does not seek the least intrusive means of correcting an alleged market failure; it substitutes the judgement of regulators for that of the market; and it does not provide maximum flexibility to respond to a lighting <u>system</u> performance standard.

Estimated energy savings from this program are very small, and oil savings are tiny, even after 20 years.

Congress may react to this legislative proposal by requiring national standards for other components of commercial lighting systems and other classes of equipment or by imposing stricter lamp standards.

Actions Required and by Whom: DOE would develop an amendment to existing appliance standards legislation. (DOE will also develop and implement a multi-year action plan for assessing commercial equipment markets and establishing new labeling requirements.)

ISSUE FOR DECISION

Approve_____ Disapprove_____ Need More Information_____

Agencies in Favor: Energy, CEQ, Defense, EPA, HUD, OSTP, State, Agriculture, USTR

Agencies Opposed: CEA, Commerce, OMB, OPD, Treasury

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
12. Option Paper	Option on Hydropower Regulatory Reform (2 pp.)	n.d.	P/5	

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APPENDIX 7

Title: Hydropower Regulatory Reform

Option: Support reform of the Federal Power Act (FPA) to require the FERC to coordinate a single, comprehensive (federal and state) review of hydropower projects, and if a concensus decision on a project cannot be reached FERC would serve as the sole decision-making agency on the matter.

Discussion: The process for licensing hydropower projects commonly runs five or more years. This is the result of multiple and complex regulatory requirements and competing claims of decision-making jurisdiction. Under federal law, FERC has responsiblity for resolving competing interests. However, in practice its ability to exercise this responsiblity is limited. Recent legislation, court decisions, and regulatory actions of other agencies have significantly constrained FERC authority. No single agency now can effectively resolve these overlapping and competing regulatory interests.

During the next several decades, substantial existing hydropower capacity will be subject to relicensing by the FERC. The licensing process may retard or terminate the continued use of this capacity.

Hydropower projects can have significant environmental consequences in terms of aquatic habitat and also frequently interfere with recreational activities. Therefore, licensing of the projects is often a matter of intense local interest and controversy.

Pros: Restores a better balance between power and non-power uses of waterways.

Eliminates administrative duplication and serves to reduce the time and expense of decision-making on projects by up to an estimated two years.

Enables greater use of hydropower resources, and retention of existing hydropower capacity.

Cons: Sharply limits state water quality authority to deal with intensely felt local issues, contrary to the principles of current environmental law concerning state and local prerogatives and to the Administration's preference for encouraging state and local responsibility.

Perceived as reducing the extent to which environmental considerations are addressed in the licensing process, thereby prompting strong opposition by state and local governments and environmental and recreational interests.

Increases the likelihood of adverse impacts on water quality, fisheries, and recreation.

Action Required and by Whom: The proposed legislation and regulatory reforms would be developed by DOE, FERC, and other federal agencies.

ISSUE FOR DECISION

Approve ✓ Disapprove____ Need More Information____

Agencies in Favor: Energy, CEA, Commerce, Interior, OPD, OSTP, State, Treasury, Agriculture

Agencies Opposed: EPA, CEQ, Defense, OMB