

RESTRICTED

GR 500

RESTRICTED

FM WASHINGTON 062342Z JUL 79

TO ROUTINE FCO

TELEGRAM NUMBER 1832 OF 6 JULY

INFO SAVING PARIS BONN ROME TOKYO UKDEL NATO UKREP OECD
UKREP BRUSSELS CG S ATLANTA BOSTON CHICAGO CLEVELAND DETROIT
HOUSTON LOS ANGELES NEW YORK PHILADELPHIA SANFRANCISCO SEATTLE
AND ST LOUIS.

M.I.P.T. : ENERGY POLICY

1. THE DAMAGING ECONOMIC EFFECTS OF THE OPEC PRICE INCREASES AT GENEVA HAVE, PREDICTABLY, BEEN PLAYED UP BY THE PRESS AND THE PRESIDENT. THE ENERGY COMMITMENTS AT THE TOKYO SUMMIT ARE SEEN AS ONLY THE FIRST STEP ON THE DIFFICULT ROAD TO EFFECTIVE POLICY-MAKING TO RESTRAIN DEMAND FOR OPEC OIL. FOR CARTER THE IMMEDIATE PRIORITIES WILL BE TO RELIEVE THE SHORT TERM POLITICAL PRESSURES OF THE GASOLINE SHORTAGE, HIGHER OIL PRICES, LOW STOCKS OF WINTER HEATING OIL AND REGULATORY CONFUSION SEMICOLON AND TO SET IN PLACE LONGER TERM ACTIONS TO MEET HIS TOKYO COMMITMENT. THESE ARE VERY DIFFICULT TASKS, THE TOOLS AT HAND ARE FEW AND THE PROSPECTS OF SUCCESS ARE NOT GOOD. WITHOUT A HIGHER LEVEL OF OIL IMPORTS SHORT TERM ACTION CAN ONLY AIM TO MINIMISE THE ADVERSE EFFECTS AND TO SPREAD THE DISCOMFORT MORE EVENLY. MANDATORY TEMPERATURE CONTROLS IN PUBLIC AND COMMERCIAL BUILDINGS (APPROVED BY CONGRESS TWO MONTHS AGO) ARE DUE TO BE IMPLEMENTED SOON. FUEL OIL CONSUMPTION BY INDUSTRY AND ELECTRIC UTILITIES MAY BE CUT BACK AND SOME CLEAN AIR RESTRICTIONS MAY BE WAIVED TO INCREASE COAL UTILISATION. EFFORTS TO REVIVE A LARGELY SYMBOLIC STANDBY GASOLINE RATIONING AUTHORITY (RECENTLY REJECTED BY THE HOUSE OF REPRESENTATIVES) MIGHT NOW BE SUCCESSFUL. THESE COULD ALL MAKE SMALL CONTRIBUTIONS TO LIMITING OIL DEMAND.

2. FOR THE LONGER TERM, OIL PRICE DECONTROL WILL HELP IN TIME TO RESTRAIN THE DECLINE OF DOMESTIC PRODUCTION SEMICOLON AND THE ACCOMPANYING WINDFALL PROFITS TAX, WHEN IT CLEARS CONGRESS, WILL PROVIDE FUNDS IN THE EARLY 1980S WHICH COULD BE USED TO STIMULATE A PROGRAMME TO PRODUCE SYNTHETIC FUELS. BUT MAJOR EFFORTS AND NEW DECISIONS ARE STILL REQUIRED, AS THEY HAVE BEEN SINCE 1977,

RESTRICTED

/ TO RESOLVE

RESTRICTED

TO RESOLVE ENVIRONMENTAL AND REGULATORY CONFLICTS, WHICH STAND IN THE WAY OF EXPANDED COAL CONSUMPTION AND NUCLEAR POWER, AND TO START UP AMBITIOUS SYNTHETIC FUELS PROGRAMMES, WHOSE CONTRIBUTION CAN ONLY BE MARGINAL AT BEST FOR SOME YEARS TO COME. IT REMAINS TO BE SEEN WHETHER CARTER WILL TRY TO MAKE UNPOPULAR AND EXPENSIVE CHOICES IN THESE AREAS, AND BE ABLE TO MUSTER THE NECESSARY PUBLIC AND CONGRESSIONAL SUPPORT FOR THEM. THE CONGRESS IS LIKELY TO REASSEMBLE AFTER THE 4 JULY RECESS IN A MOOD TO SHOW THE INCREASINGLY ANGRY VOTERS THAT IT IS CAPABLE OF ACTING PURPOSEFULLY. BUT THE CONFLICTING INDUSTRY, CONSUMER, ENVIRONMENTALIST AND REGIONAL INTERESTS WHICH HAVE HAMSTRUNG ENERGY LEGISLATION HITHERTO STILL PERSIST. AND THE CREDIBILITY OF THE ADMINISTRATION IN GENERAL AND ENERGY SECRETARY SCHLESINGER IN PARTICULAR IS NOW SO LOW THAT IT IS DIFFICULT TO SEE THEM GENERATING THE CONSENSUS NEEDED FOR EFFECTIVE LEGISLATIVE ACTION.

FCO PASS SAVING PARIS BONN ROME TOKYO UKDEL NATO UKREP OECD AND UKREP BRUSSELS.

ROBINSON

[PASSED AS REQUESTED]

FCO/WHITEHALL DISTRIBUTION

N AM D
ES & SD