

REPORT OF THE
NATIONAL PETROLEUM COUNCIL
COMMITTEE
ON
PROPOSED PETROLEUM POLICY COUNCIL
AS ADOPTED
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INTRODUCTION

Pursuant to the request of the Secretary of the Interior in his letter to the Chairman of the National Petroleum Council dated October 18, 1949, the Committee on Proposed Petroleum Policy Council presents its report and recommendations with respect to proposed legislation introduced in the House of Representatives as HR 6047, a bill "To establish a Petroleum Policy Council."

The Secretary stated, regarding the "Bill"; that "the Department of the Interior has been asked to express its views on the measure" and added "the advice and counsel of the petroleum industry will materially assist the Department in reaching a position on this proposed legislation which is both practical and in the public interest."

ANALYSIS OF H. R. 6047

The proposed legislation creates in effect an independent agency to be known as a Petroleum Policy Council composed initially of representatives of the Interior, State and Commerce Departments, the National Security Resources Board and the National Military Establishment, and authorizes the appropriation of necessary funds. The President may add the participation of additional agencies or terminate participation of an agency as the interests of such agencies may increase or diminish. The Bureau of the Budget is a participating agency without the right to vote. Representative of the Department of Interior is to act as Chairman.

It (1) directs the Council to create an industry advisory panel, a State-Local panel and such other advisory panels as it deems necessary; (2) authorizes the appointment of an Executive Secretary and necessary staff, and authorizes the Council to employ such experts, assistants, special agents, examiners and attorneys as may be necessary; and (3) authorizes the Council to call on other agencies of government for information and assistance.

To aid in developing, clarifying, and coordinating national policies relating to maintenance of available supplies of petroleum products of satisfactory quality, at reasonable prices, the Council would coordinate, unify, clarify and recommend the formulation (for application at home and abroad) of petroleum policies affecting agencies of government relating to:

(1) the development of the domestic petroleum industry in order to meet, to maximum practical extent, emergency petroleum requirements; (2) Western Hemisphere development; (3) World-wide development; (4) the furtherance of conservation; (5) the development of new sources of liquid fuels including Federal sponsorship of research and development of processes for their production from gas, coal, oil shale and tar sands; (6) stock piling; (7) the encouragement of exploration and development of public land; (8) fuel efficiency; (9) dispersal of refining facilities; (10) adequacy of tankers; (11) imports to supplement domestic supply consistent with the maintenance of a healthy domestic industry; and (12) development and maintenance of plans for an emergency petroleum organization in the event of a National emergency.

The Council:

(1) shall make recommendations to the appropriate agencies and to the President for the adoption and carrying out of policies, programs and procedures within limits of their authority, and agencies participating are required to carry out such recommendations to the extent of their authority;

(2) shall recommend to Congress the enactment of legislation necessary to effectuate the policies it may adopt;

(3) may consult with United States representatives to various international organizations, and shall recommend to the Department of State general policy directives for the guidance of such representatives;

(4) shall make annual reports to the President for transmission to Congress; also such special reports as it may deem advisable.

It will be seen that the proposed Petroleum Policy Council would replace the Oil and Gas Division as now established. The National Petroleum Council would be dissolved and various industry panels established, without control of their action by appropriate articles of organization as now provided by industry for the National Petroleum Council. The Petroleum Policy Council would have broad objectives in the formulation of policy, in compelling compliance therewith by all other departments and agencies of government, and in proposing legislation affecting the petroleum industry for the accomplishment of such broad objectives. The purposes stated are so broad and sweeping in terms as to make possible administrative interpretation and applications that may bring about unnecessary govern-

ment control and regulation of operations of the petroleum industry. This might seriously impair the flexibility of the industry in supplying petroleum to the public under our competitive system, and is not in the public interest.

OIL AND GAS DIVISION AND THE NATIONAL PETROLEUM COUNCIL

Attention is called to the action of the President of the United States on May 3, 1946, bringing about the establishment of an Oil and Gas Division (May 6, 1946) in the Department of the Interior and the National Petroleum Council, a petroleum industry advisory group, June 18, 1946.

The Oil and Gas Division was created "to unify and coordinate federal policy and administration with respect to petroleum and to serve as the channel of communication between the Federal Government and the Industry." The National Petroleum Council was created "to continue government-industry cooperation *** important *** to the welfare and security of the Nation" and to advise the Secretary of the Interior and the Oil and Gas Division of the Department, on oil and gas matters.

In considering the assignment and developing its conclusions, the Committee has reviewed the testimony presented before the "Special Senate Committee Investigating Petroleum Resources" on June 17, 1946, at the hearings upon S. Res. 36 "On the newly established Oil and Gas Division of the Department of the Interior." Included in that record is the letter of the President of the United States to the Secretary of the Interior, May 3, 1946, recommending the establishment of an Oil and Gas Division and an Industry Advisory Council.

Also included in the record are a copy of Administrative Order #2193, issued by Secretary Krug on May 7, 1946, establishing an Oil and Gas Division in the Department of the Interior; the Department of the Interior release of June 18, 1946, announcing the original appointment of members in the newly-established National Petroleum Council; and a copy of Mr. Krug's telegram of appointment to the Council members.

In his letter to the Secretary of the Interior terminating the Petroleum Administration for War, after commenting that it had "so successfully completed its war-time assignment," the President said:

"To the extent possible one agency must bear the primary responsibility for providing a focal point for leadership and information for the numerous agencies of the Federal Government dealing with petroleum. I, therefore, request that you undertake the initiative in obtaining coordination and unification of federal policy and administration with respect to the functions and activities relating to petroleum carried on by the various departments and agencies. Where practicable and appropriate governmental activities relating to petroleum should be centralized and I ask that from time to time you submit to me for consideration, proposals looking to the accomplishment of this objective.

"You should, through such office as you designate, serve as the channel of communication between the Federal Government and the petroleum industry, and as the liaison agency of the Federal Government in its relations with ap-

propriate state bodies concerned with oil and gas. I have been impressed with the great contribution of government-industry cooperation to the success of the war petroleum program, and feel that the values of such close and harmonious relations between Government and industry should be continued. I, therefore, suggest that you establish an industry organization to consult and advise with you."

Pursuant to the President's letter, the Secretary of the Interior established the Oil and Gas Division on May 6, 1946, by Order #2193 to:

- "1. Assist the Secretary in the execution of the President's instructions to:
 - (a) Coordinate and unify policy and administration in respect to the functions and activities relative to oil and gas carried on by the several departments and agencies of the Federal Government;
 - (b) Serve as the channel of communication between the Federal Government and the petroleum industry;
 - (c) Serve as liaison agency of the Federal Government in its relations with the appropriate state oil and gas bodies; and
 - (d) Review technological developments in the field of petroleum and synthetic hydrocarbon fuels and coordinate Federal policy with respect thereto.
- "2. Obtain and analyze information as to oil and gas matters in which the Federal Government has a proper interest and, in this connection, serve as the central federal clearing house for statistics, technical data, and other information relating to oil and gas.
- "3. Keep the Secretary informed with respect to the adequacy and availability of supplies of petroleum and its products to meet the current and future needs of the Nation, and with respect to significant developments in the petroleum field, and make recommendations with respect thereto.

"4. Develop proposals looking to the centralization of federal functions and activities relating to oil and gas in keeping with the President's letter.

"5. Coordinate all oil and gas policies and activities in the Department of the Interior."

In organizing the National Petroleum Council, Secretary Krug, on June 18, 1946, stated: "The purpose of establishing the National Petroleum Council outlined by President Truman is to continue the government-industry teamwork that proved so important a factor in the success of the war program."

In the telegram of appointment of members, Mr. Krug said, "In view of the outstanding contribution which government-industry cooperation made to the success of the war petroleum program, it is important that the value to the welfare and security of the Nation of such close and harmonious relations between government and industry should continue."

The National Petroleum Council, at its first meeting, appointed a Committee to study the type of organization and the scope of authority and function of the council and the problems involved therein. The report of the Committee on organization to the National Petroleum Council was adopted by the Council at its meeting September 26, 1946, wherein it was resolved that "the National Petroleum Council can fulfill a useful function in petroleum industry relations with representatives of the United States Department of the Interior, Oil and Gas Division, in an advisory capacity."

Senator O'Mahoney, presiding at the hearing on the Oil and Gas Division on June 17, 1946, said, "The oil industry, generally speaking, has done a superb job of finding, developing and producing

oil fields. It has done an excellent job of refining, transporting and distributing oil at progressively lower prices and of progressively better quality."

A lengthy discussion developed as the Senate Committee inquired into the purpose of creating the Oil and Gas Division, particularly with regard to distinction between policy and administrative action, both within the Division and in the National Petroleum Council. The Chairman said to Mr. Davies, then Director of the Oil and Gas Division, "I am questioning you about it (policy) because I want to get it clearly on the record that the Oil and Gas Division is operating in harmony with the principles laid down by the Secretary; and then when you talk of policy-forming by this new Oil and Gas Division, you do not mean by any stretching of the imagination to define policies without consultation with Congress."

And with regard to policy formulation in the National Petroleum Council, Chairman O'Mahoney said, "The distinction *** is again between policy and administrative action. This Council, if it is advisory to the Oil and Gas Division, and to the Secretary of the Interior, could not have any functions save to advise the Secretary of the Interior with respect to the execution of powers conveyed to him by law of Congress."

At the conclusion of the Senate Committee Hearing, the Chairman said, "I feel that there is no need for our impeding the reorganization of government activity, or the coordination of the government departments at this time, since it is clear, first, that no new

policies will be attempted to be established without recommendation to Congress; and second, that reorganization of the government departments can take place only in accordance with the Reorganization Act, which means submission to Congress."

Representatives of governmental agencies and members of the petroleum industry present were invited to express their views as to whether they think an Oil and Gas Division in the Department of the Interior, with this industry Council connected with it, can be helpful from their standpoint. Colonel Vogel, then with the Army and Navy Petroleum Board, indicated that while many problems require direct action with industry, in general the Armed Services contacts with the petroleum industry can be met through the Oil and Gas Division.

Admiral Biggs, then with the Army and Navy Petroleum Board, said, "***there will be no clash of our interests with the Oil and Gas Division, and we believe that the Oil and Gas Division can add a good deal to this combination of circumstances to insure that we have a well qualified and readily available source of information from which we can get consolidated industry opinion."

The annual report of the Secretary of the Interior cites many of the accomplishments of the Oil and Gas Division since it was established.

The National Petroleum Council has made available, without cost to the government, the services of over 500 individuals including top executives, expert technical and professional personnel,

skilled in the various phases of management and operation in the functional divisions of the domestic and foreign petroleum industry at national, regional, state and local levels. These individuals have served on one or more of the 100 committees appointed by the National Petroleum Council since its organization over three years ago, in response to the requests of the Secretary of the Interior or the Director of the Oil and Gas Division for studies and reports on various problems relating to petroleum in the public welfare and national security.

The work of the Council is carried on through committees. It was one of those committees which produced the National Oil Policy report. This report represented a new milestone in industrial statesmanship. It has been generally accepted in industry and government circles, as well as by the general public, as a declaration of basic principles that chart a sound course in the public interest.

In addition to the report of the Committee on National Oil Policy, there are included in the 100 or more reports which have been presented in response to government requests:

1. A report of the Committee on National Petroleum Emergency containing recommendations on "procedures and policies covering government-industry cooperation, which would best meet requirements of another national emergency should one arise."

2. The Council's Committee on Military and Government Petroleum Requirements was held in continuous service during a period of serious supply dislocations to make certain that our military and government petroleum requirements were supplied. The value of its

service has been acknowledged by the military authority particularly during a prolonged strike against petroleum refineries on the West Coast in September of 1948.

3. Report of the Committee on Voluntary Petroleum Allocations Agreements. Under Public Law 395 and Executive Order #9919, acting in accordance with the Committee's recommendations, with the approval of the Secretary of the Interior and the Attorney General, the National Petroleum Council appointed Regional Committees who, in cooperation with government, state and local officials and industry groups, aided in preventing serious hardship among thousands of consumers of heating oil in areas of short supply during an unusually severe winter period following the War.

4. The Council's Committee on Petroleum Industry Steel Requirements, performed an outstanding public service and contributed valuable assistance to the representatives of government during the period of steel shortage.

5. Several studies have been made in which were developed considerable factual data on petroleum productive capacity; refining and storage capacity; petroleum transportation by tanker, rail, pipelines, barge and truck; availability of petroleum and petroleum products; petroleum imports; federal oil and gas leasing laws; and other problems of vital interest to the government, the public and the petroleum industry.

An extensive survey has recently been completed on Petroleum Industry Manpower, in response to a request to the Secretary of the Interior from the National Security Resources Board.

CONCLUSION

As a result of its study and analysis, the Committee concludes:

1. Experience during World War II through the employment of the Petroleum Administration for War and the Petroleum Industry War Council, and experience since the war through the employment of the Oil and Gas Division of the Department of the Interior and the National Petroleum Council, demonstrates that the coordination of activities within the departments of the government on oil and gas matters and full cooperation between government and the industry on such matters has been affected. This is in the public interest.

2. The effective results obtained by the employment of these agencies makes unnecessary the enactment of this legislation.

3. The creation of a Petroleum Policy Council with functions and authority provided for in HR 6047 is both unnecessary and harmful to the national interest. It would disrupt the procedure that has proven effective. The broad statement of purpose and of functions of such Council provides the opportunity for administrative interpretations and applications leading to a centralization of federal power and authority wholly unnecessary in the public interest and probably productive in the end of harmful results.

It is therefore suggested that the Secretary consider this report and recommend that the proposed legislation be not enacted, because it is not in the public interest.

Respectfully submitted,

/S/ J. Howard Marshall

J. Howard Marshall, Chairman
Committee on Proposed Petroleum
Policy Council.