



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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MARCH 9, 1982

The Honorable Philip R. Sharp
Chairman, Subcommittee on Fossil
and Synthetic Fuels
Committee on Energy and Commerce
House of Representatives



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Dear Mr. Chairman:

Subject: The Effects of the Fiscal Year 1983 Budget,
Energy Reorganization, and Program Changes
on U.S. Energy Emergency Preparedness
(EMD-82-45)

Your January 29, 1982, letter requested that we update our analysis of energy emergency preparedness published last September 1/ by looking into the effect of continuing budget and staff reductions at the Department of Energy (DOE). You also asked us to comment on the implications the proposed energy reorganization may have on both domestic and international energy emergency preparedness and to clarify the United States' obligations under the International Energy Program. Lastly, you wanted our view on what actions should be taken to ensure adequate preparedness beyond those covered in S. 1503.

Our September report noted many weaknesses in the Government's energy emergency preparedness posture. Our conclusion was that,

"The U.S. Government is almost totally unprepared to deal with disruptions in oil imports. Oil import disruptions * * * pose a significant threat to national security, and the lack of effective contingency planning and program development to date is serious and requires immediate attention."

Since then, progress has been slow; there is still no comprehensive plan or even individual response plans in any contingency planning area which can be considered fully operational.

1/"The U.S. Remains Unprepared for Disruptions in Oil Imports,"
EMD-81-117, Sept. 29, 1981.

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SUMMARY

As this letter shows, under its proposed budget--which is a substantial reduction from fiscal 1981 and 1982 levels --the administration has chosen to reduce contingency planning efforts in several areas. Specifically, DOE has no plans to

- develop a surge oil production capability (except for a small capability at the Naval Petroleum Reserve at Elk Hills),
- develop a Strategic Petroleum Reserve (SPR) drawdown policy,
- institute a private oil stock management program, or
- develop voluntary and mandatory demand restraint programs.

Efforts in fuel switching and international emergency preparedness would be substantially curtailed. Additionally, few resources will be devoted to studies of emergency tax/rebate systems that could be used to counter oil price increases even though the previous oil allocation systems have been discarded. The proposed fiscal year 1983 budget for emergency preparedness will further delay the completion of adequate contingency plans.

At this time, the administration has not yet released its energy reorganization plan, so we could not analyze it in detail. Our previous work in emergency preparedness organization ^{1/} indicated that an effective planning operation needs to: (1) be centralized in one office, (2) be given a high priority, (3) be vested with adequate authority, and (4) have necessary staff available to carry out the program. It is not clear that the reorganized emergency preparedness program will have these characteristics. We note, however, that in one component of energy emergency preparedness--international preparedness--the staff is being reduced from 18 in fiscal 1982 to 6 in fiscal 1983, a reduction of two-thirds. The Department of State's component remains unchanged at 5 staff years.

Senate bill 1503 would help fill a void by giving the President authority to act in an energy emergency. While this would be a step in the right direction, emergency preparedness is more than legal authority. The Government must also have the capability to

^{1/}"The Department of Energy's Reorganization of Energy Contingency Planning Holds Promise--but Questions Remain," EMD-81-57, March 4, 1981.

act, and this means having sound contingency plans. Until those plans are developed, tested, kept ready, and can be implemented quickly, the Nation will not be adequately prepared.

We are currently assessing the legal requirements of the United States under the International Energy Program to institute mechanisms for demand restraint and fair sharing. That response will be forwarded to you under separate cover.

SCOPE AND METHODOLOGY

This report updates and supplements the findings of our March and September 1981 reports. Our assessment of the impacts which reorganization and funding reductions may have on energy emergency preparedness is based on criteria developed in these studies, namely, that contingency measures should be fully developed, tested, maintained, and able to be implemented quickly.

To evaluate the impact of budgetary reductions, we analyzed the proposed budgets of several organizations within DOE, specifically the Office of Emergency Preparedness, the Strategic Petroleum Reserve, the Energy Information Administration, and the Office of International Affairs. For guidance on DOE's current contingency planning policy, we also relied on the Department's written response to the recommendations contained in our September report, submitted to the Congress under Section 236 of the Legislative Reorganization Act of 1970. To assess the potential impacts of reorganizing DOE, we examined the information contained in the budget showing which Departments the various DOE operating programs would be assigned. Analysis of the budget was supplemented with information obtained in interviews with officials of the Departments of Energy, Commerce and State. Our evaluation was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

WHAT DOES THE NATION NEED TO BE PREPARED FOR OIL IMPORT DISRUPTIONS?

Our earlier report contained recommendations for improvements in five areas of contingency planning. These are:

- Increasing oil supplies, including
 - realistic planning for SPR use, including drawdown rates, amounts, timing, and method of distribution;
 - cooperating with the States in developing plans for surge oil production from Government and private oil fields; and
 - planning for both needed buildup and drawdown of industry-held oil stocks.

- Substituting for oil, including acquiring needed information and removing constraints to implementing effective emergency programs in
 - switching from oil to gas,
 - switching from oil to coal,
 - increasing electricity transfers,
 - increasing electricity and gas imports, and
 - increasing electricity generation from coal and nuclear.
- Developing adequate emergency demand restraint plans on the Federal and State levels, including
 - consumer information programs,
 - voluntary programs,
 - mandatory programs, and
 - revising the basic law on demand restraint to make planning and implementation more timely.
- Replacing the expired Emergency Petroleum Allocation Act authorities with standby ones to help assure continued oil availability during disruptions, specifically
 - reviewing allocation systems and tax/rebate alternatives and recommending legislation if appropriate.
- Improving the international emergency preparedness program by
 - encouraging higher international oil stock holdings,
 - setting aside some reserves to alleviate small disruptions,
 - reviewing demand restraint and fair sharing programs, and
 - establishing a mechanism to resolve price disputes between International Energy Agency member countries during disruptions.

Whatever specific forms programs in these areas take, they must have four attributes to be effective. They must be fully developed, tested, maintained in readiness and be capable of timely use. Lack of any of these characteristics will result in poor emergency performance or outright failure.

THE PROPOSED FISCAL YEAR 1983 BUDGET FOR ENERGY EMERGENCY PREPAREDNESS

The Nation's largest and most developed energy emergency program is the Strategic Petroleum Reserve. The proposed fiscal year 1983 budget for SPR development and operations amounts to \$2.32 billion. These funds are for oil acquisition and transportation, storage facility planning and development, program direction, and other expenses related to the physical operation of the SPR. This report does not deal with SPR operations; that has been the subject of several GAO reports, the most recent one having been published this past December. 1/ In this report, we focus on the policy planning activities which address such issues as when the SPR should be used, the drawdown rate, how the oil should be distributed, and what minimum reserve margin should be kept for extreme emergencies. The Deputy Assistant Secretary for Energy Emergencies is responsible for recommending policy in these areas, while SPR operations are under the authority of the Deputy Assistant Secretary for the Strategic Petroleum Reserve.

The proposed budget for the Emergency Preparedness Program under the Deputy Assistant Secretary for Energy Emergencies contains \$5.4 million and 72 staff years. This represents a cut of 47 percent (from \$10.3 million) in funds and 23 percent (from 94) in staff from this year's appropriation.

Contingency planning in fiscal year 1982 and 1983 was and will be concentrated in the following areas:

<u>Programs</u>	<u>Staff Year Request</u>	
	<u>Fiscal 1982</u>	<u>Fiscal 1983</u>
Strategic Petroleum Reserve	3 a/	3 a/
--continued development,		
--test of distribution procedures, and		
--studies of its vulnerability.		

1/"Strategic Petroleum Reserve: Substantial Progress Made, but Capacity and Oil Quality Concerns Remain," EMD-82-19, December 31, 1981.

International Programs	6	6
--support voluntary U.S. oil company involvement in International Energy Agency programs, and		
--continued NATO planning regarding emergency oil supply distribution.		
Defense Preparedness	29 <u>a/</u>	22 <u>a/</u>
--complete plan for using Naval Petroleum Reserves,		
--refine plan to implement the Defense Production Act,		
--continue support for the Emergency Mobilization Preparedness Board,		
--continue model development to assess defense related energy requirements, and		
--complete plans to operate non-oil Emergency Reserve Program.		
Public Education/Outreach	3	0
--seminars and technical assistance		
Data Analysis/Studies	33 <u>a/</u>	31 <u>a/</u>
--continue assessment of world situation and potential impact of energy emergencies,		
--continue developing capability to assess the imminence of and potential impact of energy emergencies,		
--continue analysis of free market operations,		
--continue studies of measures to encourage private oil stockpiling, and		
--develop policy options for income transfers during emergencies.		

Electrical Emergency Preparedness	20	10
--continue assessment of the electric utility network vulnerability to disruption,		
--continue reporting on electric power system reliability as required under Public Utility Regulatory Policies Act,		
--continue activities required under the Federal Power Act, and		
--continue planning for emergency electricity transfers and increased electricity production.		
	—	—
Total <u>b/</u>	<u>94</u>	<u>72</u>

a/Estimated by GAO

b/Fiscal year 1981 staff year budget was 129. The distribution by program area is not available.

The fiscal year 1983 budget request does not contain detailed funding information for DOE's activities as outlined above. It is even more difficult to translate the limited information into the programmatic categories analyzed in our September report. DOE officials from the offices of the Comptroller and the Deputy Assistant Secretary for Emergency Preparedness informed us that more detailed data do not exist in the emergency preparedness area. Because of time constraints we were not able to develop such information ourselves.

The proposed Emergency Preparedness Program areas with the largest proposed staff allocations are Defense Preparedness and Data Analysis/Studies. These areas constitute an estimated 53 staff years out of the 72 staff year total. However, the program excludes many promising areas which we analyzed in our September report and which we believe are needed to counter disruptions. There are no plans to develop drawdown policy for the SPR or to promote surge oil production. Efforts to design a private oil stock management program, to design emergency demand restraint measures, and allocate oil have been abandoned. No funds are requested for the Fuels Conversion Program, and it is not clear whether there will be any effort to continue developing plans for emergency oil to gas and coal switching.

Unfortunately, there is little likelihood that DOE will make much progress in developing sound contingency plans in these areas without clear signals from Congress. In commenting on our recommendation that the Government develop an SPR drawdown plan, DOE stated that:

"It is DOE's position that it is neither practicable [sic] nor desirable to prepare in advance an SPR implementation plan * * * if developed and made public, (it) could impair the effective use of the SPR."

In the case of a private stock management plan, DOE said

"DOE does not concur with this recommendation. Government intervention in the management of private industry stocks during supply shortages is antithetical to the most fundamental principles of the Administration's energy emergency preparedness policy. It interferes with the workings of the market and, therefore, impairs the ability of market forces to allocate resources efficiently and effectively * * * the Department believes further work in this area would be counterproductive."

In our opinion, neither of these positions is supportable. An SPR use plan is desirable so that American companies know they can count on additional supplies and do not panic and flock to the spot market, bidding up prices as they have done during both previous disruptions. Our September report pointed out that the details of SPR drawdown need not be made public, just as the general outlines of our military planning are publicly available while actual operational plans are secret. As far as practicality goes, the Government plans for numerous military contingencies on an ongoing basis. It strikes us that planning for SPR use would be no more difficult and perhaps much easier than planning for major armed conflict.

Concerning private stock management, we do not advocate Government intervention in private oil stocks during normal times. However, politically caused market disruptions are not normal. During these extraordinary happenings, there is room for industry and government to cooperate in using oil stocks in the national interest. Here, as in most contingency planning areas, collaboration of Government and industry beforehand can pay large dividends during a crisis.

Surge oil production on non-Federal lands has considerable potential as an oil disruption countermeasure, but DOE is devoting only minimal efforts to it. DOE concurred with our recommendation to seek the cooperation of States which have significant surge production potential so that output can be temporarily raised. Responding to our recommendation, DOE said in part:

"This recommendation is in consonance with the Administration's energy emergency response policy of eliminating regulatory barriers which may inhibit increased domestic oil production in response to supply disruptions."

However, the Department has not initiated any action for this purpose. Considerable effort is needed to remove the many regulatory barriers in advance of disruptions so that an effective surge production program can be instituted quickly when needed.

The benefits of demand restraint planning should not be overlooked. Federal guidance in demand restraint is vital for the effective implementation of other domestic and international contingency programs. Here again, strong DOE leadership is unlikely. The Department's response to our recommendations on ways to improve the Federal demand restraint effort was, in part:

"DOE does not concur with the first and second parts of the recommendation which imply the use of mandatory federal demand restraint programs. Under the Administration's strategy to deal with energy supply disruptions, mandatory demand restraint programs in a shortage situation will be unnecessary since market forces will serve to allocate petroleum supplies * * * in the most efficient manner. Thus, the Department sees no benefit from a system to monitor State energy use to support such demand restraint programs, nor the need to expand the current Federal Standby Plan."

Use of mandatory demand restraint programs formed only a small part of the recommendations we made in the emergency conservation area. We pointed out that consumer information and voluntary action was preferable and that mandatory action should be a last resort. We recommended, however, that standby mandatory programs be available for implementation in the event that voluntary programs do not work. The fact is that DOE has abandoned all areas of demand restraint on the Federal level and is not providing guidance for State demand restraint planning.

DOE's proposed Emergency Preparedness Program reflects the administration's policy of relying almost exclusively on market forces to counter disruptions. The 72 staff years for fiscal year 1983 reflect the narrowing of the program. In our view, the main problem is not fewer staff years. Instead, we take issue with what we see as an over-reliance on the market mechanism to the exclusion of other practical initiatives. It is interesting to note that the oil industry also sees the wisdom of a mix of measures. The National Petroleum Council, a DOE advisory group largely made up of oil industry representatives, noted the value of having such a mix of contingency plans in their report. 1/

1/National Petroleum Council, Emergency Preparedness for Interruption of Petroleum Imports into the United States, Washington, D.C., National Petroleum Council, Apr. 1981.

THE EFFECTS OF REORGANIZATION ON
EMERGENCY PREPAREDNESS ARE NOT CLEAR

Under the administration's reorganization proposal, emergency preparedness would be transferred to the Department of Commerce. The details of how energy emergency preparedness would be organized in Commerce have not yet been decided. Commerce officials informed us that the energy emergency functions of DOE would probably be combined with similar non-fuels strategic materials functions now performed by Commerce. The combined organizations are slated to be the province of an Assistant Secretary for Strategic and Emergency Planning reporting to the Secretary/Deputy Secretary. Just how energy preparedness would fit into this structure--whether it would be the concern of a deputy assistant secretary as it is now at DOE--has not been resolved.

Because the organizational question is still open, it is difficult to analyze what problems might be created by the new structure. However, our previous work on appropriate organization for emergency preparedness revealed the key factors which must be present in any contingency planning structure to ensure effective planning. Such planning requires centralizing the function in a single office; vesting adequate authority in those responsible for emergency preparedness; making available adequate staff to carry out the program; and finally, giving the entire area the high priority it deserves.

Centralizing contingency planning in one office makes it easier to monitor plan development, guarantee that the programs will complement each other, and assess whether the programs taken together will adequately deal with projected contingencies. Centralization helps avoid problems of timeliness in plan preparation and quality control which can arise if other offices see contingency planning as a lower priority than their main ongoing programs.

DOE responded to the need for adequate centralization when it consolidated contingency planning under the Assistant Secretary for Environmental Protection, Safety and Emergency Preparedness. It is important that centralization be maintained under any reorganization to promote effective coordination.

Whatever official directs emergency preparedness needs the authority to direct other offices to contribute the staff and other resources needed to get the planning and emergency operations jobs done. The precise level that the official has in the formal organization is less important than if top management makes it clear that contingency planning is important, and that other agency officials need to give full support to emergency preparedness when called on to do so.

Adequate staffing for emergency preparedness clearly depends on the scope of the program. Emergency preparedness staff will

fall from 129 staff years in fiscal year 1981 to 72 staff years in fiscal year 1983, reflecting the narrowing of the program. We did not have time to do the detailed audit work to evaluate whether 72 staff years were enough to carry out this narrower program. Our main concern is that the program now excludes many potentially fruitful areas for contingency planning.

The priority given any particular program is, of course, largely in the eye of the beholder. DOE officials have stated that emergency preparedness is a high priority. However, we have noted the abandonment of a number of emergency planning areas, the de-emphasis placed on others, and the slow progress in developing contingency plans. This may reflect DOE's concept of appropriate priority; however, we believe that the Nation is not progressing fast enough toward adequate emergency preparedness.

THE PROPOSED BUDGET, REORGANIZATION,
AND THE INTERNATIONAL ENERGY PROGRAM

DOE's Office of International Affairs and Office of Emergency Preparedness (EP), along with the Department of State, are involved in representing the United States at the International Energy Agency (IEA). Under a 1974 executive agreement, the United States subscribes to the IEA's International Energy Program, which is largely concerned with international oil sharing in the event of serious market disruptions. 1/

The Secretary of Energy usually heads the highest level IEA ministerial meetings. The Assistant Secretary of State for Economic and Business Affairs usually heads the U.S. delegation to regular Governing Board meetings, but the Assistant Secretary of Energy for International Affairs occasionally acts in that capacity. At DOE, the Office of Energy Consuming Nations in the Office of International Affairs has primary responsibility for staff-level work on IEA issues. These functions include:

- preparing U.S. position papers on various topics coming before the IEA Governing Board,
- coordinating those papers with other U.S. agencies,
- monitoring all IEA functions,
- representing the United States at IEA Standing Group meetings on issues such as emergency sharing, oil market information, long-term cooperation, research and development, and producer-consumer relations, and

1/For a review of U.S. participation in the IEA, see U.S. General Accounting Office, "Unresolved Issues Remain Concerning U.S. Participation in the International Energy Agency," ID-81-38, September 8, 1981.

--providing staff assistance for IEA Governing Board meetings.

International Affairs provided approximately 12 professional staff years for U.S./IEA affairs at the beginning of fiscal 1982; EP supplements these efforts with about 6 professional staff years. State dedicated approximately 5 staff years to IEA matters during fiscal 1982.

Several functions for integrating U.S. contingency planning efforts with its IEA commitment are shared by EP and International Affairs. Under the International Energy Program (IEP), the United States is required to coordinate with the IEA's Emergency Sharing System (ESS) and develop a workable plan where U.S. oil companies will share the burdens of that system equitably. The United States is also committed to provide accurate, timely, and reliable data to the IEA for the effective operation of the ESS; coordinate implementation of demand restraint measures; assess the national product supply and demand situation; coordinate with nonreporting oil companies concerning the development of voluntary offers; and issue direct instructions to companies to implement mandatory allocations. In addition, DOE has responsibility for administering a Voluntary Agreement under the Energy Policy and Conservation Act which stipulates circumstances under which U.S. oil companies can participate in IEA activities. DOE, in conjunction with the Federal Trade Commission and the Department of Justice, monitors company involvement in the agreement, primarily through International Affairs and the Office of General Counsel. DOE also provides certain management functions for formal Industry Group meetings, monitors ESS tests, and provides clearances for emergency-related data submissions by oil companies.

The fiscal year 1983 budget would abolish International Affairs. While the functions, staff, and budget of the Office of Emergency Preparedness would be transferred to Commerce, only the functions--but no money or staff--of International Affairs would be transferred. Furthermore, a proposal to increase State Department staff dedicated to international energy (including IEA) matters by 20 staff years and incorporate all DOE international activities was rejected, and no additional staff will be assigned.

The budget proposal asserts, "The international activities which are important to our international commitments and energy security will be conducted as stated by the President and transferred to the Commerce Department." However, International Affairs' functions concerning the IEA are substantial, and it is at best unclear if U.S. obligations to the IEA can be fully discharged under these circumstances.

WHAT ACTIONS ARE NEEDED BEYOND
THE AUTHORITIES FOUND IN S. 1503?

The last question in your January 29 letter asked what authorities beyond those contained in Senate bill 1503 would be

needed to support development of adequate energy emergency plans. You also asked what actions should be taken by the executive branch to the same end. Our analysis is based on comparisons between the provisions of Senate bill 1503--the Standby Petroleum Allocation Act of 1982--and current contingency programs to determine if they provide a basis for an overall program as we recommended in the September 1981 report.

Basically, we agree with the thrust of the bill; it provides for the authorities needed to prepare, initiate, and implement emergency procedures to counter an energy disruption. Senate bill 1503 includes provisions to: (1) allocate petroleum supplies domestically during a severe supply interruption, (2) include crude oil sharing measures in any contingency plans to fairly distribute sharing burdens among International Energy Program participating companies and ensure equitable distribution of crude among U.S. refiners, (3) encourage the maintenance of inventories and acquisition of secure supply sources, (4) provide for State petroleum product set-aside programs, (5) stipulate that the emergency provisions developed on the Federal level will supersede State laws unless those laws are specifically exempted by the President, (6) extend the authorities found in the Energy Policy and Conservation Act to participate in the International Energy Program, and (7) provide for certain reporting requirements and impact analyses.

Senate bill 1503 goes far toward providing the authority for taking the kind of actions we believe are necessary to cope with an energy emergency. The most notable characteristic of the bill is that it provides for standby allocation to assure oil availability during a disruption. We agree that a standby emergency distribution system is necessary, and noted in our September report that a tax/rebate system may provide a viable alternative to the crude oil and petroleum product allocation system which was in place until October 1981.

While the bill addresses many areas we consider to be necessary for proper contingency planning, Senate bill 1503 provides authority for Presidential control of oil prices as well as supplies. Our September report noted that price controls could be counterproductive and should be avoided if at all possible.

Although we believe that Senate bill 1503 goes quite far in providing the authority for action in an energy emergency, it does not address several issues we consider vital for contingency planning. We believe further congressional action is warranted in the areas of private oil stock management and demand restraint.

The bill stipulates that emergency preparedness programs should encourage the maintenance of high petroleum inventories by refiners. This is fully consonant with our previous recommendation as far as it goes. However, it is completely dependent on the voluntary cooperation of the industry and consumers. The ultimate usefulness of inventories depends on both the Government's ability to provide proper incentives for building adequate stocks

and a plan for coordinating their use within an overall contingency plan. The bill does not provide mechanisms for the President to encourage stock building during normal times or to encourage stock drawdown during disruptions. This is an issue where congressional action would be desirable along the lines recommended that in our September report. There, we recommended that the Congress maintain the authority of the Secretary of Energy to require companies to adjust stock levels during energy emergencies and provided legislative language to this effect. Although this is a controversial issue, we continue to believe it is in the national interest for the Government and U.S. companies to work together to utilize stocks for the national good--as they now cooperate internationally under the auspices of the IEA--during disruptions. We are continuing to look into possible stock management policy options at the request of Senator Bradley, a member of the Senate Committee on Energy and Natural Resources.

We believe that demand restraint planning is an important part of emergency preparedness, both domestically and internationally. Senate bill 1503 does not constitute the overhaul of Federal demand restraint that we concluded is needed, relying solely on the Emergency Energy Conservation Act of 1979 (EECA). Our September report discussed the need to amend EECA to streamline the procedures for implementing demand restraint plans. In amending EECA, we recommended that Congress require the States to submit their demand restraint plans to DOE for approval before disruptions; the plans should demonstrate that standby programs exist which could achieve specified results. Our previous report also provided legislative languages for making changes in this area. While amending EECA along these lines would establish a base for better planning, DOE initiative would also be necessary to make demand restraint effective.

Other areas which do not require legislative action but where DOE can take steps to improve readiness are surge oil production, fuel switching, and international preparedness programs. We made recommendations to DOE in all three areas in our September report, but the Department does not intend to develop contingency plans in these areas.

Overall, Senate bill 1503 constitutes a step in the right direction by providing the authority to act decisively in an energy emergency. The bill provides a needed base for emergency preparedness. However, having authority does not mean being prepared. Government must also have the capability to act through developing proper contingency plans. Without adequate contingency plans which are fully developed, tested, maintained in readiness, and capable of being implemented quickly, having the authority to act in a crisis will be insufficient. While this bill gives the Executive authority to act in many areas, it cannot ensure that the needed actions will be taken. It is up to the Executive to implement the legislative mandates for emergency preparedness. Until it does, the Nation will not have the full measure of energy security it needs.

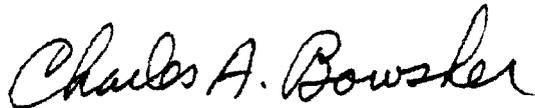
CONCLUDING NOTE

In our view, the prospect for developing a sound emergency preparedness program based on the administration's view of appropriate contingency measures and the proposed budget are meager. No comprehensive or even individual response plans in any contingency planning area have been completed since our review of emergency planning in 1981. The activities planned for fiscal year 1982 will do little to improve preparedness. The proposed budget will lead to fewer emergency preparedness programs, since several contingency planning efforts will be abandoned. The reason for emergency preparedness planning is clear. Relatively modest attention to contingency measures holds great promise for mitigating the worst effects of disruptions. For example, a recent study on the SPR pointed out that a 3 million barrel per day import shortfall in 1984 would cost the economy over \$200 billion, 15 percentage points more inflation, and 2.5 million jobs. ^{1/} Clearly, expenditures for contingency planning in the millions of dollars and strategic oil stockpiling are prudent investments in national security. On the basis of DOE's performance to date and its plans for the coming year, we question whether energy emergency preparedness is receiving the priority it deserves.

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As requested by your office, we did not solicit agency comments on this report. Copies of this report are being sent to the Secretaries of Energy, Treasury, and State; and the Director, Office of Management and Budget. Copies will also be available to other interested parties who request them.

Sincerely yours,



Comptroller General
of the United States

^{1/}Subcommittee on Energy and Power, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, "An Evaluation of the Strategic Petroleum Reserve," Washington, D.C., GPO, June 1980.