On October 1, 1977, pursuant to the Department of Energy Organization Act, P.L. 95-91, and Executive Order 12009 (42 FR 46267, September 15, 1977) the Department of Energy was established. References in this environmental impact statement to the Federal Energy Administration (FEA) should read Department of Energy (DOE) or Economic Regulatory Administration (ERA), as appropriate, where they pertain to actions or events taking place after October 1, 1977.

EIS SUMMARY

Statement Type: ( ) Draft (X) Final Environmental Statement

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1. Type of Action ( ) Legislative (X) Administrative

2. Brief Description of the Proposed Action

The Economic Regulatory Administration (ERA) of the Department of Energy (DOE) and its predecessor, the Federal Energy Administration (FEA), have been implementing regulations pursuant to the Energy Policy and Conservation Act (EPCA) and the Energy Conservation and Production Act (ECPA), intended to ameliorate the impact of inflation and provide additional price incentives for domestic crude oil production.

Implementation of the EPCA is to be a three-stage process. A two-tier domestic oil pricing system was adopted to implement the mandated EPCA Stage I in February, 1976. This Environmental Impact Statement analyzes the effect of Stages II and III of the EPCA crude oil price regulations. The Stage II regulations provided for monthly upward adjustments of the composite price, beginning in March 1976, to take into account the effects of inflation and to provide additional production incentives. Stage III regulations which will provide special price incentives for tertiary oil recovery operations and other high-risk, high-cost productions, are presently being developed.

This EIS also analyzes the effect of the ECPA, which exempted stripper well oil from price controls and provides analysis of the effects of specific price treatment for heavy gravity crude oil produced in California and Alaska.

3. Summary of Environmental Impacts and Adverse Environmental Effects

(1) The cumulative effects of price incentives upon crude oil production provided by all of the price regulations pursuant to EPCA and ECPA will be small. The production in 1979 under any of the pricing options is estimated to be 6.5% to 9.5% greater than that of the base case. (In the base case prices are rolled back and held constant at the point at which the weighted average price of all domestic crude oil is $7.66 per barrel at the real dollar value of February 1, 1976.) The impact on 1985 production due to any of the pricing options will be negligible, given that current price controls will elapse in May 1979. On the other hand, the cumulative effects of different pricing options on the demand for petroleum products will be small in 1979 and negligible in 1985. The net impact on demand, it is estimated, will be between 11.7% and 12.9% in 1979 for different pricing options in comparison with the base case. In evaluating the cumulative environmental impacts associated with incremental production under the various pricing scenarios, it should be recognized that DOE's production figures may vary from actual incremental production. Because actual incremental production could be lower than DOE has projected, the environmental impacts associated with that production may be smaller than anticipated.

(2) In general, the environmental impacts associated with the incremental crude oil production and consumption resulting from the pricing policies pursuant to the EPCA and ECPA will not be significant. Nevertheless, the impacts may cause some concern in a few localities. The potential impacts include increasing consumption of fresh-water supplies, pollution of the lower atmosphere as a side effect of thermal recovery processes, accidental contamination of groundwater and surface water at production sites, scenic despoilment, and possible contamination resulting from oil spills in offshore oil production regions.

(3) In general, higher prices will reduce the demand for petroleum products which will lower the requirements for petroleum imports. In turn, the likelihood of oil spills from tankers at sea or in coastal waters will be reduced.

(4) Low levels of fugitive hydrocarbon emissions from oil handling processes may be experienced at production sites. Though appropriate control measures and good housekeeping practices can help to eliminate most of the hydrocarbon emissions, the possibility of some accidental leakage through valves, gaskets, seals, etc. cannot be entirely avoided.

(5) The steam injection process requires large quantities of fresh water, especially in such water deficient producing regions as California and West Texas. The need for fresh water may exert, on a local basis, some minor strain on fresh water resources.

4. Alternatives

- Taking no action.
- Stage II Implementation of EPCA only -- the composite price of crude oil is escalated 10% per year:
  - Increase both upper-tier and lower-tier price at the same rate (Alternative IIA).
  - Hold the lower tier price at a constant real dollar level (Alternative IIB)
  - Hold the lower tier price at a constant nominal dollar level (Alternative IIC).
- Stage II and Stage III Implementation of ECPA simultaneously.
  - Alternative IIA plus one of the following alternatives for Stage III implementation:
  - Permit the tertiary production to be sold at the world market price (Alternative IIIA).
  - Permit the entire production involving tertiary projects to be sold at the world market price (Alternative IIIB).
  - Extend the stripper definition to include deep onshore and offshore wells (Alternative IIIC).
  - Eliminate the price penalty on California heavy gravity crude oil (Alternative IIID).
  - Alternative IIB plus Alternative IIIA
  - Alternative IIB plus Alternative IIIB
  - Alternative IIB plus Alternative IIIC
  - Alternative IIB plus Alternative IIID

- o Alternative IIC plus Alternative IIIA
- o Alternative IIC plus Alternative IIIB
- o Alternative IIC plus Alternative IIIC
- o Alternative IIC plus Alternative IIID
- o Alternative IIC plus Alternative IIIA, IIIC, IIID

o Allow the crude oil price to be decontrolled immediately.

o Institutional encouragement of enhanced oil recovery operations.

o Speed-up of federal land lease schedules for petroleum exploration and production.

5. Comments on the Draft EIS have been received from the following:

(1) Federal Agencies

Department of Commerce
Department of the Interior
Environmental Protection Agency

State Agencies

*Alaska
*Arizona
*Colorado
*Delaware
*Illinois
*Missouri
*New Jersey
New Mexico
*North Carolina
*Pennsylvania
*South Dakota
Texas
*Wyoming

Other

Amoco Production Company
Chevron U.S.A., Inc.

*Only positive comments on non-disapproval responses were received.