

AMERICAN ENERGY ASSURANCE COUNCIL  
Proposal for Stage 2:  
National Energy Crisis Simulation  
& National Television Special  
February 5, 1988

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PROPOSAL FOR  
STAGE 2 - NATIONAL ENERGY CRISIS SIMULATION  
AND NATIONAL TELEVISION SPECIAL

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## CONTENTS

I. Introduction	3
II. The Five Stages	5
III. Current Status	8
IV. Funding Needs	9

### Attachments:

1. Mission Brochure
2. Crisis Simulation Planning Paper
3. Budget for Crisis Simulation
4. Project Management and Fiscal Control

Foundation Fund Raising Package for Stage II

February 5, 1988

I. INTRODUCTION

Energy policy has fallen off our national agenda. Because of this neglect, many believe that energy policy thinking has become dangerously short sighted, dominated by warring interests, and confused. This vacuum has developed at the very time when more than two-thirds of our national leaders and the American public are convinced that there will be another energy crisis in the near future. Even so, most energy policy advocates have failed to consider the consequences for the nation, or their own interests, of a range of highly likely policy responses to a third energy shock — the "worst case scenarios". As a result, they perceive little incentive to negotiate today toward a compromise policy adopted now to help avoid a crisis later.

The American Energy Assurance Council (AEAC) is an improbable coalition of leaders from government, business, public interest organizations and the energy policy community. They have joined together out of shared concern that a future energy crisis will occur within the next decade and that the United States is unprepared to deal with the serious political, social, environmental and economic upheaval, and the rash of ill-conceived energy and environmental policies, that could well occur in its wake.

The organization grew from the initiative of a few western state governors and leaders of the energy community in the spring of 1987. These leaders saw several warning signs:

- > . Based on current projections, the U.S. oil import bill will rise from \$28 billion in 1985 to \$40 billion in 1987 — to \$52-58 billion in 1990 — and to \$65-70 billion in 1995, even if oil prices do not rise above \$18/bbl. If prices rise only modestly to \$22/bbl by 1995, the U.S. economy could be drained by \$73-88 billion per year, plunging the nation into financial chaos.
- > In the first week of 1987, net oil import dependence was 39.4%, the same level prevailing at the time of the 1973 OAPEC oil embargo, despite the efforts of four administrations and the expenditure of billions of dollars of public and private sector funds to insure the nation's energy security.
- > The present confusion in our natural gas and electric power markets creates great uncertainty for energy planning.
- > A high profile U.S. military involvement in the Persian Gulf risks escalation into war.
- > Exposing America to a third energy shock could undercut our commit-

ment to strong environmental protection.

- > The 1986 collapse in oil prices has crippled efforts to develop the entire range of reliable domestic energy supplies, significantly undermined research in alternative energy technologies, and delayed the transition to a U.S. energy future less dependent on liquid hydrocarbons.

In weighing these concerns the group recognized that no national energy policy debate existed and that the limited discussion of national energy issues was essentially confined to special interest pleading. Consequently the AEAC was born to foster discussion and resolution of national energy policy issues and shift the focus away from short term conflicts toward shared national concerns and goals.

The AEAC proposed that an improbable coalition of leaders from the key constituencies concerned with energy policy be convened, and that this coalition seek a consensus on our nation's energy strategy and policy recommendations. If such an open consensus could be achieved, it would be presented by the coalition to the new administration in 1989 and placed squarely on the national agenda.

The material that follows describes the AEAC plan and the approaches that will be employed to reach this goal. Attachment 1, the mission brochure, provides an overview of the concerns of the members of the AEAC and outlines their organizing principals:

- 1) Participation of the key constituent groups;
- 2) Discussion of real political interests, not just recitation of one another's policy manifestos in a vacuum;
- 3) An open process guided by the Rule of Reason; and
- 4) The search for broad based consensus on policy solutions.

The mission brochure also provides a list of the members of the AEAC as of mid-November, 1987. The AEAC is actively working to broaden its base by adding additional members from the public interest community, the energy policy analyst community, large energy consumers, and labor.

Attachment 2 provides a detailed discussion of the approach to be used for the National Energy Crisis Simulation. Attachment 3 provides a budget for Stage 2, including the Crisis Simulation.

## II. The Five Stage Approach

The AEAC has set forth a five stage approach to move toward a national energy consensus.

### **Stage 1 - Organization**

The first stage, which is currently being concluded, involves establishing the AEAC, setting its objectives and approach, and gaining the core participation of leaders who can influence and help shape energy policy. This effort has been building since the first meeting in the spring of 1987. Nine state governors are already participating directly; many leaders from business, government, and the public interest and policy communities have joined; efforts continue to expand membership in the coalition.

The current activities in this phase are aimed at attracting leaders from specific interest groups or regions of the country to balance the membership and insure fair representation. These efforts will continue into Stage 2 until a critical mass has been attained. (Aside from the membership activities, the Organization stage is essentially completed.)

### **Stage 2 - National Energy Crisis Simulation**

Stage 2 will allow AEAC to complete the diversification and broadening of its membership, leading to a National Energy Crisis Simulation involving many AEAC members and others. This is tentatively scheduled for late spring, 1988. The purpose of the exercise is twofold.

First, it will serve as a kickoff activity, providing the cement and incentive for the assembled leaders to participate in serious deliberation and negotiation toward an energy policy. The "game" will seek to demonstrate to the participants that energy policy decisions made by political leaders under the pressures of crisis must necessarily compromise vital interests of various constituencies in unexpected and unpredictable ways. Thus, it serves their own constituent interests to help shape practical policy solutions to America's energy problems in advance in a calm atmosphere, free from the unpredictability a crisis generates.

Second, the Crisis Simulation will be taped and edited for a one-hour national television special. The combination of the dramatic Simulation, along with presentation of important energy policy questions in an exciting way, affords an opportunity to rekindle the American public's interest and restore energy to a leading position on the public policy agenda.

The Simulation will use a proven crisis management approach. A scenario will be developed by a small group of experts from several fields. This group will provide both credibility and realism to the crisis scenario.

In a slight deviation from the normal role playing in such "games", participants from the key constituencies will be asked to play themselves. Faced

with the unfolding crisis, they will try to further or defend their constituency interests.

Nationally known political and policy leaders will serve as the "game's" decision makers. Their task will be to enact measures to stem the crisis.

An experienced "game" manager/producer, support staff and consultants will manage the "game" as it unfolds.

A video tape of the exercise will be produced for a one-hour national television special. It could also be distributed in VCR format as an educational tool for a wider audience of policy makers, colleges, community groups, etc.

While the primary purpose of the Simulation is to focus on the urgency of resolving issues before a crisis, the "game" also serves other purposes:

1. It can help encourage participation in the consensus building efforts that will follow. Some individuals who have been asked to participate have been reluctant to commit for the entire process, but they have expressed enthusiasm about participating in a Crisis Simulation as a first step. The Simulation provides an opportunity to become acquainted with some of the other participants, and to assess its potential to influence public policy.
2. The Simulation will help to identify and clarify the issues and the interests of the participants. In addition, it should call into question the adversarial approach which remains the basic tactic for most interest groups today, an approach which AEAC feels has contributed to the current policy stalemate.
3. With success, the Crisis Simulation will provide momentum for the next stage, the critical task force deliberations.
4. It will provide a rallying point to bring together leaders from the key constituencies who are concerned that energy has fallen from the national agenda and that potentially critical issues are not being addressed.

Attachment 2 provides a detailed discussion of the National Energy Crisis Simulation, including initial plans for organization and execution of the "game". A follow-on plan will be ready and available to act on quickly at the conclusion of the Simulation to support the move into Stage 3.

In addition to the television special, products that will be forthcoming from the Crisis Simulation will include a publication of the proceedings. This will emphasize the issues and interests of the participants and the political constraints that will influence energy policy decisions.

### **Stage 3 - Task Force Deliberations**

The Crisis Simulation is designed to convince the participants that their own interests are best served if they can negotiate and formulate energy policies in a period of relative calm. That consensus does not exist now.

In addition, the exercise will help to identify and articulate the issues and interests of the parties, leading to Stage 3 (task force deliberations and the search for a consensus on America's long term energy future).

The first step in Stage 3 will be the election of the AEAC Board. The Board will be composed of 12 members, three each from the following four categories:

- Senior Elected and Appointed Officials
- Chief Executive Officers
- Energy Policy Experts
- Public Interest Community Leaders

The Board will serve several functions:

- Charter the task forces, identify the issues to be addressed, select the members, and approve the ground rules for their discussions and meetings.

- Resolve any disputes or impasses that might arise in the task force deliberations.

- Oversee their deliberations to assure that they are addressing the appropriate issues and making progress.

- Review task force recommendations to assure that they are consistent, cognizant of valid political realities, and do not contradict other task force recommendations. If appropriate, the Board will return task force recommendations for further study.

Stage 3 will create three to five task forces, each assigned a set of issues or an area of concentration. Each task force will be composed of members from all of the four AEAC membership categories. They will seek to quickly assemble readily available data and forecasts (i.e., problem definition) and then get to the main job — assessing the range of competing solutions.

These groups will study the issues and seek to reach policy recommendations. Such recommendations will be reached by consensus of the task force members. The task forces will be expected to take a disciplined fact-finding and analytical approach. Task forces are expected to meet several times in two-day sessions, building on their early efforts at problem definition and fact-finding until they are able to reach conclusions and finally agree to recommendations. Even in those instances where the task force is not able to reach consensus on a recommendation, they will carefully define where they do not agree and the reason for their differences. This in itself will be valuable information to policymakers.



The task force members will serve as individuals so that flexibility and problem solving can be maximized. However, participants will be selected in part because of the constituency viewpoints they contribute, along with their own knowledge of the issues. The job of the task forces will be to discuss and debate the issues and to negotiate consensus recommendations that are practical and politically realistic.

Task force deliberations will begin shortly after the Simulation and will be concluded in the fall of 1988. Upon completion of their assignments the task forces will present their recommendations to the Board. Task forces, with the aid of the project staff, will prepare reports containing their findings and recommendations. These will both document their activities and serve as a basis for presentations to the Board, the Symposium and the general public. As mentioned above, the Board can accept the recommendations or return them to the task force for further study.

#### **Stage 4 - National Kickoff Symposium**

The fourth stage of this project calls for the presentation and discussion of the policy recommendations at a National Symposium to be held in Washington in early 1989. The purpose of this stage is to begin a discussion of energy policy in earnest and to accelerate communication to disseminate the results of the AEAC work. Preparations for Stage 4 will begin well in advance of the symposium itself by working closely with serious national writers and journalists during the task force deliberations.

#### **Stage 5 - Agenda Setting**

The symposium represents the kickoff of a national educational effort. It will be followed by the presentation of the task force results by AEAC members to the new administration and to congressional leaders. The objective of Stage 5 is to place energy strategy and policy issues squarely back on the national agenda and to present the recommendations of a highly improbable coalition to political decision makers. Follow-on efforts beyond that will be considered prior to the convening of the symposium. If appropriate, broader communication and educational activities would be undertaken either as part of Stage 5 or outside the project.

### **III. Current Status**

We are currently concluding Stage 1. The basic organization has been put in place. Additional members will continue to be added during Stage 2. Planning is underway for the Crisis Simulation, "game" experts have been contacted, and a consulting staff is in place. Actual commitment of significant resources to the "game" will start when an adequate funding base is in place. It is estimated that the "game" can be held within 120 days of a decision to proceed by the AEAC. The AEAC is operating on a pay-as-you-go basis.

Initial recruitment has been successful. Cash and pledges of over \$250,000 have been raised; nine governors and a total of 30 national leaders from the

four participating categories (business, government, the public interest community and the energy policy community) have joined. Building the base of the coalition is continuing with efforts concentrated on broadening participation. There is strong interest in the Energy Crisis Simulation among those contacted so far.

We believe the National Energy Crisis Simulation exercise is a key part of this program. It provides a rallying point to revitalize national interest in energy issues. It will also highlight the need to begin the energy dialogue in advance of a crisis.

#### IV. FUNDING NEEDS

The budget for Stage 2, The National Energy Crisis Simulation, is estimated to be \$365,000. Foundation funding is particularly important because it balances industry and government support. This permits public interest leaders and energy policy experts to participate without fear of being compromised for "accepting industry money."

A budget breakdown is presented in Attachment 3. The Simulation "game" will have approximately 100 participants, plus support staff of 10 to 15 to facilitate and coordinate the play. Other details of the Simulation "game" are provided in Attachment 2.

Assuming a full go-ahead for Stage 2 by March 1, 1988, AEAC will have spent \$165,000 in cash and in-kind contributions, leaving approximately \$10,000 in cash on hand, with \$85,000 in current pledges outstanding. The AEAC wishes to end Stage 2 with at least \$100,000 in cash and pledges on hand in order to assure a smooth bridge into Stage 3. These additional funds are being raised as new business and government leaders join.

Committing \$115,000 in cash and in-kind contributions to the Stage 2 effort directly from AEAC funds, \$250,000 needs to be raised from the foundation sector to bring total project expenditures by the end of Stage 2 into an approximate 50-50 alignment.