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THE WHITE HOUSE
WASHINGTON

766-2255
HE 067-01

February 18, 1986

MR. PRESIDENT:

Attached are the background papers for the Domestic Policy Council Meeting today. Please be advised you are not expected to make any decisions at the meeting.



David Chew

The President has seen 2/19

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM FOR THE PRESIDENT

FROM: THE DOMESTIC POLICY COUNCIL

SUBJECT: Joint Report of Special Envoys on Acid Rain

ISSUE: How should the Administration treat the recommendations of the Special Envoys on Acid Rain?

BACKGROUND: At the Quebec Summit last year, you and Canadian Prime Minister Mulroney decided that Special Envoys should examine the dispute over acid rain. The Joint Report of the Special Envoys on Acid Rain ("the Report") was delivered on January 8, 1986. Subsequently the Domestic Policy Council reviewed the Report in preparation for your March 18 meeting with Prime Minister Mulroney.

From the Canadian point of view, acid rain is the most important bilateral issue between Ottawa and Washington. Prime Minister Mulroney has referred to progress on this issue as the "litmus test" of the relationship. Failure to achieve positive movement on acid rain at the March Summit could jeopardize the present Canadian Government's pro-U.S. stance. This, in turn, could have serious consequences for the United States in the fields of trade, investment, and security.

Summary of the Envoys' Report:

The Report begins by describing "things we learned," followed by accounts of "The U.S. Perspective" and "The Canadian Perspective" on acid rain. The Report concludes with three recommendations.

1. The Report says that the Envoys learned that:
 - "Acid rain is a serious environmental problem";
 - "A serious transboundary problem"; and
 - there are only a few, expensive, avenues to major reduction in acidic air emissions.

Each of these points, properly understood, is consistent with current policy, although we have not previously held that acid rain is a "serious environmental problem" or a "serious transboundary problem." Also, there are still substantial scientific uncertainties on many acid rain issues.

Acid rain is certainly not an insignificant problem, or we would not be spending over \$100 Million annually to assess its exact extent and develop technology for its possible mitigation. Thus, we need not take the "lessons learned" as indicating a more serious assessment of acid rain than current policy warrants. It certainly is also a transboundary problem, as its impact on our relations with the Canadians would indicate, regardless of the scientific assessment of the exact extent of acid rain effects.

2. The "U.S. perspective" section is an adequate presentation of the American view. The section does not misrepresent current knowledge or Administration policy, though in several important respects items favorable to our position are understated or omitted. For example, our successful efforts to reduce emissions are not fully reflected. Political constraints, rather than scientific uncertainties, are stressed as barriers to immediate action.
3. The Report recommends:
 - A \$5 Billion government/private sector program to fund development of innovative control technologies;
 - Cooperative activities, and review of improvements possible under existing legislation; and
 - Research efforts.

Our review suggests that there is significant similarity between the recommendation for programs to develop innovative control technologies and the Clean Coal Technologies Program (CCTP) adopted by Congress in 1985 and now being implemented by the Department of Energy (DOE). There are also a number of significant differences, including funding levels, though these differences are, in our view, not inimical to the intent of the recommendation.

There are a number of possible regulatory and legislative changes that could support introduction of innovative control technologies and that would allow more economical control of emissions. Some of the changes could also have the effect of lessening emission of the precursors of acid rain. These should be reviewed with an eye to possible implementation.

Virtually all research activities recommendations made in the Report are now being addressed within the National Acid Precipitation Assessment Program (NAPAP), though some not to the degree suggested in the Report.

OPTIONS AND SUPPORTING ARGUMENTS:

OPTION 1.

Express support of the Report (as outlined on pages 4-6).

- ° The Report appears to be generally consistent with current U.S. assessment of the issue and environmental policies and with current research, development and demonstration programs.
- ° Any lesser response could reverse the current significant improvement in Canada-U.S. relations; would severely endanger support for the U.S. by the Prime Minister; and is likely to cause the upcoming Summit to be construed in both Canada and the U.S. as a failure.
- ° Existing and planned programs address each of the recommendations in the Report. The existing Clean Coal program addresses the Envoys' concerns; there is a serious question whether \$5 Billion could be spent wisely. Acid rain research programs now funded at various Federal agencies already address virtually all the subjects recommended by the Envoys.
- ° We will review specific regulatory changes and legislative measures designed to encourage implementation of more cost-effective and innovative control approaches.

OPTION 2.

Support the Report without reservation (including the \$5 Billion program).

- ° Acid rain is the primary irritant in our relationship with Canada, our major trading partner and closest ally. The Report is the political judgment of Drew Lewis on what is needed at a minimum to manage this bilateral problem. Anything less than an endorsement of the Report by the Administration will be seen in Canada as a failure in U.S.-Canada relations. Acceptance is likely to assure a successful March 18 Summit.
- ° The Report is in the nature of an arbitrator's finding, which we implicitly bound ourselves to accept when the Envoys were appointed. Even full endorsement of the \$5 Billion program does not mean that it would ultimately be adopted through the budget process.

OPTION 3.

Significantly qualify our response to the Report, strongly reiterating current policy. (Note negative foreign policy implications of this Option, contained in Option 1.)

- ° There is considerable scientific uncertainty as to the nature and severity of the problem. The current CCTP research program may be a candidate for rescission. Support of the Report, even if only general, would commit us unnecessarily to pay for solutions to problems we may not have, now or ever.
- ° The Report does not consider the fact that this Administration has already taken certain regulatory actions, and is pursuing a control technology RD&D program whose scope goes beyond the recommendations of the Envoys.

RECOMMENDATION AND SUGGESTED U.S. RESPONSE:

The majority of the Domestic Policy Council supports Option 1, generally endorsing the Report.

This would make clear that the "U.S. perspective" as presented in the Report is consistent with current U.S. policy, and that we have always recognized that acid rain is both serious, and transboundary, as shown by our large research program and our careful attention to Canadian concerns.

We should also announce the following steps to implement the Report.

1. Support An Emission Control Technology Demonstration Program

The Clean Coal Technologies Program is a new, three-year government/private sector program of \$800 million (at 50/50 cost-sharing) to \$1.5 Billion (at 25/75). This program is in addition to significant private and federally cost-shared RD&D programs.

Direct the Secretary of Energy to reexamine the CCTP and, to the extent possible within the legislation and published selection criteria, administer the program as recommended in the Report.

2. Strengthen Cooperative Activities

Direct agencies to identify and assess cost-effective and innovative approaches to emission reductions, including:

- A) Direct EPA to review opportunities to consider transboundary air pollution in planned regulatory and legislative activities, ensuring that Canadian officials receive adequate notice of proposed rulemaking.
- B) Direct EPA, in consultation with other Federal agencies, to review the regulatory opportunities within existing law for encouraging innovative and cost-effective approaches leading to near-term acid rain reduction.
- C) Request the Federal Energy Regulatory Commission (FERC) to conduct a similar review and to propose (as appropriate) regulations to stimulate the development and deployment of innovative and cost-effective control technologies.
- D) Direct the Secretary of the Interior to identify and reduce impediments to the use of low-sulfur western coal.

Also direct agencies to strengthen bilateral consultation and information exchange, namely:

- A) Direct the Secretary of State to establish a bilateral advisory and consultative group on transboundary air pollution, consisting of diplomatic and environmental management officials.

- B) Direct the Secretary of Energy to establish a panel to review and provide advice concerning innovative control technology programs.
- C) Direct the Joint Chairs Council of NAPAP to establish an increased level of liaison with Canadian acid rain research programs.
- D) Direct the Secretary of Energy to establish U.S. representation at Canadian control technology demonstration program reviews.

3. Reappraise Federal Acid Rain Research Activities

Direct the Joint Chairs Council of NAPAP to conduct a coordinated interagency review of relevant research in light of the recommendations in the Report.

4. Establish Continuing Acid Rain Agenda for President and Prime Minister

Acknowledge acid rain to be a continuing agenda item for meetings with the Prime Minister of Canada. You will periodically review progress toward addressing transboundary acid rain concerns.

CAVEAT:

There remain some differences of opinion on the exact import of Option 1. Some see it as being "very strong support" or "embrace" of the Report, with no hint of interpretation. Others see it as "general support" or "acceptance" of the Report, keyed to continuation of current planned programs and policies.

All members of the Council agreed that our attitude toward the Report did not constitute a reversal of current policy. However, some felt that this meant explicit endorsement of the view that acid rain is "a serious environmental problem" and "a serious transboundary problem"; while others feared that our position would be so taken.

In like manner, some would interpret Option 1 as meaning silence on the issue of a \$5 Billion program, with no commitment to seek additional funding. Others believe that, at a minimum, a commitment to some new funding is essential to the credibility of this option. Still others wanted it to be clear that support of the Report does not imply commitment to seek additional funding.

These nuances need to be addressed frankly in the DPC discussions.

Edwin Meese III

Edwin Meese III
Chairman Pro Tempore
Domestic Policy Council

DECISION:

Approve: Option 1 _____ Option 2 RR Option 3 _____
Further Work Needed _____

This decision is modified - we will have to explain that we cannot go forward with the spending part as of now.

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The President has seen 2/28



February 18, 1986

No Reply

President of the United States
THE WHITE HOUSE
1600 Pennsylvania Ave.
Washington, DC 20500

Dear President Reagan:

Your autographed photograph and message to the Volunteers of the San Diego Aerospace Museum in San Diego, California is very much appreciated.

The progress of our Aerospace Museum is due, in a large part, to the dedication and expertise of our 150 volunteers working in restoration of aircraft, as tour guides and in our library and archives.

Most of our volunteers are senior citizens and retirees who have found a source for extending the usefulness of their lives in a productive and valuable service to our American Society.

On their behalf, we again thank you for your recognition of these fine people.

Most sincerely,

W.T. Immenschuh

W.T. Immenschuh
President

SAN DIEGO AERO-SPACE MUSEUM

2001 PAN AMERICAN PLAZA, BALBOA PARK, SAN DIEGO, CA 92101 (619) 234-8291

73191

End
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To Gabriela Aguilo - With my heart full
Thanks, every good wish & Very Best Regards.
Ronald Reagan

THE WHITE HOUSE
WASHINGTON, D.C.

Miss Gabriela Aguilo
4545 West 154th Street
Lawndale, California 90260

860219

The President

Miss Gabriela Aguilar
4545 W. 154th St.
Lawndale Calif. 90260

Cartier

2110
1650
File

382788

PR005-01



To Dr. Richard L. Neese - With great appreciation,
every good wish & Very Best Regards.

Ronald Reagan

Dr. Richard L. Neese
2171 Torrance Boulevard
Torrance, California 90501

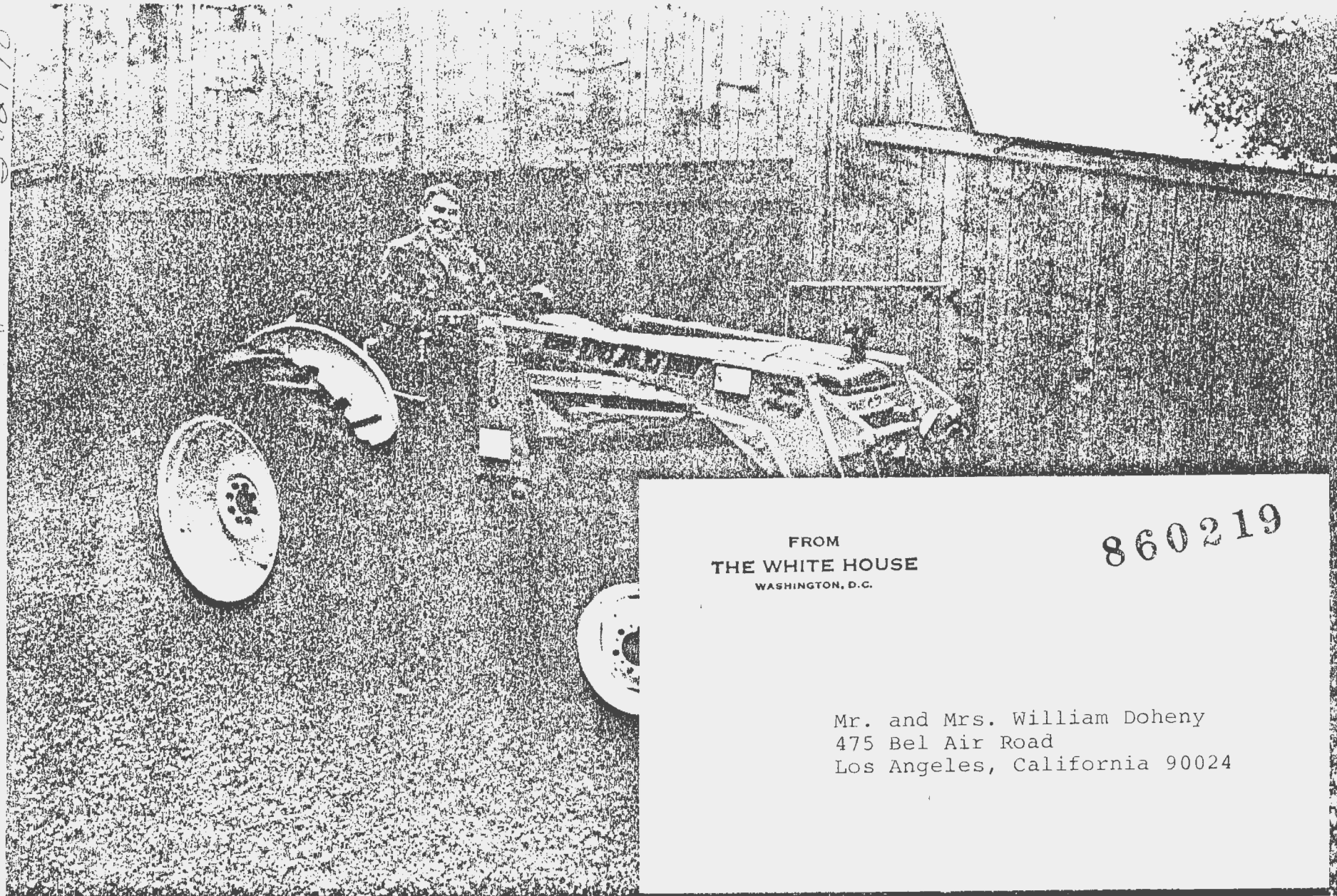
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The President

To Dr. Richard L. Nease
2171 Torrance Blvd.
Torrance Calif.
90501

Cartier

382790



FROM
THE WHITE HOUSE
WASHINGTON, D.C.

860219

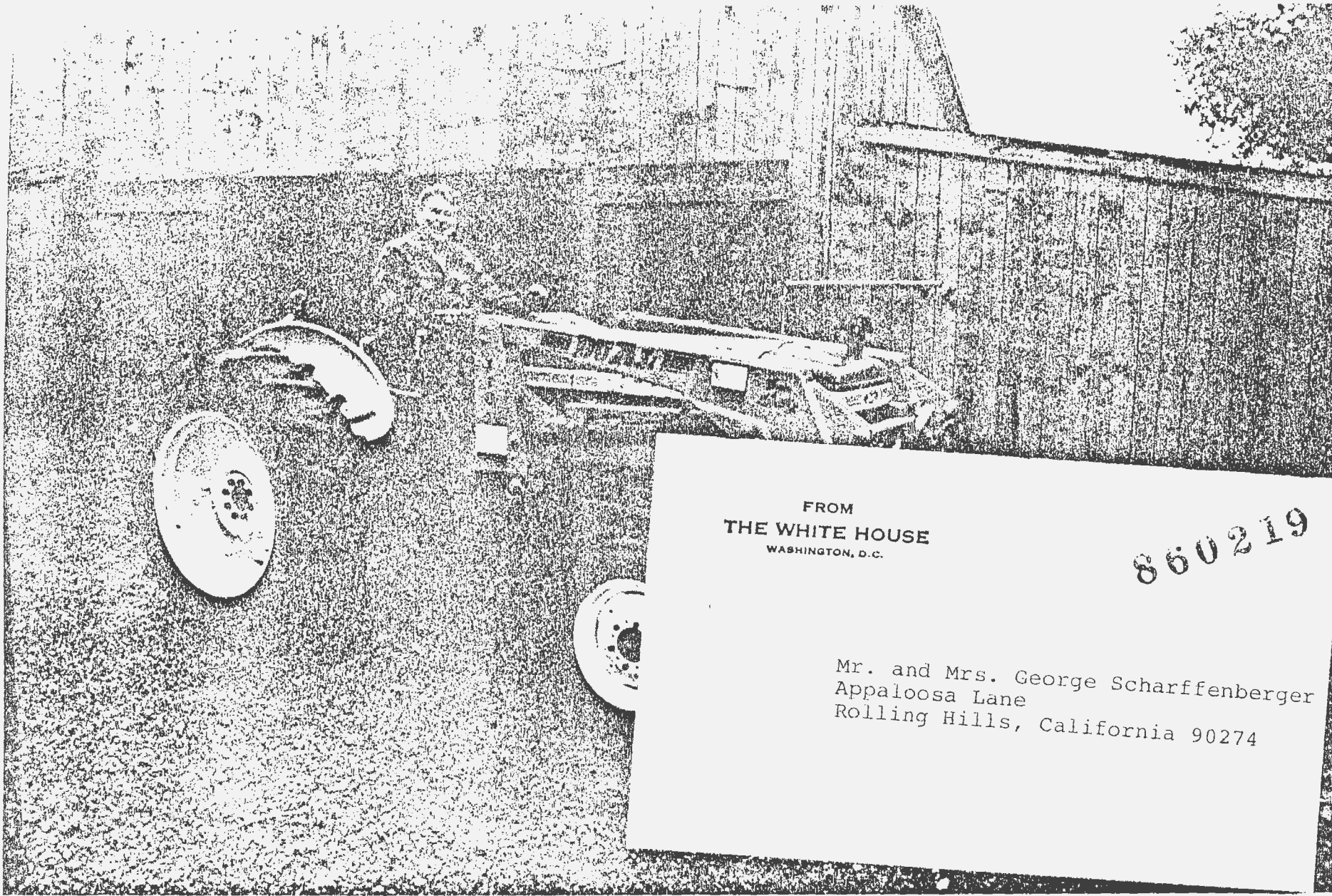
Mr. and Mrs. William Doheny
475 Bel Air Road
Los Angeles, California 90024

Dear Annabe & Bill - Just a photo of a happy farmer & what
made him that way. My heartfelt thanks.
Ror

The President

Mr. & Mrs. Wm. Doherty
475 Beech Rd.
L.A. 90024

Bill & Annabel
Cartier



FROM
THE WHITE HOUSE
WASHINGTON, D.C.

860219

Mr. and Mrs. George Scharffenberger
Appaloosa Lane
Rolling Hills, California 90274

Dear Marion & George - Just a photo of a happy farmer & what
made him that way. My heartiest thanks.
Ron

The President

SCHARFFENBERGER

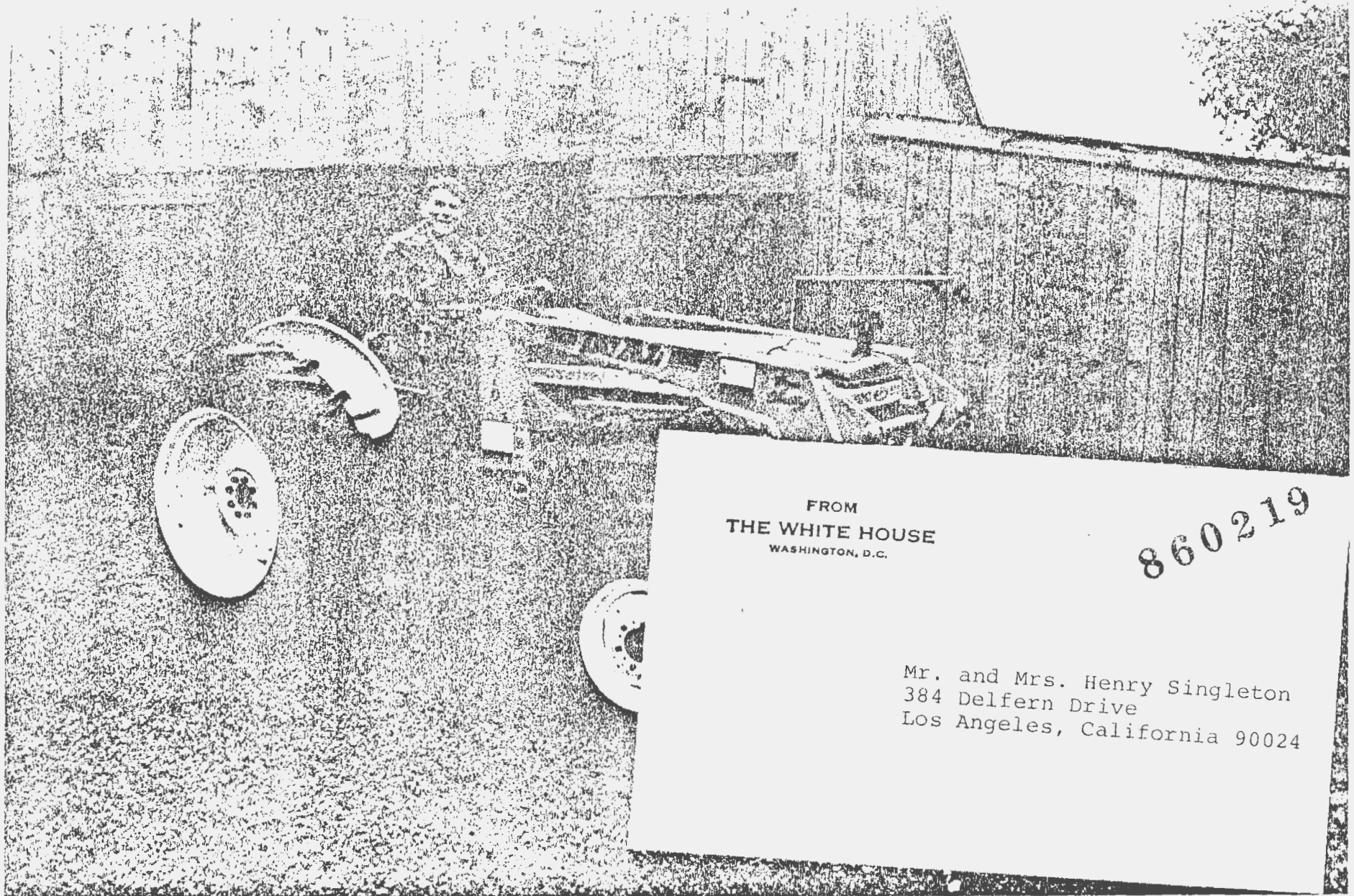
Mr. & Mrs. George ~~Scharffenger~~

Appaloosa Lane
Rolling Hills Calif.
90274

1

George Marion

Cartier



FROM
THE WHITE HOUSE
WASHINGTON, D.C.

860219

Mr. and Mrs. Henry Singleton
384 Delfern Drive
Los Angeles, California 90024

Dear Caroline & Henry - Just a photo of a happy farmer & what
made him that way. My heartfelt thanks.
Ron

The President

Mr. & Mrs. Henry Singleton

384 Delfern Drive
Los Angeles, Calif. 90024

*Henry & Caroline
Cartier*



FROM
THE WHITE HOUSE
WASHINGTON, D.C.

860219

Mr. and Mrs. Robert Adams, Jr.
Box 468
Valley Center, California 92082

Dear Betty & Bob - Just a photo of a happy farmer & what
made him that way. My heartiest thanks
for all you did. Ron

The President

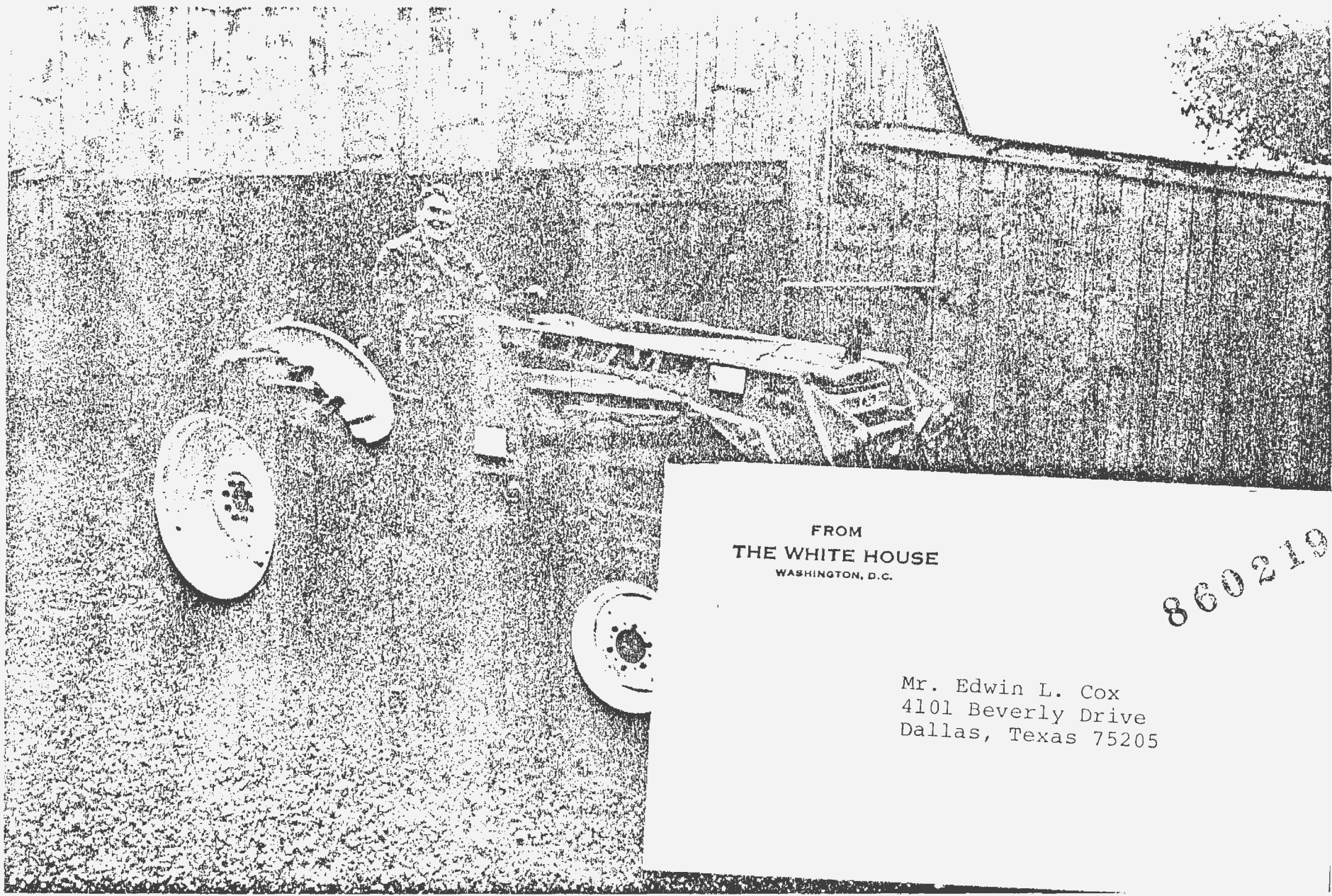
Mr. & Mrs. Robert
Adams Jr.

Box 468

Valley Center, Calif. 92082

Betty & Bob.

Cartier



FROM
THE WHITE HOUSE
WASHINGTON, D.C.

860219

Mr. Edwin L. Cox
4101 Beverly Drive
Dallas, Texas 75205

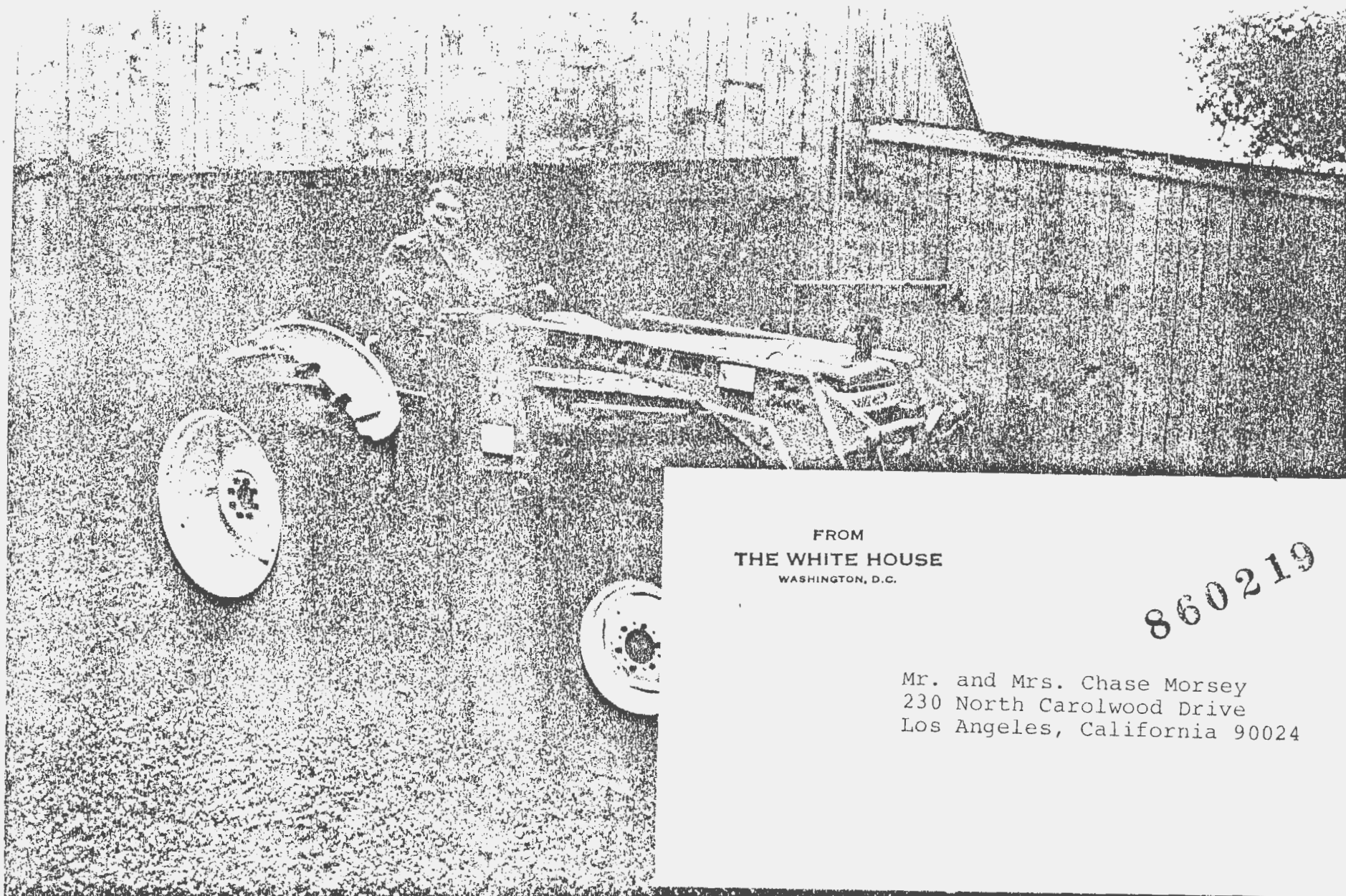
Dear Ed - Just a photo of a happy farmer & what made him
that way. My heartfelt thanks. Ron

The President

Mr. Edwin L. Cox

4101 Beverly Drive
Dallas, Texas 75205

Ed
Cartier



FROM
THE WHITE HOUSE
WASHINGTON, D.C.

860219

Mr. and Mrs. Chase Morsey
230 North Carolwood Drive
Los Angeles, California 90024

Dear Chase & Beverly - Just a photo of a happy farmer & what
made him that way. My heartfelt thanks.
Ran

The President
Mr. & Mrs. Chase Murray

230 North Carolwood Drive
Los Angeles, Calif. 90024

213 274 5961

Chase & Barnard

Cartier