

European Communities

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DOCUMENT 1-214/80

Report

drawn up on behalf of the Committee on Energy and Research

on the proposal from the Commission of the European Communities to the Council (Doc. 1-627/79) for a Regulation amending Regulation No 726/79 as regards the granting of financial support for projects to exploit alternative energy sources

Rapporteur: Mr M. SASSANO

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By letter of 19 December 1979 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 235 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation No. 726/79 as regards the granting of financial support for projects to exploit alternative energy sources.

The President of the European Parliament referred this proposal to the Committee on Energy and Research as the Committee responsible and to the Committee on Budgets for its opinion.

On 22 January 1980 the Committee on Energy and Research appointed Mr SASSANO, rapporteur.

It considered this proposal at its meetings of 18 March 1980, 27 March 1980 and 27 May 1980.

At its meeting of 27 May 1980 the Committee unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mrs Walz, chairman; Mr Ippolito, Mr Gallagher and Mr Normanton, vice-chairmen; Mr Sassano, rapporteur; Mrs von Alemann, Mr Beazley, Mr Calvez (deputizing for Mr Pintat), Mr Coppieters (deputizing for Mr Capanna), Mr Croux, Mr Flanagan (deputizing for Mr de la Malène), Mr Fuchs, Mr Galland, Mr Linkohr, Mr Müller-Hermann, Mr Paisley, Mr Purvis, Mr Sälzer, Mr Seligman, Mr Veronesi, Mrs Viehoff (deputizing for Mr Pisani).

The opinion of the Committee on Budgets is attached.

CONTENTS

	<u>Page</u>
A Motion for a resolution	5
B Explanatory Statement	9
Opinion of the Committee on Budgets	15

A

The Committee on Energy and Research hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Regulation amending Regulation No. 726/79 as regards the granting of financial support for projects to exploit alternative energy sources.

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
- having been consulted by the Council (Doc. 1-627/79),
- having regard to the report of the Committee on Energy and Research and the opinion of the Committee on Budgets (Doc. 1-214/80),
- having regard to its previous resolutions on the granting of financial support for projects to exploit alternative energy sources, and in particular its resolutions:
 - on the proposals from the Commission of the European Communities to the Council (Doc. 158/77) for
 - I. a regulation on the granting of financial aids to demonstration projects in the field of energy saving
 - II. a regulation on the granting of financial support for projects to exploit alternative energy sources²
 - on the proposal from the Commission of the European Communities to the Council (Doc. 433/78) for a regulation on the implementation in the solar energy sector of Regulation (EEC) No. 1302/78 concerning the granting of financial support for projects to exploit alternative energy sources³,
- 1. Recognises the need to provide increased financial support for projects to exploit alternative energy sources, including the liquefaction and gasification of solid fuels;

¹OJ No C 26 of 2.2.1980, page 5

²Report of Mr Brown, Doc. 362/77, OJ No. C 299 of 12.12.1977, page 50

³Report of Mr Dalyell, Doc. 557/78, OJ No. C 39 of 12.2.1979, page 38

2. Regrets that the Commission did not propose similar increases in the amounts of aid to be made available for the exploitation of geothermal fields and of solar energy, and consequently calls on the Commission to present forthwith a proposal for a further regulation amending Regulation No. 726/79 which would at least double the amounts of aid to be granted to these sources of energy;
3. Calls on the Commission to provide at regular intervals at least every six months, detailed information on how the funds allocated to projects to exploit alternative energy sources have been and will be used;
4. Expresses reservations with regard to the provisions of Regulation No. 726/79 whereby financial ceilings are given, albeit for guidance purposes, for each sector, and insists that appropriations for programmes be determined in accordance with the established annual budgetary procedure;
5. Requests the initiation of the conciliation procedure should the Council once again attempt to fix unilaterally the maximum amount of aid to be made available for projects to exploit alternative energy sources;
6. Endorses the proposal for a Regulation amending Regulation No. 726/79 subject to the incorporation by the Commission of the following amendments, pursuant to Article 149(2) of the EEC Treaty.

Proposal for a Regulation amending Regulation
No. 726/79 as regards the granting of financial
support for projects to exploit alternative
energy sources

Preamble unchanged

Sole Article

1. The maximum amount of aid to be granted pursuant to Regulation (EEC) No 1302/78 is hereby fixed, for guidance purposes, at 145 million European units of account for the whole of the five-year programme.

2. The following maxima are established, for guidance purposes, for the following sectors:

	(million EUA)
- liquefaction and gas-ification of solid fuels	100
- exploitation of geothermal fields	22.5
- exploitation of solar energy	22.5

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2. The following maxima are established, for guidance purposes, for the following sectors:

	(million EUA)
- liquefaction and gas-ification of solid fuels	100
- exploitation of geothermal fields	22.5
- exploitation of solar energy	22.5

The figures given in Paragraphs 1 and 2 are of an indicative nature only.

The Commission may, within the limit of 145 million European Units of Account, modify this apportionment by up to 10% of any of the sectoral amounts. The Council acting unanimously may modify the apportionment by an amount in excess of 10% of any of the sectoral amounts.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

The Commission may, within the limit of 145 million European Units of Account, modify this apportionment by up to 10% of any of the sectoral amounts.

One sentence deleted

This Regulation shall be binding in its entirety and directly applicable in all Member States.

¹OJ No C 26 of 2.2.1980, page 5.

EXPLANATORY STATEMENTIntroduction

1. The principle of granting financial support for projects to exploit alternative energy sources was approved by the European Parliament on 17 March 1977¹. Paragraph 4 of the motion for a resolution contained in Mr Brown's report welcomed the Commission's proposal on aids for demonstration projects in energy saving techniques and for projects to exploit alternative energy sources, geothermal energy and coal gasification and liquefaction, adding that the improvement of these sources had often been stressed.
2. On 12 June 1978 the Council adopted regulation (EEC) No. 1302/78² on the granting of financial support for projects to exploit alternative energy sources including, inter alia, demonstration projects on the liquefaction and gasification of solid fuels. The regulation adopted by the Council on 12 June 1978 differs quite considerably from the draft Council regulation³ presented by the Commission, which was the subject of Mr Brown's report.
3. The Committee on Energy and Research expressed the belief that certain articles in regulation (EEC) 1302/78 would be detrimental to the budgetary powers of the European Parliament. Article 11, in particular, which reads as follows, was unacceptable to the Committee:

Article 11:

'This regulation shall enter into force following the decision taken by the Commission, or by the Council in the event of an appeal, on the first series of projects in accordance with Article 6, and following the adoption by the Council of a regulation fixing by unanimity the maximum amount of aid to be made available under the relevant implementing regulations, and the corresponding project programmes.'

4. It should be noted that such a procedure would in effect make the Council the sole budgetary authority. As pointed out in the explanatory statement of Mr Dalyell's report (Doc. 557/78) on the proposal for a regulation on the implementation in the solar energy sector of Regulation (EEC) 1302/78 concerning the granting of financial support for projects to exploit alternative energy sources, it is not only the programme for the granting of financial support to exploit alternative energy sources that is

¹Report of Mr Brown, Doc. 362/77, OJ No. C 299 of 12.12.1977, p.50

²OJ L 158 of 16.6.78

³OJ C 138 of 11.6.77, Doc. 158/77

in question. The procedure adopted by the Council in Regulation (EEC) 1302/78 forms a precedent for the creation of a decision-making process that can be applied to other sectors of energy-making policy.

5. As a result the President of the European Parliament sent a telex on 14 July 1978 to the President of the Council of Ministers requesting the initiation of a conciliation procedure between the European Parliament and the Council with regard to Council Regulation (EEC) 1302/78, and Council Regulation (EEC) 1303/78. In a reply dated 10 October 1978 (nearly three months later) the Council stated that it would not be able, at that stage, to begin the conciliation procedure as the two regulations in question had been formally adopted and published in the Official Journal.

6. On 1 November 1978 the Commission published a proposal to the Council¹ for a regulation on the implementation in the solar energy sector of Regulation (EEC) 1302/78 concerning the granting of financial support for projects to exploit alternative energy sources. This was the subject of a report by Mr Dalyell, (Doc. 557/78), containing a resolution² which was adopted by the European Parliament on 17 January 1979. In this resolution the European Parliament approved the principle of granting financial support for projects to exploit alternative energy sources, but expressed serious reservations with regard to the decision-making procedure introduced by the Council in respect of alternative energy sources in Regulation (EEC) 1302/78, procedures which, it stated, 'would be detrimental to both the European Parliament's budgetary powers and to the Commission's executive responsibilities for the administration of programmes'.

7. The Committee on Energy and Research hoped for the initiation of the conciliation procedure in the event of the Council proceeding to adopt a regulation, pursuant to Article 11 of Regulation (EEC) 1302/78 which would enable it to fix unilaterally the maximum amount of aid to be made available for projects to exploit alternative energy sources.

8. The Committee on Budgets, however, decided not to initiate the conciliation procedure even though the Council did fix unilaterally the sums to be made available.

The present proposal

9. The proposal at present under consideration, Doc. 1-627/79, deals in particular with the granting of financial support for projects for the liquefaction and gasification of coal. By adopting the resolution³ contained in the report of Mr Brown, the European Parliament clearly endorsed the

¹OJ No C 259 of 1.11.78, Doc. 433/78

²OJ No C 39 of 12.2.79, p.38

³OJ No C 299 of 12.12.77, p.50, Doc. 362/77

granting of financial support for projects to exploit alternative sources of energy, including the gasification and liquefaction of solid fuels. Thus the broad principle behind the present proposal is not being questioned.

10. The Committee on Energy and Research wholeheartedly supports Community action in the field of alternative energy, including coal gasification and liquefaction, which could both be of considerable assistance to the Community coal industry, and reduce dependence on oil and natural gas.

11. In Council Regulation (EEC) 726/79¹ the maximum amount of aid to be granted to the liquefaction and gasification of solid fuels was fixed at 50 million European units of account spread over 5 years. These appropriations are now almost exhausted, and the Commission is consequently proposing that the 50m EUA originally provided be increased to 100m EUA so that greater assistance can be given to demonstration projects for coal gasification and liquefaction. The present amendment to Council Regulation 726/79 is accordingly being proposed. Representatives of the Commission have informed the Committee on Energy and Research, meeting on 27 March 1979, that the increased funds can be utilised before the programme comes to an end.

Critical comments on the present proposal

12. While accepting the need for such an increase the European Parliament must express its dissatisfaction with the present proposal on two grounds :

- (i) increases are proposed only for funds to be allocated to coal gasification and liquefaction and not for equally important alternative energy sources such as geothermal and solar energy;
- (ii) under the procedure proposed by the Commission amounts are to be fixed by unilateral decision of the Council, and the Council, acting unanimously, would have the power to modify the apportionment of any of the sectoral amounts by an amount in excess of 10%.

13. Re (i) : Your rapporteur notes with regret that this draft amendment refers only to coal gasification and liquefaction, but not to either the exploitation of geothermal fields or the exploitation of solar energy. In view of the major importance of those sources of energy, your rapporteur calls on the Commission to prepare, without delay, a further amendment to Regulation (EEC) No. 726/79 that would double the appropriations for both geothermal and solar energy (i.e. from 22.5m EUA to 45m EUA in each case).

¹OJ No L 93 of 12.4.1979, page 2

14. Re (ii): The Commission has gone some way towards meeting the objections expressed by the European Parliament to the unilateral fixing by the Council of financial ceilings by adding the words "for guidance purposes" in both the first and second paragraphs of the sole article of the amended regulation. Nevertheless the Committee on Energy and Research expresses strong reservations with regard to the Commission's proposal and the proposed figures. The Commission proposal reads as follows:

1. The maximum amount of aid to be granted pursuant to Regulation (EEC) 1302/78 is hereby fixed for guidance purposes at 145 million European units of account for the whole of the five-year programme.

2. The following maxima are established for guidance purposes for the following sectors The Commission may, within the limit of 145 million European units of account, modify this apportionment by up to 10%. The Council acting unanimously may modify the apportionment by any amount in excess of 10% of any of the sectoral amounts

15. Despite the addition of the words 'for guidance purposes', ceilings are still being fixed by the Council and modifications to the apportionment by an amount in excess of 10% are to be effected by the Council acting unanimously. Such a procedure is clearly detrimental to the budgetary powers of the European Parliament and runs counter to the principle whereby all appropriations are to be fixed in the context of the annual budget of the European Communities, with the European Parliament and the Council acting as the budgetary authority.

16. According to its proposal, the Commission would be authorised to modify the apportionment of sectoral amounts by up to 10%. This would appear to be a reasonable provision, as a certain degree of financial flexibility is necessary in the execution of a programme. The clause empowering the Council, acting unanimously, to modify apportionments by amounts in excess of 10% is, however, quite unacceptable to the Committee on Energy and Research. Such a provision runs contrary to the principle of budgetary control, and could, if the Council so wished, lead to a drastic reduction of funding for one sector in favour of another sector. The Committee on Energy and Research is accordingly proposing the deletion of this clause from the Commission's proposal. This Committee also insists that such a clause be not included in the Commission's proposal to increase funds for geothermal and solar energy.

17. At its meeting on 27 March 1980 the Committee on Energy and Research noted that no information on how the funds for this programme had been used, was provided by the Commission. The Commission has since made good this omission, and has transmitted all relevant details to your rapporteur. The Committee on Energy and Research requests the Commission to provide similar information,

and information on how the proposed new increased appropriations will be used, at regular six-monthly intervals. The present report is interim. A final report will be drawn up when proposals to increase funding for geothermal and solar energy have been received.

Opinion of the Committee on Budgets

18. As this matter is primarily financial, the greatest importance should be attached to the opinion of the Committee on Budgets. This opinion, in the form of a letter from the Chairman of the Committee on Budgets to the Chairman of the Committee on Energy and Research, was adopted by the Committee on Budgets on 15 February 1980.

19. The Committee on Budgets approved the proposal for a regulation with the proviso that a stipulation be included to the effect that the amounts shown would be purely indicative. That Committee agreed that the definite amounts should be fixed under the budgetary procedure. It also added that, should the Council once again adhere to its practice of 'fixing' absolute amounts, a conciliation procedure ought to be requested at that stage.

Conclusions

20. The Committee on Budgets has given its approval to the Commission's proposed amendment. It would be difficult for the Committee on Energy and Research not to adopt a similar attitude. Your rapporteur accordingly proposes that the Commission's text be endorsed, subject to the acceptance pursuant to Article 149(2) of the EEC Treaty, of two amendments

- (i) clearly pointing out the indicative nature of the amounts quoted in paragraphs 1 and 2 of the sole article, and
- (ii) deleting the clause that would empower the Council, acting unanimously, to modify apportionment by any amount in excess of 10%.

21. The Committee on Energy and Research calls on the Commission to provide detailed information at regular intervals, at least every six months, on how funds already granted for this programme have been spent, and how the proposed new increased appropriations will be used.

22. Your rapporteur requests the Committee on Budgets to initiate conciliation procedure in the event of the Council's fixing financial ceilings for this programme.

23. Your rapporteur also calls on the Commission to propose forthwith a further amendment to Regulation (EEC) No. 726/79, which would double the appropriations for assisting the exploitation of both geothermal and solar energy under this programme. When such a proposal, and the information requested in paragraphs 17 and 21 above, have been received by the Committee on Energy and Research, a definitive report will be drawn up. In the meantime this is to be considered an interim report.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the Chairman of the Committee to Mrs Hanna WALZ,
Chairman of the Committee on Energy and Research

Strasbourg, 15 February 1980

Subject: Proposal for a Council regulation (EEC) amending Council Regulation No. 726/79 as regards the granting of financial support for projects to exploit alternative energy sources (COM(79) 623 fin.)

Dear Madam Chairman,

The Committee on Budgets considered the above proposal from the Commission at its meeting of 24/25 January 1980. The purpose of this proposal is to amend Regulation No. 726/79 which in turn was based on the following regulations:

- Regulation No. 1302/78 adopted by the Council, acting on a proposal from the Commission, on 12 June 1978 concerning the grant of financial support for projects to exploit alternative energy sources,
- Regulation (EEC) No. 728/79 of 9 April 1979 on the implementation of Regulation 1302/78 in the solid fuel liquefaction and gasification sectors,
- Regulation (EEC) No. 726/79 of 9 April 1979 fixing the maximum amount of aid to be made available.

Having regard to the deteriorating situation in the energy sector and to the view expressed by the European Council in June 1979 that particular priority should be given to the development of new energy sources, including coal, the Commission is proposing that, in the case of financial support for the liquefaction and gasification of solid fuels, the amount fixed by the Council in Regulation (EEC) 726/79 should be doubled from 50 million EUA to 100 million EUA, thus giving the overall programme for the utilization of alternative energy sources a total financial endowment of 145 million EUA

PE 64.451/fin.

The Committee on Budgets is able to approve the proposal for a regulation with the proviso that a stipulation must be included to the effect that the amounts shown are purely indicative. The committee agrees with the Commission that the definitive amounts must be fixed under the budgetary procedure.

Should the Council once again adhere to its practice of 'fixing' absolute amounts, a conciliation procedure should already be requested at this stage.

This opinion was adopted by 12 votes to 2 with 2 abstentions.

Yours faithfully,

(sgd) Erwin Lange

Present: Mr Notenboom, acting chairman; Mr Baillot, Mr Balfe, Mr Barbi, Mr Bonde, Mrs Boserup, Mr Dankert, Mr Fich, Mr Forth, Mrs Gaspard, Mr Gouthier, Mr Hord, Mr Motchane (deputizing for Mr Megahy), Mr Nord, Lord O'Hagan, Mr Orlandi and Mrs Scrivener