

INFORMATION

ENERGY II

THE ROLE OF THE ENERGY SOURCES IN THE COMMUNITY

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Thorough Reorganization by the new EC Energy Strategy

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In the proposals which it has now presented for a new energy strategy, the European Commission has laid down guidelines for the development of all sources of energy. Nuclear energy will play an important role in this new strategy. By 1985, for example, the date set for attaining all the medium-term aims of the strategy, 50 % of the total electricity generated should be produced using nuclear energy. The share of electricity in the EC's total consumption of energy should by then amount to 35 % (1973: 25 %). An installed capacity of approximately 200 GWe would then be required to obtain the quantity to be generated using nuclear energy. As electricity can be produced on the basis of various types of primary energy, it can be considered as particularly advantageous from the point of view of security of supply. The annual rate of increase in the consumption of electricity, which is currently 7,2 %, will probably rise to 8 % at the beginning of the 'eighties and to approximately 9 % by 1985-1990. Greater use will be made of electricity particularly to heat buildings and in the field of traffic and transport. Furthermore, consumption in off-peak periods must be promoted, and this must be done by fixing appropriate tariffs. Another reason for altering the tariffs is to enable electricity producers to receive adequate revenue so that nuclear power stations can be constructed.

While there is to be an exceptionally large increase in the supply of nuclear energy, the generation of electricity using hydro-electric power will probably increase only slightly, and its importance as a source of electricity will therefore decrease still further. Almost the only Community country in which the production of electricity on the basis of brown coal is still economical is Germany. As soon as nuclear energy can meet the increased demand for electricity, better use will probably be found for a certain proportion of the brown coal. Gasification is a possibility which deserves particular mention.

As a general rule, natural gas, too, should be reserved for more important uses. The strategy lays down that natural gas should be supplied to power stations only on the basis of interruptible supply contracts and only if it can be put to no better use for the moment or if the use of natural gas is indispensable for economic, technical and environmental reasons.

Oil-fired thermal power stations should limit their consumption in the long term to the heavy residual oil from the refineries. In future, the construction of new oil-fired power stations should be authorized only in exceptional cases. An example of such an exceptional case would be to enable low-capacity power stations to cover peak period requirements. The existing oil-fired power stations, and those under construction, should, if possible, gradually start to be used only in medium-demand and peak periods. Theoretical result of these measures should be the reduction of the share of petroleum products in the total generation of electricity from the current figure of 30 % to less than 20 % in 1985.

Electricity generation in coal-fired power stations should be increased from the current level of 30 % to 50 % by 1985. If there is to be a considerable increase in the available supplies of steam coal, long-term contracts must be concluded between the coal industries and the electricity producers. On the other hand, it is in the Community's interest to promote the development of new nuclear power stations. The development of the fast breeder should contribute towards security of supply, the introduction of high-temperature reactors should prepare the way for better use of nuclear energy as a producer of heat, and the advantages of both types of reactors should be combined.

Although a certain proportion of the coal produced in the Community has once again become competitive as a result of the oil increased prices, the coal industry is, for various reasons, unable to adapt quickly to this new situation. The reasons for this are the considerable amount of time required to develop new production capacities, the inability to bring closed pits back into operation, the inability to guarantee viability, and difficulties in recruiting and training workers. The Commission's strategy is based on the assumption that the use of coal in the steel industry will remain relatively stable. A dynamic development could take place in the electricity industry, on the other hand, where the polyvalence of the power stations enables them to change over to coal relatively fast. At present, approximately 80 % of the Community's coal consumption is divided almost equally between the power station sector and the steel industry. Community coal covers approximately 90 % of this consumption.

The Commission is of the opinion that the Community's coal production should be stabilized by 1985 at its current level of approximately 250 million tons per year. If this target is to be reached, a number of stringent measures are required. For example, rationalization must be achieved by concentrating output on the coalfields with the highest productivity. Should it be necessary, for regional or social reasons, to keep a particular coalfield in operation, the costs incurred must be borne by the public authorities. Rationalization in existing pits and the creation of new production capacities must be assisted by means of low-interest loans from the European Investment Bank and the European Coal and Steel Community (ECSC). Attractive wages and guaranteed promotion opportunities, plus financial incentives to increase mobility, should help in the recruitment of workers. The prices policy to be followed should enable a system of price autonomy to be introduced gradually for the coal undertakings. Finally, the Community must make financial contributions to enable more research and development work to be carried out. This policy must be supplemented by a number of additional measures which are imposed by the low degree of adaptability of the coal industry.

Financial assistance would be required in this connection to guarantee the competitiveness of the consumer with a long-term attachment to coal. In addition, research into the gasification of coal must also be intensified. As the Community's coal industry is at present scarcely in a position to cope with the sharply rising demand, especially for electricity generation, increased imports from non-member countries can be expected. In this connection, the conclusion of long-term contracts and the participation of industries in joint ventures in the coal industries of non-member countries must be promoted. The opening of the Community's markets to coal from non-member countries must, however, not jeopardize the existence of the Community's coal industry. There should therefore be a certain amount of supervision. The stockpiling policy should make up for the effects of interrupted supplies by requiring that considerable stocks be accumulated by producers and consumers.

In the case of oil, the Commission's strategy is based on the assumption that in 1985 this source of energy will still cover 41% (1973: 61 %) of the Community's total energy requirements. Oil will therefore remain the most important source of energy in the Community. The role of the multinational oil

companies will change in some fields. For example, the market should become more transparent. In practical terms this means that undertakings must be prepared to keep the national and Community institutions informed on price, quantity and investment trends. The EC Energy Committee would appear to be a suitable body for remaining in permanent contact with the undertakings. The Commission stresses that it does not want to force this contact into a inflexible, legalistic framework. Consequently, an appeal will first be made to the goodwill of the undertakings to work together under changed conditions. However, it is very important that the Common Market should remain attractive to the undertakings because of its uniformity.

On the question of commercial policy, the Commission proposes constant supervision of the importation and exportation of hydrocarbons by means of a system involving the automatic issue of licences. This would ensure that a constant flow of information would be obtained on the quantities traded and would at the same time enable protective measures to be adopted in times of crises or tension. In addition, an effort should be made to harmonize the prices of oil and petroleum products in the Community. An attempt should be made to attain this objective by stages, at the end of which a set of Community rules on price levels should be drawn up. However, the authorities should be able to intervene only in cases of tension on the market. The Community's rules on prices would include the obligation for undertakings to publish price lists for all important petroleum products in the principal consumer sectors.

The Commission is of the opinion that Member States should, in future, consult the European Institutions before concluding agreements with oilproducing countries. When engaging in cooperation with other consumer countries, especially within the framework of the OECD, the Community should "speak with one voice". Special efforts must be made in future to prospect for oil in new areas, such as the North Sea. Although most of the expenditure in this connection must be borne by the oil industry, an active contribution from the Community could be required in certain cases. The EC's expenditure on "Community projects"^(*) should be increased. Furthermore, the term "Community projects", which is currently restricted to technological development in the field of hydrocarbons, should be extended to include prospectives, storage and transport. Should difficulties arise with regard to supplies, a set of Community instruments should be available which should include the control of movements of crude oil and petroleum products

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(*) "Community projects": projects having the nature and status of supranational industrial cooperation which could benefit from fiscal and capital concessions granted by the Community

within the Community, more rapid methods of obtaining information on imports and exports, a number of measures to restrict consumption and the ability to intervene in the field of prices.

Natural gas, from which approximately 13 % of the Community's energy was produced in 1973, should cover approximately 25 % of the requirements in 1985. The doubling of the share of energy supplies covered by natural gas also requires a doubling of natural gas production in the Community to approximately 230 million t.p.e., and a substantial increase in imports. The Commission proposes that internal production be increased by implementing measures such as tax concessions for the exploration of new sources of supplies and financial aid. Furthermore, the extension and integration of the transport and stockpiling systems will enable the transport of natural gas to be effected under safer conditions, seasonal fluctuations in growing demand to be coped with more easily and the security of supply to be increased, should supplies be interrupted for technical or political reasons. Furthermore, natural gas must be put to the best possible use, i.e. it should no longer be used in power stations, and prices and tariffs must be harmonized at Community level.

Assistance towards the accomplishment of the multifarious tasks set by the energy strategy should be given by a Community body which has legal personality and financial autonomy. The Community must supply this body with the necessary funds to enable it to take part in Community projects. It should be under the supervision of the Commission and be assisted by an advisory committee comprising representatives of the Member States and of the various circles concerned, such as industry, labour and consumers.