

"ROLE OF THE EUROPEAN COMMUNITY AND OF INTERNATIONAL  
ORGANISATIONS AS SUCH IN THE ENERGY FIELD"

Introduction

The energy scene and its historical development is a fascinating subject. The significance of energy consumption and hence energy supply to the economics of industrialized countries is so well known that I don't need to elaborate on it; especially not here. It is however interesting to wonder whether it has always been so well understood. Historically, and it makes little difference which countries you take as examples, governments have shown remarkably little interest in their energy supply, or at least, it is true to say that whatever interest there was did not translate itself into any form of comprehensive energy policy. Perhaps, in the past, this was not so strange because energy never appeared to be a problem, at least not as far as supply was concerned. There were social problems in the coal mining industry as the rapid post war expansion of the oil industry displaced coal in the energy market. These problems gave rise to social measures and, in some cases, the imposition of tax on fuel oil to give some protection to coal. They did not lead to an energy policy. The growth of oil was accepted and its continued growing availability was to a large degree taken for granted.

Now, with hind-sight, it could be said that this was a mistake - and indeed perhaps it was - but looking back, it would, at that time, have been almost impossible to formulate any truly necessary role for international bodies or perhaps even governments.

Today the situation has changed. The oil crisis of 1973-74 brought about the effective transfer of ownership of oil resources from operating companies to producing country governments. In a matter of one decade a major change had taken place in the relative power of producer, consumer and oil company which was fundamentally to affect the future role of petroleum and the attitudes of governments world-wide.

The need for energy policy was now clear and the need for that policy to extend beyond individual national objectives was also indisputable. You will not need reminding of the unattractive way in which Community countries and other western nations broke ranks during the oil embargo and made competitive and ultimately counter-productive attempts to secure favourable positions for themselves. It was only afterwards that the West realized that a more mature approach was necessary.

Community Role

When considering the Community role I should first like to explain what is meant by a "community energy policy", and to indicate the relation between Community and national policy and action.

The Treaties - and their Limitations

Unlike agriculture, which has a fully-blown common policy, with day-to-day operating mechanisms, there is no such framework or programme for a common energy policy. However, two out of the three founding treaties of the Community - the Treaty of 1951 establishing the European Coal and Steel Community, and the 1957 Treaty establishing the European Atomic Energy Community (Euratom) - are specifically to do with energy, but are restricted to the coal and nuclear sectors.

Since then the constitution of the Community Treaties has not kept pace with changes in the energy scene. Coal steadily lost ground to oil in the 1950s and 1960s, nuclear power has not developed as quickly as was thought, and some of the Euratom functions, notably in respect of the common purchasing of nuclear fuel, have not been exactly carried out as intended. Nevertheless, the coal market is subject to the rules of the 1951 Treaty and the Commission administers large funds for the financing of mining investment and for certain social payments in the coal industry.

### The Creation of a Common Policy

Beyond these specific provisions, there is no energy policy in general terms laid down in the Treaties. However, it is nowadays obvious that you cannot deal with overall economic policy and neglect the energy sector. The task of creating a common energy policy is therefore an indispensable element of Community activity.

Experience demonstrates that it is often very difficult to get the Council of Ministers to agree on precise action. This is partly a reflection of the reluctance of member states to surrender their sovereignty over matters often seen as of strategic importance, and partly due to the very different circumstances in which member states find themselves. Some, such as the UK and the Netherlands, have abundant energy resources; others, such as Italy and Denmark have to import all but a tiny proportion of their supplies. Similarly, those member states with strong economies are able to finance large-scale energy imports and to make bigger investments in domestic production and energy saving than the less prosperous member states.

Ironically these very differences that make agreement on a common energy policy so difficult to reach, underline in themselves the vital need for such a common energy policy within the Community.

I think it is clear by now what Community energy policy is not. It is not a centralized blueprint for policies and decisions which will be taken in Brussels, and merely executed in member states. Neither is it an enormous funding operation. Work at Community level consists of three main elements. The first is to ensure the internal consistency and cohesion of the energy policies of nine member states. This means examining national programmes, setting common policy guidelines, agreeing overall Community objectives for each sector, ensuring equality of effort and the creation of a common market in energy between member states.

The second is to take the initiative at Community level to launch and administer policies and measures not sufficiently covered by national programmes, or where it is clearly more effective for a policy to be implemented at Community level. Related to this is the encouragement of joint-ventures, the implementation of the Community's own research and development programme and the co-ordination of the various national research and development efforts.

Third, the Commission can help to ensure that the Community's potential strength as a large-scale energy purchaser is exploited to the maximum extent, by maintaining Community solidarity in energy affairs and by bringing about a close alignment of its external energy policy with its general approach to foreign affairs. This is particularly important for the Community, which is so much more heavily dependent on imported energy, and hence on events outside its control, than is the USA.

This need for careful alignment in foreign affairs is, from a Community viewpoint, of particular importance when consideration is given to the future of developing countries. During the meeting of the Council of Energy Ministers in Brussels on 20 May this year I announced that the Commission was preparing a paper on the problem of energy co-operation with the developing countries. This is ready since July and the Energy Council will have a first discussion in October.

In the meantime, the European Council at its meeting in Bremen on the 6 and 7 July 1978 stressed the need for world co-operation in the energy field, and particularly for co-operation between the industrialized and the developing countries. The western economic summit held at Bonn on the 16 and 17 July 1978 emphasised the need to improve and to co-ordinate aid to developing countries in the energy sector.

In the years ahead this is an area in which Commission initiatives will be vital to orderly world development.

#### The Broader International Context

Just as there is a need for coherence between the policies of member states, Community policy cannot be formulated in isolation from the rest of the world.

The International Energy Agency (IEA), in whose work the Commission participates, embraces most of the industrialized countries. It is essentially responsible for crisis management. Through its strategic stock requirements and allocation and sharing arrangements, it extends to a broader international level the agreement and discipline necessary for the orderly control of distribution at times of oil supply disruption.

In fact the objectives of the IEA go further than purely crisis management. Recognising the urgency of the situation, Ministers from the nineteen member countries of the International Energy Agency met in Paris during October 1977 to develop a strong, concerted and sustained IEA policy response. Three key decisions emerged from the meeting:

an agreement to limit total oil imports of IEA countries as a group to not more than 26 million barrels per day by 1985, and to set further group objectives for subsequent years;

an agreement to review systematically each country's contribution so that, if necessary, national energy policies could be strengthened further in order to achieve the IEA group objectives;

endorsement of Twelve Principles for Energy Policy to guide IEA countries in implementing national energy policy measures.

These IEA Principles for Energy Policy were as follows:

1. Reduce oil imports by conservation, supply expansion and oil substitution;
2. Reduce conflicts between environmental concerns and energy requirements;
3. Allow domestic energy prices sufficient to bring about conservation and supply creation;
4. Slow energy demand growth relative to economic growth by conservation and substitution;
5. Replace oil in electricity generation and industry;
6. Promote international trade in coal;
7. Reserve natural gas to premium users;
8. Steadily expand nuclear generating capacity;
9. Emphasise R & D, increasing international collaborative projects;
10. Establish a favourable investment climate, establish priority for exploration;
11. Plan alternative programmes should conservation and supply goals not be fully attained;
12. Co-operate in evaluating world energy situation, R & D and technical requirements with developing countries.

These principles are the same as those already adopted at Community level.

In fact the principles are universally accepted. OPEC itself gave much the same list of measures when defending oil price increases. They stressed that these things had to be done and that oil price increases would overcome resistance to change and accelerate these necessary developments.

To widen the scope of international bodies still further we need to consider the role of the United Nations. The UN has always been an available forum for discussion of any topics of international interest or concern. Its activities are so widespread that I would hesitate to summarize them briefly. However for the purposes of our discussion today, there are three aspects that I would like to stress:

Firstly, from a Community viewpoint, the activities of the UN's Economic Commission for Europe are of considerable significance since they provide a useful interface and allow discussion of energy matters between countries of western Europe and eastern European countries - the Soviet Union and other members of COMECON. East/west energy trade is of growing importance. Not only are there questions of trade in crude oil and products, there is the growing level of natural gas supply and the east block's ever increasing need for western technology and equipment for the development of their natural resources. The ECE provides a good opportunity for the discussion of all these aspects of east/west relationships.

Secondly, again adopting much the same principle of future energy policy, the UN allows the widest possible discussion of the principles at stake. In this context back in July 1976 ECOSOC proposed the setting up of an International Energy Institute and it has subsequently been proposed that, in 1981, there should be a General Assembly for natural resources.

Although at present this sort of UN development is still in the future there remains one very vital role which, at present, only the UN can perform. You will recall the North/South Dialogue. A most helpful exchange of views which perhaps in some ways raised more questions than it produced answers. It was in many ways an overture and no doubt, in time, the next official stage of the discussions started at that time will commence.

I believe that I have covered the roles of international bodies as such. However there are other significant international activities that need to be borne in mind. I have already mentioned the North/South Dialogue. It is a good illustration. Another is the Euro/Arab dialogue for which the terms of reference may shortly be expanded to include energy. These on-going conferences or dialogues are of great importance. Energy has not figured very largely to date mainly because of the emotive nature of the subject in groups where "haves" and "have nots" are sitting round the same table. However it could well be that finally it will be in multinational dialogues of this sort that industrialized consumer countries, developing producing countries and developing countries with poor resource bases will find a formula for co-operation that will allow a restoration of world economic order, a fair sharing of available benefits and good prospects for peace for future generations wherever they may be born.