

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 682 final

Brussels, 22 November 1979

E N E R G Y

(Communication to the European Council - Dublin,
29 and 30 November 1979)

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ENERGY

Introduction

1. The latest events in Iran have renewed the threat to the fragile balance between oil supply and demand which occurred in mid 1979. In spite of the restoration of oil stocks which has taken place, the Community remains highly vulnerable to renewed interruptions and restrictions of supply. In these circumstances the Commission believes that the best the Community can do is to maintain solidarity and pursue resolutely the policies laid down by the European Council at Strasbourg. Further measures of practical action are required.

Implementation of existing objectives

2. Whereas successive European Councils have urged stronger measures to save energy, particularly oil, and to ensure a greater contribution to Community supplies from coal and nuclear sources, the response, in terms of Community and national action and of actual results, has not been fully satisfactory.
3. Following the agreement by the Strasbourg European Council to maintain Community oil imports between 1980 and 1985 at an annual level not higher than that for 1978, Member States have since agreed on a national allocation of the objective for 1985. Basic agreement has also been achieved on national objectives for 1980.
4. The European Council at Paris agreed on a Community objective for oil consumption of 500 m tonnes in 1979. Although for the whole year, this objective will be exceeded, by the end of the year Community consumption should be reduced to a daily rate equivalent to 500 m tonnes.

5. The Community has undertaken several measures to improve the transparency of the oil market. The operation of a register for crude oil transactions within the Community has now been agreed. In addition, the Commission has been examining the transactions in the Rotterdam and Mediterranean spot markets. The Commission is working urgently on the extension of the register to include oil products, and is studying the establishment of an oil exchange and a system for the certification of crude oil prices.

6. The targets for coal production and consumption for 1985 will not be met, in spite of the recognized need to be able to use more coal as oil becomes scarcer. Coal consumption and production in the Community have declined since 1973.

7. The Strasbourg European Council strongly reaffirmed the importance of nuclear energy for continued economic growth. But for various reasons, Member States have been unable to build sufficient nuclear power stations for operations in the 1980s. The rate of construction of new nuclear capacity will have to be markedly increased if nuclear is to make more than a modest contribution to our energy supplies in the 1980s and beyond.

New decisions required

8. Present pressures on the oil market will not be eased until demand is brought better under control. Energy saving must therefore have the highest priority as the quickest and cheapest means of contributing to a restoration of the balance between supply and demand. However, the energy saving programmes of Member States have not been of uniform intensity. The Community should therefore agree as soon as possible on a minimum programme of energy saving in each country to take effect in 1980, representing a broad equivalence of effort and adequate to achieve our oil import targets. The Commission considers that with wider use of best practice in energy saving equipment and in design, energy savings by 1990 could be 100 m toe p.a. in excess of Member States' forecasts.

To avoid a new scramble for oil and even higher resulting prices, it is clear that harder and more direct measures to restrict oil consumption should be ready for introduction in the event of a further oil shortage such as occurred in early 1979.

9. The Commission urges that agreement be reached on its proposals to give financial aid for the consumption and production of coal in the Community. These concern the construction, modernisation and conversion of coal burning power stations, extra financial aid for demonstrations projects in the field of coal liquefaction and gasification, the production of coking coal and investment in new production capacity. Together they involve Community expenditure in excess of 150 m EUA p.a.
10. Community and national action must aim at reversing the slippage in nuclear programmes. More public debate is necessary to resolve doubts about nuclear power in those countries where policy is still in question, and to pave the way for firm government decisions. In those countries where nuclear programmes have been delayed, technical, financial and political efforts should be concentrated to restore a satisfactory rate of construction and commissioning.

The Harrisburg incident in the USA has demonstrated the need for the highest possible standards of certification, training and surveillance of operators, although the inherent safety of current reactor design has not been called into question. In view of the importance of the safety of nuclear operations, the Commission urges acceptance of the proposed four-year research programme of the Joint Research Centre. In addition to work on new energy sources and the high flux reactor, this covers expenditure of about 320 m EUA on nuclear safety and the fuel cycle. The Commission also asks for early agreement on the proposed second programme for research into controlled thermonuclear fusion, costing about 220 m EUA.

International relations

11. Energy problems affect all countries in the world. The Community cannot, therefore, solve its problems in isolation. Practical measures by the Community will increasingly need to be matched by or coordinated with parallel action by the other industrialised countries. Moreover, no lasting solution to world-wide problem can be achieved without closer understanding and cooperation between the industrialised, the oil producing and the non-oil developing countries.
12. Increased efforts by the Community towards the better use of scarce energy resources will encourage oil exporting countries, as members of the world community, to manage their resources in such a way as to promote both their own development and the broader economic stability of the world at large. The Commission hopes that the OPEC countries will recognize this essential identity of interests at their forthcoming meeting at Caracas.
13. The Community should define its attitude on ways and means to promote discussion on energy with oil producing countries, in concert with other industrial and developing countries, with the object of adopting policies in both consumer and producer countries which enable the world to effect the transition away from oil without gross economic damage.

1990 objectives

14. As an important part of the longer-term convergence of energy policy within the Community, agreement should be reached on policy goals for 1990, particularly concerning: the extension to 1990 of the limit on Community oil imports, the generation of at least 70% of electricity from coal and nuclear sources, the further reduction of the ratio between growth in energy demand and economic growth; and the adoption of common principles for energy pricing policies in all Member States.

Conclusion

15. The Commission recommends that the European Council should agree on the lines of action outlined above and, on the basis of Commission proposals, request the Council of Ministers:

- (i) to agree on a supplementary programme of energy saving, representing broad equivalence of efforts in all Member States, and strengthened measures for the reduction of consumption in the event of a shortage;
- (ii) to give Community financial support for measures to increase coal consumption and production;
- (iii) to facilitate the removal of obstacles to the construction of new nuclear capacity;
- (iv) to establish closer contact and cooperation between the industrialised countries, the producing countries and the non-oil developing countries;
- (v) to set new policy goals for 1990.