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**Guidelines and  
priority actions under  
the Community energy  
policy**

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**EUROPEAN COMMUNITIES**  
**Commission**

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# summary

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## **Introduction**

The constant increase in energy demand is a feature of modern society. On a world scale social and economic developments will lead to increases in demand—until at least the end of the century—such that it will double roughly every fifteen years. The protection of the environment introduces a further constraint, since the measures imposed thereby often necessitate a higher energy consumption and restrictions on certain products.

Over the next fifteen or twenty years the major factors involved will be not so much the actual availability of energy as the economic and political conditions under which it is obtained. In the longer term the volume of new energy sources needing to be tapped and developed will require an unprecedented level of effort and the gradual replacement of hydrocarbons by other forms of energy will demand enormous investments, as well as greater effort in the field of the rational use of energy.

As was stressed by the Heads of State or Government of the enlarged Community in Paris in October 1972, the underlying problem besetting energy policy is to guarantee long-term security of supplies under satisfactory economic conditions.

The measures to be taken to this end must be based henceforth on a long-term global assessment of trends. They must also constitute an entity which is coherent enough to render instruments of varying scope truly effective.

### **Relations between the Community and energy importing countries**

The fact that energy supply is gradually assuming a worldwide dimension inevitably makes it virtually impossible for a country, or even a group of countries, to solve the problems in this field on its own. The desirability of reducing the risk of mutual overbidding and confrontation is making it necessary to institute coopera-

tion, based on certain principles, in respect of fields and within a framework still to be determined, among the major energy-importing areas—primarily, given the scale of their consumption, the Community, the United States and Japan, though provision must also be made for associating those developing countries which import their energy.

### **Principles**

Cooperation must be based on the observance of non-discrimination and reciprocity of obligations.

It must also take account of the characteristics and particular circumstances of each party, and so far as is possible, having regard to the aims in view, must not interfere with specific moves intended to improve individual parties' security of supply.

The Community must give priority to this cooperation, but without allowing it to work against the legitimate interests of the energy-exporting countries.

On the contrary, the Community must contribute indirectly to the economic growth of the developing countries, in particular those which have no energy resources.

### **Fields**

The most immediate benefit and the most urgent objective of the cooperation envisaged is the avoidance, by means of a continuous exchange of information and appropriate concertation, of needless and expensive overbidding for crude oil by the importing countries.

One instance would be contingency arrangements against unexpected supply difficulties, with each party undertaking to introduce a compulsory stockpiling scheme harmonized with those of other countries, and to take all necessary action to cushion the impact of the crisis on all those involved. In addition, a crisis affecting any or all the parties should

entail apportionment of the imports of each in accordance with his energy requirements and the harmonized application of rationing measures.

Other aspects of energy policy, however, could benefit from this cooperation. Exchanges of information and concerted action should be concerned with the examination of the overall energy situation and of measures taken or contemplated. Likewise, security of supply would be enhanced by the aforementioned harmonization of measures designed to cope with crises or by the adoption of realistic and common criteria for environmental protection.

Lastly, specific projects of collaboration linking the Community, the United States and Japan could benefit all three in matters of scientific and technical research aimed at discovering new sources of energy, or new resources, or even new uses for known resources; in this connection nuclear energy and the technology of deep-sea oil prospecting in particular, offer enormous scope.

### *Framework*

The field of cooperation on energy between the Community, the United States and Japan is too diversified for it to be possible or worthwhile to work out an institutional framework for it at this stage; and the framework must, moreover, take account of what is done within OECD. Without prejudging the outcome of the exploratory missions that the Commission should make in Japan and the United States and in the developing countries which are importers of energy, however, there is already an immediate need for the creation of a joint consultation group, where those responsible for energy matters in the Community, the United States and Japan would meet periodically.

### **Relations between the Community and the oil-exporting countries**

The prime object of a Community energy policy is to increase the stability of its supplies. This

applies in particular to hydrocarbons, for which its dependence on outside sources is greatest.

The best guarantee of stability, in the last analysis, will be a climate of mutual trust between the Community and its suppliers. To be lasting, this trust must go along with cooperation based on satisfaction of the interests of both sides. Now there is unquestionably a very far-reaching complementarity of interests between the Community, as a major importer of oil and gas, and some of the main exporter countries, for which Europe could represent not only a market for their commodities and manufactures, but also a source of help in the development of their economies and, in particular, in the working-up of their natural resources and in their industrialization.

The Community can rightly be pleased that, in fact, several energy-exporting countries have offered to help assure it of a stable flow of supplies and have expressed the wish to cooperate with it. The Community should therefore develop appropriate relationships with the energy-exporting countries. In this connection it should be recalled that the relationships with some of these countries belong to the 'overall approach' that the Community is adopting vis-à-vis the Mediterranean countries.

### **Organization of the Community oil market**

The main object here is to preserve effective competition and ensure freedom of movement within the Community. The achievement of this aim is being impeded, inter alia, by technical obstacles resulting from differences in the specifications of petroleum products; these will need to be harmonized.

In addition it will be necessary to frame without delay a common set of rules on imports and exports of hydrocarbons, including surveillance of oil imports in connection with which controls can be introduced in case of need.

There is a major financial problem in the oil sector, namely, the availability of the funds

required to finance greatly extended and diversified operations of exploration and production, the development cost of which is likely to increase.

In the light of these increased requirements the public authorities can only act as a catalyst, e.g., by setting up so called 'joint undertakings'. Basically normal market forces should produce the necessary funds.

This profitability of the Community market presupposes that, while competition is upheld among the various types of company engaged in supplying the market, in order to protect consumer interests, a unified system would be set up to keep supply conditions and structures under review. This is particularly necessary in view of the new conditions arising from the structural changes occurring on the world oil market, which will henceforth affect the companies supplying the European market.

Organization of the market would also be appropriate when viewed against the background of coordinated consultation with the other large oil-importing regions, namely, the United States and Japan, and with the energy-exporting countries, for which Europe would be both a market and a partner for a balanced development.

Moreover, general rules governing the regulation of the market should be drawn up and a closer concertation between the public authorities and the oil companies should be relied on.

#### *Rules governing the regulation of the Community market*

##### **Supervision of planned industrial concentrations**

The aim of such action would be to optimize the structure of the Community's oil industry while upholding competition among the various types of supplying company. Companies from the producing countries wishing to gain greater benefit from the oil in their possession will probably join the traditional suppliers (subsidiaries of foreign groups, European companies and independents).

The supervisory procedure would have to be included in the general rules currently being formulated at Community level and if necessary be tailored to the specific nature of the oil industry.

##### **Information on the cost of supplying oil**

Crude oil should be imported under normal conditions of competition. In order to achieve this, the public authorities must be notified of price indicators based on an objective assessment of the actual supply situation and recorded upon the entry of the crude oil into the Community.

##### **Pricing system**

The consumer must be protected against unjustified price rises, while the oil industry must have sufficient self-financing capacity to cover its needs. On the other hand distortions of competition in the Community must be avoided. For this purpose it is necessary that pricing systems applied in certain Member States should be established on the basis of comparable criteria. Furthermore, it is necessary to evaluate the interest of establishing a pricing system which should be harmonized at Community level.

##### **Concertation with the oil companies**

Given the uncertainties over the flow of oil supplies, both in the short and in the long term, and the important part which the oil companies supplying the Community must continue to play, it will be necessary to arrange for the public authorities to be more fully informed concerning the companies' technical and financial capacity.

It will be necessary also to organize concertation between the public authorities and the companies, for the purpose, primarily, of achieving,

