COMMISSION DES COMMUNAUTES EUROPEENNES • KOMMISSION DER EUROPÄISCHEN GEMEINSCHAFTEN • COMMISSIONE DELLE COMUNITÀ EUROPEE • COMMISSIE VAN DE EUROPESE GEMEENSCHAPPEN • COMMISSION OF THE EUROPEAN COMMUNITIES

P-5

GROUPE DU PORTE-PAROLE
SPRECHERGRUPPE
GRUPPO DEL PORTAVOCE
BUREAU VAN DE WOORDVOERDER
SPOKESMAN'S GP

NOTE D'INFORMATION • INFORMATORISCHE AUFZEICHNUNG
NOTA D'INFORMAZIONE • TER DOCUMENTATIE • INFORMATION MEMO

Community's energy requirements expected to exceed one thousand million tons coal equivalent for the first time, in 1971

The European Community's total energy requirements will rise in 1971 to over 1 000 million tons coal equivalent, according to the Commission's annual report on the energy position in the Common Market.

The movement of the energy market in 1970 highlighted certain factors making for rigidity. Steeply mounting internal demand (9% up on 1969), in conjunction with tightness in supply, resulted in a rise in prices.

*

* *

Oil

Oil takes pride of place in covering the Community's internal consumption of energy. It is oil that has to meet most of the increase in demand, and also to bear the brunt of short-term upturns and downturns, which the other energy sources cannot do by reason of their much smaller flexibility of supply. It is estimated that in 1971 petroleum products will cover 65% of the Community's energy requirements.

Various factors combined to render the oil market somewhat tight in 1970. With world demand rising, the supply, though ample as regards the actual tonnages of crude produced, was adversely affected by shortage of transport when unforeseen developments - the Tapline and Libyan incidents - reduced the availabilities from two Mediterranean sources. It is probable that the tightness will persist for some time and, in addition, that the cost of crude will go up in consequence of the new demands being made by the producer countries. There is therefore no prospect of a return to the very low prices of 1969.

Gas

By and large, natural gas prices, unlike the prices of coal and petroleum products, remained remarkably steady.

.../...

Broadly speaking, this was because, for one thing, sales to the big consumers are usually by long-term contract. For another, the sellers are out to charge rates calculated to encourage rapid growth of consumption. And lastly, the natural gas market, being supplied almost entirely from within the Community, was less influenced than the rest by the events which affected the world market for energy generally.

In all the Community countries, natural gas will continue in 1971 to show a higher rate of increase than any other form of energy. The production of the Netherlands will be over 41 000 million cubic metres, more than half the Community total.

Coal

The earlier tightness in the coking coal market gradually eased in 1970, partly owing to a certain falling-off in the level of activity in the steel industry.

As regards house coal, the price increases in 1970 will pretty certainly have hastened the switch away from coal.

Electricity

Electricity production in the Community continues to rise, and in 1970 totalled 587 TWh. Fuel oil accounted for 33% of the energy input of the conventional power stations; their consumption of this, though varying from country to country, showed a substantial increase (in Germany in particular), which contributed to the higher demand, and consequent tightness, in the fuel oil market as a whole.

At the end of the year a net 3 150 MWe of nuclear capacity was in service in the Community and 8 700 MWe under construction. Although there were no additions in 1970 to the number of reactors in service, new capacity building was up by 2 000 MWe.

No further link-ups to grids are scheduled for 1971, but production should be somewhere about 21 000 million kWh, thanks to the restarting of plant currently out of operation.

If energy prices continue at their present high level, there is likely to be renewed activity as regards plans for capital spending on nuclear power stations. However, it is evident that installed nuclear capacity in 1975 will total only 12 000 MWe instead of the 17 000 envisaged; the delay is due to electricity producers' reluctance to go ahead with the projects adumbrated in the last few years, partly by reason of the comparative cheapness of conventional fuels up to the beginning of 1970.

Conclusion

The state of the market in 1969 and 1970 caused the share of coal in the internal Community market to contract rather more slowly over this two-year period than it had previously been doing; in parallel, larger

.../...

tonnages were imported, and stocks fell practically to nil. However, since coal production is undergoing a long-term contraction process, it is today less capable than ever of responding to short-term fluctuations in demand.

As regards oil, it became clear in 1970 that, while the external supply situation may be satisfactory from the production angle, bottlenecks are liable to develop on the transport side. Although these affect only a comparatively small proportion of the Community's oil supplies, they do have an appreciable impact on prices.

As a rule investment projects in the energy sector are a very expensive and serious business, involving large capital sums and taking a long time to complete. In the present economic situation, with inflationary cost increases and high interest rates, it looks rather as though some programmes for the installation of new plant might be delayed.

Moreover, the disparities in consumer price levels in the Community, caused by the differences in the price policies and tax systems in the individual countries, suggest that some compartmentalization between the markets of the Member States is likely to persist.

Lastly, the tightness which has developed in the oil transport market has underscored the need for Community action to improve security of supply. It is with this end in view that the Commission has proposed to the Council regulations on investment programmes in the energy sector and oil import programmes, and is conducting studies on arrangements for the stockpiling of petroleum products and on the diversification of sources of energy supply.

-:-:-:-:-