

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (77) 38 final

Brussels, 24 February 1977

THE ENERGY SITUATION OF THE COMMUNITY

(Communication from the Commission to the Council)

COM (77) 38 final

THE ENERGY SITUATION OF THE COMMUNITY

Communication from the Commission to the
Council

The Council discussed progress at its October 1976 meeting on the basis of a Commission Communication (*). Since then, the situation has deteriorated further; notably, there has been a further increase in the price of oil which will cost the Community an additional \$ 3 billions per year, and the nuclear programme has slowed down abruptly for a number of reasons, including public doubts.

2) Crucial problems are involved for the industrial world in the continued increase in imports of OPEC oil. World demand for this oil during the next decade may well increase by another third, from 30 million to 40 million barrels per day (already higher than forecasts made in 1976); there can be no assurance that the producers will find it in their interest to produce so much, and still less to allow production to rise even higher. Some of them can see the end of their oil reserves in the next 40 years or so, and those with bigger reserves may not need the revenue. The main producer, Saudi Arabia, will face a production demand of 12 million barrels per day or more, whereas she could meet the needs of her present ambitious development programme with, perhaps, the revenue from 5 million barrels. As the Commission said in October, this situation would cause strong upward pressure on oil prices, and might sharply reduce world economic growth. Much of the increase in oil demand will come from outside the Community, and the Governments concerned have shown themselves keenly aware of the need to alter this by more domestic energy production where possible, by diversification, and by energy saving.

3) The Community's record since the oil crisis has not been altogether discouraging - comparing 1976 with 1973 we consumed some 2 ½% less energy but achieved a GNP growth of 4%; we reduced oil imports by 7 ½ %. But we were helped by a number of extraneous factors, and the latest signs are alarming, notably on the nuclear

(*) COM(76) 508 final

front. If our nuclear capacity in 1985 were limited to the 95 Gigawatts which are already operating, under construction or firmly planned (and this figure, though far short of our October target of 125 Gigawatts, may itself prove optimistic if present trends continue) the gap could be filled only by increasing our already high imports of oil, to a level of some \$ 60 billions worth a year at current oil prices, and representing nearly 50% of our total energy needs. Overall, including coal and gas imports, our energy import dependence would still be 55% or higher eight years from now.

4) In the North/South dialogue and elsewhere, the OPEC producers have made it clear that they regard the present and planned use of oil by the industrialised world as profligate. The Community was able to demonstrate on the basis of plans last year that, by expanding our domestic energy resources, we aimed to achieve continued economic growth without a significant increase in oil imports during the next decade. We need further vigorous Community action now if we are to have a chance of maintaining this position:

- (a) on energy saving, a far more energetic and effective programme;
- (b) on coal, a programme for increased use and for economic home production;
- (c) on nuclear energy, action to resolve doubts about the place of nuclear energy in our programme and to strengthen public confidence; additional R & D work where necessary on safety and related issues;
- (d) on new sources of energy, an increased programme to enable these sources to make a maximum contribution - even though it may remain limited in the period to 1985 (work on nuclear fusion must in any case be continued, because it is one of the major hopes for the next century).

5) These issues will be further examined in communications to be presented to the Council and in the course of the reviews of national programmes during the next few months.

6) The Council is asked to note the serious implications of present energy trends, and to consider the detailed proposals before it in the light of the situation described in this paper. If we cannot improve the energy outlook, the Community faces not merely the danger of continued insecurity, but also the possibility that in future years important decisions of economic and social policy will be dominated by constraints on the energy front.