

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 21 November 1974

MEDIUM TERM GUIDELINES FOR COAL 1975-1985

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INTRODUCTION

- (1) On 22 May 1973 the Council of Ministers decided that the role which coal should play in supplying the Community's future energy needs should be defined on a Community level. In this the Council followed up a suggestion put forward by the Commission in October 1972 in a document entitled "Necessary Progress in Community Energy Policy".¹

At that time, the energy market outlook would have led the Commission to recommend that the contribution of Community coal to energy supplies should be kept within the limits of economically acceptable costs. However, the dramatic turn in the world energy market situation calls for a re-examination of this concept.

- (2) The events at the end of 1973 demand that the Community should reduce its dependence for energy supplies on the rest of the world to a minimum. Accordingly, the Commission has recently proposed a new energy policy strategy with greater emphasis than previously on security of supplies. A pattern of supplies must be developed to ensure that the Community does not find itself too dependent on any one supplier. Furthermore, the impact of energy imports on the balance of payments must be kept to a minimum.

As a result, solid fuels, and in particular hard coal, will be called upon to play an important part as a source of energy for electricity production and as a raw material for the steel industry for a long time yet. However, special problems are associated with hard coal production, above all in the Community.

¹Official Journal of the European Communities, Supplement II/72

In the first place, heavy long-term investments are required and the labour-intensiveness of the industry raises problems, which, taken together, make the industry inelastic in response to market fluctuations and cause coal to be a comparatively rigid factor of energy supply. Furthermore, the coal industry has for many years been contributing a decreasing proportion of the Community energy supplies with progressively heavier subsidies, a situation which has led to a lowering of prestige of the coal industry in the eyes of the public and has caused unfortunate psychological effects on the men working in the industry.

- (3) So that the industry can make long-term decisions, the part to be played by coal and the guidelines for a new coal policy must be defined as a matter of urgency. These guidelines affect primarily Community production but must also take imports from third countries into account.

In this document the Commission is endeavouring to define the main guidelines of a Community coal policy for the period 1975 - 1985 and to outline the measures required to achieve the stated objectives.

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CHAPTER I

THE ROLE OF COAL IN THE COMMUNITY'S ENERGY SUPPLIES

A. The new supply strategy

- (4) In future, the European Community's energy supplies will be less abundant, less secure and much more expensive than hitherto - hence the Commission's proposal for a new energy policy strategy for the Community.

The recent changes in the world energy market affect balances of payment, employment, economic growth, price developments and the international monetary system, all grave problems liable to create internal and external political stresses. The energy crisis has clearly shown that a new energy supply structure is required to overcome, or better still, to prevent critical situations in the field of energy availability.

- (5) As indicated in the Commission's document entitled "Towards a New Energy Policy Strategy for the Community"¹, a new supply structure less dependent on oil must be progressively developed - a long term objective probably not fully attainable until towards the end of the century. Provided the necessary steps are promptly taken, an energy supply pattern based as to one half on nuclear energy and about one-third on gas of different origins can be envisaged for the year 2000. The attainment of this ambitious long-term objective requires the solution of numerous technological problems and the will on the part of the Community to master its medium-term energy supply problems. The period to 1985 is crucial in this respect.

¹See Doc. No. COM(74).550 final of 29th May, 1974

If the Community's economic growth is to continue at an adequate rate into the middle 80s, despite the increased cost of energy, it must pursue a deliberate policy aimed at economising energy. Furthermore, the scope for nuclear energy should be increased as rapidly as possible by encouraging demand for electricity. On the other hand, the consumption of oil products must increasingly be directed towards specific uses such as for motor fuel and as a raw material, and away from use as a boiler fuel.

To achieve these objectives requires a faster rate of nuclear power station construction so that by the mid-80s they are able to meet half the electricity requirements. As regards natural gas, every effort must be made to increase both indigenous and imported supplies and to make optimal use of them. Finally, the consumption of solid fuel must be raised above the current level, calling to the greatest possible extent on Community production while at the same time developing imports. The following table quantifies these goals :

Primary energy requirements of the Community (EUR-9)¹

	1960		1973 Provisional		1985 Objectives	
	mio tce	%	mio tce	%	mio tce	%
Solid fuels	500.0	60.0	325.0	22.6	357	16
Oil	276.0	33.0	882.0	61.4	937	41
Natural gas	14.0	1.7	167.0	11.6	536	24
Hydro-elec. power, etc.	43.0	5.2	43.0	3.0	50	2
Nuclear energy	0.5	0.1	20.0	1.4	372	17
	833.5	100.0	1,437.0	100.0	2,252	100

¹Internal consumption + exports + bunkers

- (6) The above table shows that energy supply structure trends must be changed and that the decline in the importance of coal since the end of the 1950s must be halted. Solid fuel must contribute at least 16% of primary energy requirements in 1985. With this in view, efforts must be made to maintain total Community hard coal production at its present level, an objective examined in some detail in this document. The second requisite is an increase in coal imports and the third a further increase in Community production of lignite.

The increase in energy requirements between now and 1985 must largely be covered by nuclear energy and natural gas. As a result of these policies, the import element in energy requirements can be reduced from 63% (1973) to 42% (1985), thus substantially improving security of supply.

B. Estimated hard coal requirements

- (7) Coke production and electricity generation cover approximately 80% of Community coal consumption in about equal shares. The balance is divided between the domestic market and miscellaneous industries. Total coal consumption in the Community was around 282 million tce in 1973 as against 425 million tce as recently as in 1965.

It is difficult to forecast the development of demand for coal over the next 12 years. The steel industry's demand for coke is likely to increase only slightly, while the domestic and miscellaneous industrial markets will probably shrink further. On the other hand, deliveries of steam-coal to power stations could increase substantially if existing coal-fired stations are used to capacity and as a result of investments in new coal-fired power stations and the replacement of old ones. This trend will depend primarily on the availability of sufficient quantities of coal and on relative prices of different types of primary energy.

Power stations

(8) Gross electricity generation in the Community was 1,030 TWh in 1973. During the 1960s, the average growth rate was 7.2% p.a. corresponding to a doubling over 10 years. For the years 1970-1975 a reduced growth rate of about 6.2% p.a. can be expected, followed by a new rise. This development would result in the following figures for electricity generation in the Community :

		<u>Average growth rate</u>
1970	855 TWh	
1973	1,030 TWh	+ 6.2% p.a.
1975	1,160 TWh	+ 7.2 % p.a.
1980	1,640 TWh	+ 7.9 % p.a.
1985	2,400 TWh	+ 8.7 % p.a.
1990	3,650 TWh	

During the period 1980-1985 hydraulic energy, lignite, geothermal energy, and industrial gas will provide 287 TWh of the above total for 1980 and 311 TWh in 1985. The Commission proposes that installed nuclear capacity should be 67 GWe in 1980 to generate 353 TWh and around 200 GWe in 1985 to generate 1,094 TWh. The balance, namely 1,000 TWh in 1980 and 995 TWh in 1985 must be covered by hard coal, fuel oil and natural gas.

It is still difficult to forecast how the new energy supply situation will affect power station investment decisions for the period 1980-1985 and how the load patterns of various power stations can be adjusted in the different member countries. What is clear, however, is that over the period 1973 - 1985 the need to reduce power station consumption of petroleum products and natural gas will call for three types of measures

which, taken together, will result in increasing power stations hard coal consumption by about 25% compared to the present: construction of new coal-fired units to replace obsolete or inefficient installations, construction of units required to satisfy a part of rising demand for electricity, and utilisation of new coal-fired stations near the base load level of 4000-5000 hours per annum.

These considerations lead to the following estimates of future electricity generation in thermal power stations :

Estimate of thermal power station output from different sources of energy

	<u>Coal</u>		<u>Fuel oil and natural gas</u>	
	Production of electricity in TWh	Input in millions tce	Production of electricity in TWh	Input in millions tce
1973	325	119	422	138
1980	403	133	596	191
1985	467	149	528	167

This table shows a rise of coal requirements for electricity generation from 1973 to 1985 of the order of 30 million tce, the precise tonnage depending primarily on the availability of coal and on the incidence of such environment protection measures as may apply during the period.

Clearly the power stations coal market in the Community is expanding.

(Coking plants

- (9) The principal consumer of coking coal is the iron and steel industry. Its growing requirements are likely to rise from 65 million tonnes of coke in 1973 to 79 million tonnes in 1985. On the other hand, coke consumption in other sectors will probably shrink by half - at the maximum - from 15 to 8 million tonnes, while net exports are likely to be about 2 million tonnes of coke. Total coke production will thus be around 89 million tonnes minimum in 1985, requiring 115 million tonnes of coal.

Expansion of integrated steel manufacturing capacity using blast furnaces to produce their own pig-iron will take place principally in coastal regions. This may be accompanied by closures of inland works, a development which might affect some traditional coking coal supply patterns.

(Other markets

- (10) Miscellaneous industries and domestic demand represent a heterogeneous and fragmented market influenced by a multitude of factors. In addition to price, handling problems and security of supply considerations play an important role and conversion to oil and natural gas is particularly advanced in this field. Anthracite, low volatile coal and patent fuels have always been preferred by this sector,, all types in increasingly short supply alike in the Community and on the world market. The future of this market depends largely on the availability of the appropriate fuels and the efficiency of the distributive system and the coal trade.

Accordingly, forecasts of the development of this market are particularly difficult; shrinkage in demand for solid fuels will probably slow down. On the supply side a minimum of 40 million tce could be available in 1985.

Coal gasification is unlikely to lead to substantial demand before the middle of the 1980s as the required technical processes will not have been perfected until after that period.

Demand for hard coal in 1985 and after

- (11) The above estimates of Community coal demand to 1985 take no account of coal exports to non-member countries as these do not seem to offer scope for expansion.¹ As to the pattern of demand within the Community, this is likely to be as follows, subject to some possible shifts between sectors :

	<u>1973</u>	(millions of tce)	<u>1985</u>
Power stations	119		149
Coking plants	107 ²⁾		115
Other markets	64		40
	<u>290</u>		<u>304</u>

- (12) There will continue to be a substantial market for coal even after 1985 but for the following reasons, it is impossible to estimate its size at present :

- much will depend on whether and how soon nuclear energy can take over a substantial proportion of electricity generation and on the extent to which the Commission's proposals in the "New Strategy" to reduce consumption of fuel oil and gas in power stations is implemented.

¹ In 1973, Community coal exports amounted to about 1 million tonnes.

² Including provisions for stock replenishment.

- as a result of the steel industry's expansion plans, demand for coking coal will remain high beyond 1985. In a study of coking coal and coke requirements by the Community steel industry¹, the Commission reached the conclusion that blast furnaces would retain their dominant position in steel production at least until 1980. It now appears that in spite of the progress of alternative technologies this date should be put back another 15 to 20 years. Furthermore, there will be decreasing scope for continuing reductions in specific coke consumption in blast furnaces.

- Gasification and, perhaps, liquifaction of lignite and coal might enter the field. The extent to which a market for synthetic gas based on coal can be developed will depend on the conditions under which coal is available and on the general energy market situation.

C. Estimated hard coal supplies

1. Community coal production

- (13) Ignoring production losses due to exceptional factors, Community coal production for 1974 would have been at around 271 million tonnes (t=t)². Expressed in coal equivalent, this figure represents 250-255 million tce.

This current level of Community production will be insufficient to meet the estimated demand of 304 million tce in 1985 indicated in paragraph 11 above.

In the light of the objectives of the "New Strategy" every effort must be made to ensure that as large as possible a part of the demand is covered by Community production. At present a substantial proportion of Community coal can be sold at prices covering costs of production. However, compared to some overseas countries, geological conditions in the Community are somewhat unfavourable for coal production, with an adverse effect on productivity and necessitating a very large wages element in costs of production compared to other industries.

However, geological and economic conditions are far from identical in all coal-fields of the Community. The geological characteristics of

¹ Commission of the European Communities, Series Energy No. 2 - Brussels 1969.

² The year 1974 is used to take the latest pit closures into account

coal deposits have a considerable influence on output per man/shift (productivity) and consequently on costs of production. The following table compares productivity in the different Community coalfields :

Production and Development of output per man/shift in Community coalfields
(in alphabetical order)

	Production 1973 (1000 tonnes t=t)	Output per man/shift underground (kg)		
		1963	1973	Variation
1. Aachen	6,244	2,094	3,801	+ 1,707
2. Campine	6,272	2,097	2,954	+ 857
3. Centre-Midi	5,166	1,977	2,717	+ 740
4. Kent	905	2,071	2,476	+ 405
5. Lorraine	10,110	2,903	4,496	+ 1,593
6. Midlands	35,990	3,246	4,479	+ 1,233
7. Niedersachsen	2,486	2,120	3,704	+ 1,584
8. Nord/Pas-de-Calais	10,405	1,663	2,026	+ 363
9. Northern	16,448	1,958	2,738	+ 780
10. North Western	12,383	2,209	3,306	+ 1,097
11. Ruhr	85,487	2,688	4,415	+ 1,727
12. Saar	9,175	2,531	4,074	+ 1,543
13. Scotland	10,502	1,981	2,965	+ 984
14. Sud-Belgique	2,570	1,630	1,921	+ 291
15. South Wales	9,212	1,743	2,220	+ 477
16. Yorkshire	33,930	2,641	4,117	+ 1,476

Sources: Statistical office of the EEC : Energy Statistics

The pattern of productivity evolved over the ten year period from 1963, when viewed from a very general standpoint and without taking account of specific technical and economic factors, shows no marked change in the order of productivity of the different coalfields. It should be noted, however, that the low productivity coalfields have seen a smaller rise in output per man/shift than the high productivity coalfields. No substantial change in this picture is to be expected. If, therefore, the 1974 Community production level is to be maintained on the most economical terms, it is obvious from the foregoing considerations that across the board stabilisation of output in all coalfields is not appropriate. This implies a

rise in production in some coalfields and decreases in others.

- (14) The following coalfields have favourable prospects for maintaining or increasing production with lasting improvements in output per man/shift:

The British region : Scotland, Northern, Yorkshire, North-Western,
Midlands and open cast mines

The German coalfields : Aachen, Ruhr, Saar, Niedersachsen

The French coalfield Lorraine.

The above coalfields produce approximately 235 mt representing 87% of Community production and are characterized by :

- a level of productivity of 3 t, sometimes, more than 4 t, per man/shift
- coal reserves adequate for several decades
- relatively low subsidy requirements - averaging 3.80 u.a./t in 1973
- relatively low costs of production of about 22 u.a./¹t on average in 1973

- (15) The remaining Community coalfields producing approximately 36 Mt representing 13% of total Community output can be characterised by the following structural data :

- output of less than 3 tons per man/shift
- limited coal reserves
- average subsidies for 1973 of 11.50 u.a./t
- relatively high production costs from 30 - 40 u.a./t

1 u.a. = 3.22 DM
49 bfrs
5.554 F
3.52 hfl
0.5 £

These overall characteristics are relatively unfavourable but account must, nevertheless, be taken of the fact that the coalfields concerned have a number of good pits. Furthermore, it should be noted that adequate reserves do exist in several of these coalfields and that the quality of the coal produced (e.g. coking coal, anthracite and low volatile coal) has some importance in specific markets.

- (16) The Community coal industry must endeavour to keep future cost increases to a minimum but the labour intensiveness of the industry makes this difficult. Assuming a rise of 3% to 4% per annum in productivity and real income in industry in general, the coal industry must aim at least at similar productivity increases and rises in real wages. Unless productivity in the coal industry increases at the same rate as in industry in general, the coal industry will be faced by special and serious problems of rising costs.
- (17) Coalfields considered to have limited prospects do not offer the geological and economic conditions for long-term maintenance of the current level of output. In many pits, remaining reserves are inadequate. Increases in productivity will, in the long run, remain below those of real income in general of about 3% - 4% and real production costs are consequently bound to rise.

Production in these coal-fields will therefore probably be cut back still further, the pace of closures being guided by regional and social problems in the coalfields. Special consideration, however, must be given to the Belgian coalfield of Campine which produces primarily coking coal and is, therefore, of consequence to the coking industry.

Extensive plans for the economic redevelopment of certain of these coalfields with financial backing from the respective national governments and the Commission (on the basis of Art. 56 of the ECSC Treaty), have already been drawn up.

- (18) In the coalfields with relatively good development prospects, particularly in those in Great Britain and Germany, production must be increased slightly to make up for the loss of output of the other coalfields. On the assumption that output in the latter coalfields will have been cut by half by 1985, production in the relatively better coalfields must increase by about 8%.

Such a transfer of production requires substantial reorganisation and rationalization of the entire industry. At the same time, rationalization within relatively good coalfields must be intensified. To achieve this :

- the existing production capacity must be used to the full
- production must be concentrated in the best pits
- the best pits must be enlarged and new pits opened, primarily to compensate for exhausted workings
- production per coal face must be increased
- coal preparation plants must be improved to increase the acceptability of the product.

Expressed in production figures, the targets to be achieved by 1985 should be as follows :

- Daily output per pit optimum 15-20,000 t
average (1) 8,000 t
- Daily production per coal face optimum 4- 5,000 t
average (1) 1,600 t
- Daily rate of advance for 200m long
coal faces optimum 10-12 meters
average 4 meters
- Production from coal faces equipped with
automatically advancing powered supports 94 %

The annual increase in output per underground man/shift of approximately 4% in the relatively better coalfields can be achieved only if the above goals can be reached.

This provides an important reference figure : real costs of coal production will remain constant for the relatively better coalfields provided future rises in real wages for the economy as a whole move within 3%-4% p.a. and coal industry productivity increases by the same percentage.

(1) i.e. an overall average for all the relatively better fields

- (19) Considerable efforts on the part of all concerned are needed to achieve the required rationalization and, in particular, the slight increase in output of the relatively good coalfields of about 8% between now and 1985. These results cannot be achieved without an active manpower policy, well-planned investments and intensified technical research (cf. Chapter II).

2. Coal imports from non-member countries

- (20) On the assumptions of the maintenance of the current level of Community coal production to 1985 and a rise in demand to around 300 million tce, imports into the Community would be of the order of 50 million tonnes compared to 30 million tonnes in 1973. Of the latter, 17 million tonnes were coking-coal and 8 million tonnes steam-coal for power stations. Consumers within the Community must therefore seek progressively to increase imports to supplement supplies of Community coal.

Further increases in imports of coking-coal and steam-coal will largely be determined by the requirements of the new coastal steel works and of power stations both on the coast and along large rivers.

In this context, it should be borne in mind that demand for coal imports will rise also from countries outside the Community.

Certain hypotheses concerning the development of world steel production on the one hand and of electricity generation by nuclear power on the other suggest that the volume of world coal trade¹, including imports into the Community from non-member countries, might increase from 108 million tonnes in 1973 to 230-255 million tonnes by 1985.

¹ Meaning world trade in the strict sense. Total international trade in coal including trade within regions such as within the Community, within COMECON and between the US and Canada was of the order of 173 million tonnes in 1973 representing about 8% of world coal production.

- (21) If demand develops on this scale, the present tight supply situation on the world market must be expected to persist as investments in coal production, handling and transport facilities have so far been made primarily with a view to increasing supplies to the world steel industry and without the expectation of a strongly expanding export market for steam coal. However, many coalfields throughout the world offer excellent prospects for the development of additional exports.

The countries concerned are both the most important supplier countries at present (USA, Canada, Australia, Poland and USSR) and countries which have so far put only small quantities of coal (or none at all) on the world market (e.g. Indonesia, Colombia, and Venezuela). For geographical reasons it is to be expected that the Community's import requirements will still be met primarily by coal from Poland and the United States in the 1980s. Increasing imports from other areas may supplement this supply.

At all events, if the quantities of coal available on the world market are to reach 230-255 million tonnes by 1985, problems in the following areas must be solved :

- the time lag in the development of new production and transport infrastructures,
- manpower recruitment problems in the mining industry,
- legal obstacles acting as constraints on investment in the producer countries, such as the Surface Mining Bill now before the Congress in the USA,
- restrictive measures adopted by producer countries in respect of foreign investment,
- policies for controlling or restricting coal exports.

(22) The considerable increases in the price of imported coal in 1974 are largely due to shortages and to the general development of energy prices.

In the coastal regions of the Community, imported coal still has a competitive advantage in terms of costs over a large proportion of Community output. More favourable geological conditions tend to give the coal industry in these non-member countries an advantage in terms of production costs which is not eaten up by higher transport costs. Assuming stable rates of exchange, this situation is unlikely to change appreciably in the long term.

However, the further development of market prices will be governed by the relationship between supply and demand on the world market. In this connection it is important not to overlook the problems which could be in store for Community coal as a result of short-term cyclical fluctuations in world market prices. In the past even small changes in the quantities of coal available have had a relatively large effect on prices and in times of low demand have caused considerable adjustments to be made to the price of Community coal.

D. Lignite & Peat

(23) In spite of its low calorific value of around 2000 Kcal/Kg compared to 7000 Kcal/Kg for hard coal, lignite has some importance as a source of energy in the Community. In 1973, a total of approximately 123 million tonnes (equivalent to 36 million tce) were produced in the following areas :

Germany		118.7 m. tonnes
of which Rhineland	101.7	11.
Lower Saxony	6.0	
Hesse	3.6	
Bavaria	7.4	
France		2.6 m. tonnes
of which Landes	1.1	
Provence (black lignite, 4,400 Kcal/Kg)	1.5	
Italia (Tuscany and Umbria)		<u>1.3 m. tonnes</u>
		<u>122.6 m. tonnes</u>

The figures show that lignite has more than purely local importance only in the Rhineland. Furthermore, substantial reserves lasting well beyond the year 2000 are available only in this area.

- (24) Its low calorific value makes the transport of untreated lignite over long distances uneconomic and almost 80% of output is burnt in power stations adjacent to the mines. The manufacture of briquettes for domestic use has lost much of its former importance and their manufacture has been maintained only in the Rhineland where 7 million tonnes of briquettes are produced annually from 25 million tons of lignite.

Research into the gasification and carbonisation of lignite has been carried out for some time. Its higher reactivity than coal, combined with low production costs, gives lignite certain potential advantages over coal for gasification.

- (25) In the Rhineland, lignite is mined in large, highly mechanised open-cast workings. With output per manshift exceeding 20 tce, costs of production are relatively low and its price per calorie for electricity generation makes lignite the cheapest form of primary energy in the Community.

The lignite-fired power stations in the Rhineland are being enlarged from their present capacity of 8,300 MW to 11,500 MW by 1976. In 1973, 25% of German electricity generation was based on lignite. To provide long-term supplies for the Rhenish power stations, further reserves will be exploited to raise output by an additional 20 million tonnes and thus bring total Community lignite production to 130 - 150 million tonnes around 1985.

Peat

- (26) The deepest and oldest deposits of peat can provide a fuel which, when air-dried, has a calorific value of 3400 - 4000 Kcal/Kg with a 25%-30% moisture content and a 2% ash content.

There are huge deposits in Germany, Ireland and the Netherlands, The consumption of peat as a fuel has shown a marked decline in recent years and it is only in Ireland that it continues to play a significant role. In 1972, peat production in Ireland amounted to 1.9 million tce, half of which was used for electricity generation. If energy prices remain high, peat will continue to be in demand as a source of energy

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CHAPTER II

ELEMENTS OF A COAL POLICY FOR THE COMMUNITY

A. Problems of market equilibrium

- (27) In the present state of uncertainty concerning long-term price developments of different forms of energy, it cannot be taken for granted that commercial decisions taken by producers and consumers will automatically lead to the long-term rise in coal consumption in the Community recommended in Chapter I above. On the contrary, the following long-term and short-term supply problems arise :

For the reasons explained in Section "B" below, the coal industry must take long-term decisions. As the Community coal industries' operations are almost entirely underground, they cannot make the investment decisions necessary for the maintenance of long-term supply without assured markets at prices covering costs of production. Without these favourable conditions a further decline in production would be inevitable.

At the price levels reached by competing sources of energy during the first half of 1974 a large part of production can be sold at prices covering production costs, but the outlook remains uncertain. While the level of oil prices is largely governed by unpredictable political factors, costs of production of Community coal leave only a narrow margin for downward price alignment. These uncertainties make it difficult for consumers of energy to enter into long-term commitments.

Apart from these long-term price problems, there are likewise short-term quantitative difficulties due to the inability of coal output readily to follow short-term fluctuations in demand due to climatic or economic factors - whereas demand for coal tends to be highly flexible, production tends to be rigid in the short-term. This is particularly so for underground mining operations such as in the Community, where for technical, economic and social reasons it is essential to maintain production at as stable a level as possible.

In view of the above short and long-term problems, adequate politico-economic measures must be available on a standby basis if, for security reasons, coal is to make a larger contribution to the Community's energy supplies.

The assumptions underlying ECSC decision 3/71 ⁽¹⁾ designed to deal with problems arising from general contraction of the Community coal industry must be reviewed for a large part of the industry. It will be of paramount importance to ensure that the new system of financial aid is sufficiently flexible to adapt to the conditions of production and supply prevailing at a given time.

The essential step is now to create a stable and regular market for coal.

B. Short and long-term stabilisation of coal sales

1) Sales guarantee

(28) | For practical reasons, long-term sales stabilisation for Community coal should not be extended to all output, but be confined to the two main markets, i.e. coke ovens and power stations, representing about 80% of sales of Community coal - a percentage likely to increase.

(1) O.J. No. L 3 of 5.1.1971

Under decision No. 73/237⁽¹⁾ applicable until 31.12.1978, production and sales subsidies are already provided for Community coal used by the steel industry. By improving the marketability of its output, these subsidies contribute to the maintenance of productive capacity of the Community coal industry. These subsidies are based on a system of long-term contracts, linked to contributions from Member States, the ECSC and blast-furnace operators. The Community must promote the maintenance of long-term contracts for the period 1979 - 1985.

No such Community system exists for steam-coal for power stations. In this sector, too, it might be advantageous for users of primary energy to secure their supplies through long-term arrangements with Community coal producers and to participate in a financial system designed to maintain coal production. The following conditions are fundamental to the development of a stable and, in the long run, expanding market for Community power station coal :

- For coal producers, to maintain or increase output it is essential to have quantitative sales guarantees for a minimum period of 10 years and to be assured of receipts fully covering costs of steam coal production.
- For power stations entering into long-term commitments for the purchase of Community coal an assurance that their financial position will not suffer in consequence, taking into account higher investment and operating costs by comparison to oil or gas fired power stations as well as price relationships with other forms of primary energy.

(1) O.J. No. L 259 of 15.9.1973

Guarantees to both parties are an appropriate method of satisfying the above conditions and of thus putting relations between the coal producer and power stations of the Community onto a broad, long-term basis in line with the new energy policy strategy. They imply that financial intervention might prove necessary as a result of changes in relative price, an intervention which might take various forms.

In some Member States, different measures of this type are already in operation. However, they do not appear adequate to secure for coal the desired place in the Community's power station market - hence the desirability of evolving a Community system with financial contributions by the Community. Such a system will make the whole Community less dependent on imported energy and reduce balance of payment problems.

2. Stockpiling

(29) Short term market equilibrium can be achieved by the following two types of stockpiling :

The first consists of putting down stocks of solid fuels in period of low consumption. This anticyclical type of stockpiling enables the coal industry to achieve stability of output - an essential technical prerequisite - and at times of heavy demand, to complement indigenous production and imports and thereby cover any shortfall in supply.

In the Community the use of such stocks has frequently made an essential contribution towards solving problems of shortage caused by short-term excess demand.

In principle, anticyclical stocks can be maintained equally well by coal producers and major consumers.

The second type of stocks are permanent security stocks maintained against possible interruption in energy supplies. The Commission has already submitted a draft directive⁽¹⁾ to the Council in this matter with regard to power stations.

Similar proposals should be formulated with regard to coke ovens and coal producers as stockpiling facilities for the domestic market and other small consumers are very limited. It remains to be seen whether or not these efforts should be complemented by the creation of public stocks.

There should be the option of maintaining security stocks of coal or coke. Security stockpiling, should be obligatory regardless of the origin of the fuel, i.e. whether it is produced in the Community or imported.

All forms of stockpiling constitute an element of security in energy supply. It remains to be decided therefore whether and in what form public funds should be made available for stockpiling.

C. Security of adequate coal supplies

- (30) The new energy supply strategy implies the maintenance of the current level of Community coal production of about 250 million tce, combined with a Community coal import policy. These objectives require a series of measures in the fields of manpower policy, investment and finance, of pricing policy and of research and development, and, finally, of commercial policy. The following indicate the nature of these measures.
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(1) Document COM(73) 2245

The success of the proposed policy depends on the re-establishment of confidence in the long-term future of the Community coal industry. To create and sustain such confidence, the industry must clearly and convincingly be seen to have such a secure future. After many years of decline of the industry, all measures contributing towards long-term stability of coal output and sales have the additional psychological effect of re-establishing the morale of those working in the industry.

1) Community coal

- Manpower

- (31) For the past fifteen years, the coal industry's manpower problem has primarily been that of minimising the social impact of massive redundancies. Manpower policies were, therefore, primarily concerned with readaptation involving retraining for work outside the coal industry, with relocation away from coal mining areas and, in the case of older men, with inducements to early retirement. To fill the gap in the recruitment of young men resulting from the bleak prospects of the industry, recourse has been had, except in the United Kingdom, to the recruitment of a high proportion of contract labour from outside the Community.

With the transformed prospects of the Community coal industry, an entirely new manpower policy must be initiated. Where the accent has been on problems of redundancy, the new policy of maintaining Community coal production at its current level to 1985 and beyond demands an action programme to recruit, train and retain a permanent, stable and progressive labour force and management. Such a conscious, deliberate manpower policy is particularly important in so labour intensive an industry as that of coal mining.

The following are the principal tasks of a manpower policy designed to enable the Community coal industry to maintain its current level of production :

- To attract men, particularly young entrants, into the industry, at both the industrial and managerial level by providing an attractive and secure career;
- To train manpower to a high pitch of technical efficiency;

- to ensure that trained manpower remains in the industry;
- to provide incentives for trained manpower to seek employment in areas where this will be most productive.

(32) Labour is attracted into an occupation by an appropriate balance between remuneration, conditions of work, prospects of advancement and security of employment. Although a tradition of comradeship combined with team spirit and individual responsibility lends some attraction to coal-mining, working conditions are sufficiently disagreeable to require compensation through high remuneration. It is essential, therefore, for pay in coal mining to be in the upper ranges of industrial employment and for holidays and fringe benefits to compare favourably with those in other industries.

(33) In spite of the continuous reverses suffered by the Community coal industry for many years, it has maintained technical progress and has kept abreast of other coal industries throughout the world in this respect. As a result the manpower in the industry requires a rising level of technical qualifications. In addition to basic mining skills and the ability to operate and maintain machinery, an increasing variety of trades are required such as those of electrician, electro-, control or hydraulic mechanic and electronic, telecommunications and remote control engineer. This list shows the breadth and importance of the technical training needed for various types of underground work. Exceptionally high standards of training in mining schools can encourage recruitment by providing qualifications widely recognized for their soundness.

In this context, the Commission recalls that since 1970 it has offered to provide finance for the construction of mining schools, through various loans at reduced rates of interest ⁽¹⁾.

- (34) Secure career prospects with openings for regular promotion combined with attractive remuneration are particularly important to the recruitment of potential mining engineers and managerial staff. Their qualifications should be recognized throughout the Community and special attention should be paid to providing training facilities for advancement from craftsmen to managerial positions.
- (35) Despite undeniable progress in recent years in regard to social and working conditions, labour turnover and wastage continue to be an expensive problem for the mining industry. The stability of the labour force in the industry is closely related to the availability and attractiveness of alternative employment - the coal industry's most effective answer to this problem lies in raising environmental and safety standards at work to the maximum, particularly underground.

The Commission also considers it desirable for the industry to examine in depth other possibilities - whatever they may be - of meeting the problems of recruitment difficulties and exceptionally high staff turnover, with their attendant adverse effects on productivity and labour costs. Furthermore, ways must be sought to overcome the understandable reluctance of young men to choose mining as a career, calling for a concerted study of the problem by governments and professional associations of employers and employees.

The Commission is willing to continue to develop its efforts in the fields of safety and health and to assist governments and professional associations in the task of formulating an employment policy for the mining industry. The cost of such a policy is likely to prove advantageous to the industry and the states compared to the costs of constant recruitment of foreign labour and the prevalence of industrial diseases.

- (36) To assist mobility of manpower from areas of declining to those of growing coal production, the Commission will continue to offer financial assistance for the construction of housing and for meeting relocation expenses. Furthermore, it will, in appropriate cases, continue to provide financial assistance towards re-training, re-employment and industrial re-development under Article 56 of the ECSC Treaty.
- (37) To restore the public's confidence in the long-term prospects of the coal industry, all those employed in it should respond to the manpower policy outlined above by co-operating to the full in increasing productivity at all levels. Ever more costly machinery and installations

make it essential for work to be organised so that these are used to the fullest possible extent. The Commission will support every initiative towards enlarging the field of co-operation between governments, employers and labour.

Financing of investments

- (38) Investment policies must be reviewed to achieve the 8% rise in output in the relatively better ⁽¹⁾ coalfields by 1985 required to maintain total Community production at the present level. In this context it must be emphasised that the figures given below are strictly for investments in fixed assets related to underground operations. During the coal industry recession from 1958 to 1973, there was virtually no investment in new pits designed to raise production even in the relatively better coalfields. Investments were concentrated on maintenance and rationalisation of production, but even these did not cover depreciation and allowed the assets of the coal industry to shrink.

Investments in fixed assets to maintain underground production in the relatively better coalfields amounted to about 265 million u.a. in 1972, excluding investments in coal preparation plant ⁽²⁾. This amount is too small and must be raised to at least 320 million u.a. per annum, an increase of 20%, if depreciation of assets is to be fully covered. In Germany, in particular, such investments designed to maintain output must be considerably raised as they have dropped well below the level of depreciation.

(1) The coalfields suitable for development in Great Britain, Germany and France. (see point 14)

(2) Exchange rate (see footnote to point 14)

To maintain output in the relatively better coalfields will thus require investments totalling some 4,000 million u.a. for the 12 years from 1974 to 1985.

- (39) In addition to the above sums to cover depreciation, investments on capital account are required to increase the productive capacity of existing pits and to sink new ones. The total of such new productive capacity required to be created by 1985 is estimated to be of the order of 75 million tonnes.

This figure is based on the calculation that for the relatively better coalfields, new productive capacity of 50 - 55 million tonnes ⁽¹⁾ must be created by 1985 as a large number of pits are obsolete or their reserves exhausted. Production in the relatively better fields must be further increased by 3% to compensate for the shrinkage in output of those coalfields with less favourable prospects.

Capital requirements to create new productive capacity vary widely : they amount to around 10 to 20 u.a. per tonne per annum for the extension of existing pits to around 35 u.a. and over per tonne per annum for the sinking of new pits. Taking an average of 25 u.a. per tonne per annum leads to the conclusion that at 1973 prices, financial requirements on capital account during the 12 years from 1974 to 1985 will be of the order of at least 2,000 u.a.

Total requirements for capital investment for deep mine operations for the period 1974/85 thus come to at least 6,000 million u.a. or 500 million u.a. per annum. This means that the level of 265 million u.a. invested in 1972 must be doubled in future. These figures relate only to deep mine operations. Future capital investment requirements for surface operations (coking plants and power stations) are difficult to estimate accurately.

(1) Of this total, more than 40 million tonnes apply to Great Britain and 10 to 15 million tonnes to Germany.

- (40) To secure a rapid and lasting effect on the development of production, it is essential
- immediately to increase investments. In view of the long lead times, every delay in the provision of funds will delay the availability of new capacity to compensate for the closure of exhausted or marginal pits
 - to give priority to investment for the development of existing pits without neglecting investment in new pits. Developments of existing pits lead to the desired increase in production more rapidly, i.e. in 3 to 5 years, than the sinking of new pits needing 8 to 10 years.

The Commission is well aware of the magnitude of the effort required to provide at least 6000 million u.c. Nevertheless, it considers that the risk involved in investment in the coal industry on this scale is not excessive in the light of current energy prices and the fundamental importance of this industry in the context of the Community's energy supply security.

- (41) The new pattern of the energy market and the place in it allotted to Community coal demand a change in the coal pricing policies of recent years. Pithead list prices can and should again be determined according to the principles in Article 3 (c) of the ECSC Treaty, i.e. "the establishment of the lowest prices under such conditions that these prices do not result in higher prices charged by the same undertakings in other transactions or in a higher general price level at another time, while allowing necessary amortisation and normal return on invested capital". Furthermore, the short-term impact on Community coal prices

of cyclical price fluctuation in the world energy market should be kept within narrower limits in future.

The application of the new pricing policy - which could bring about a reduction in, or even the discontinuance of, public aid - will require a lead-in period. It is desirable if this period should not extend beyond the date on which decision No. 3/71 will cease to apply, i.e. 31st December 1975.

By increasing its revenues, the coal industry should be in a position not only to cover depreciation - i.e. the funds required to maintain pits in good working order - but, perhaps, also to earn part of the capital required to open new pits. Investment could thus partly be self-financed.

- (42) The Commission will endeavour to provide funds to launch the investment programme and will pursue its policy in support of the coal industry under Article 54 of the ECSC Treaty to the limits of the means at its disposal.

Finally, an improvement in the financial position of the coal industry will enable it to raise finance on the national and international money markets. In such cases, the Commission or the national governments might be able to provide guarantees when required.

To launch and accelerate the new investment policy in the coal industry, initial assistance will be required during the years 1974-1976 in the form of capital grants by the member governments of the Community or through reimbursement of interest in which the Commission might participate.

Research and development

(43) Well coordinated research and development projects on a Community scale should be continued or undertaken in three fields :

- the mining of coal (extraction)
- the upgrading of coal
- the conversion of coal into hydrocarbons

So that production and productivity targets can be reached, R and D activities in the field of coal extraction must be assigned greater financial support, this must be carried out in parallel with developments in other sectors of the mining industry and should be designed to achieve :

- the development of completely mechanized, or even automated, high-productivity coal faces,
- a constant improvement in working conditions, in safety, and in dealing with the special problems of mining (gas, ventilation, dust ergonomics, etc.).
- the complete mechanisation of roadway drivage in the seams or in rock,
- an improvement in the degree of utilisation of mining equipment and increasing reliability of installations,
- the improvement of the infrastructures at existing pits and the development of infrastructure concepts suited to the high tonnage new capacities which are to be created (shafts and roadways),
- the programming and control of workings by applying modern management techniques (computers),
- the automation of coal preparation plants.

The technical problems relating to safety and working conditions affect all aspects of the mining industry. In fact, these problems are closely linked to all techniques and technologies and a research and development project which fails to take account of them is doomed to failure.

The R and D activities aimed at improving coal upgrading techniques must be continued, so as to increase the competitiveness of coal; they must cover:

- improved combustion techniques compatible with the protection of the environment (fluidized bed combustion),
- increased productivity in conventional coke ovens and the fight against pollution (effluents and harmful fumes), as well as improved upgrading of by-products, especially the gases,
- development of upgrading processes to enable new products to be manufactured : formed coke, special fuels, polymers, activated charcoal, etc..

Supplementary national R and D programmes proposed in Germany and the United Kingdom could bring the overall allocation of funds for R and D into mining and the upgrading of coal to 100 million u.a. per annum, compared to 60 m.u.a. in 1973, with first priority being accorded to mining.

Constant increases in the prices of oil and natural gas, and the unreliability of supplies, have revived interest in the gasification and liquefaction of coal.

Regardless of the price of coal, the conversion of coal into synthetic hydrocarbons by conventional methods is a costly operation. The two principal coal-producing countries in the Community, like the USA, have therefore launched national R and D programmes involving large sums of money - 60 million u.a. for each of the next 4 - 5 years - to enable less costly processes to be studied and developed to the pilot and prototype stages, and to enable their technical and economic aspects to be assessed with a view to developing, during the 1980s, a fully-established technology for widespread industrial application.

These programmes are directed towards obtaining non-polluting synthetic fuels and comprise, in particular, the following processes, for gasification : combined cycles for the production of electricity (gasification, gas turbines, steam turbines) gasification by hydrogenation, steam gasification with methanization, gasification using nuclear heat, and for liquefaction : pyrolysis in stages and the production of heavy hydrocarbons. With regard to conventional gasification in situ, this is scarcely practicable in Community coalfields and is no longer regarded as a practical possibility.

(44) By way of conclusion :

- the collaboration which has been established during the past 15 years between research workers and technicians in the Community through the ECSC, as regards both the programming of research work through the implementation of several medium-term programmes and the execution of such research by the setting-up and operation of working parties, must be continued and increased so that there can be a greater and more advantageous concentration of effort, and so that duplication can be avoided and time gained;
- To this end national R & D programmes need to be the subject of prior consultations with the Commission and should be in harmony with overall Community plans equally to exchange of information, and experience should be systematically extended to cover all Community R & D work in coal;
- R & D work aimed at increasing the financial returns of the coal industry and at the earliest possible development of suitable industrial technologies for the gasification and liquefaction of coal has become absolutely imperative. For this reason - and in view of the sums allotted during the coming years (160 million u.a. per annum, comprising 100 million u.a. for the mining and upgrading of coal and 60 million u.a. for the conversion of coal into hydrocarbons) - the Community must make a much larger financial

contribution to R & D than it does at present through the ECSC Fund (6 million u.a. per annum), by providing additional funds from its own resources and by making provision for such funds in its general budget.

- These additional aids for R & D are likely to be of the order of 30-40 million u.a. for the period 1975 to 1980 (15-20 million u.a. for the mining and upgrading of coal and 15-20 million u.a. for gasification and liquefaction), and could serve as a means of strengthening cooperation in the field of research, and thereby raising its effectiveness.
- Some form of collaboration with non-member countries should also be considered, especially as regards technologies relating to the conversion of coal into hydrocarbons. Such collaboration can be established with the Commission and the interested coal producing countries of the Community.

2) Coal imports

- (45) It is to be expected that the increased demand for coal in the Community (about 300 million tce in 1985) will not be met solely by indigenous production. If imported coal is to make its necessary contribution to the Community's energy supplies in future, it is essential to initiate a common coal import policy with the aim of opening up new long-term sources of supply, particularly for coking coal and steam coal from non-member countries.

Under the provisions of the ECSC Treaty, commercial policy regarding coal remains a matter for the governments of the individual Member States. Policy orientation has differed from country to country according to its energy supply structure. The implementation of the new energy policy

strategy for the Community will require a Community commercial policy for all sources of energy. A coal import policy pursued as part of this strategy must attempt to reconcile the differing situations within the Community. It must take into account both long-term structural problems of coal supplies and short-term cyclical difficulties concerning outlets for Community coal.

- (46) In the long term, it must be recognized that major coal consuming industries need to compete on world markets with their finished products and that accordingly, all such industries in the Community must be afforded equal access to world coal markets in order to develop necessary additional sources of supply. At the same time, however, the aim of stabilizing production, and the related long-term measures taken by the Community coal industry, must not be jeopardized. Consequently, the actions required for the long-term development of additional imports (e.g. investments in the coal industries of non-member countries, long-term contracts) call for cooperation among interested parties (consumers, producers and governments) and in effect, emphasise the need for them to subscribe to the New Energy Strategy Policy.

To ensure secure and advantageous supplies of imported coal :

- sources of supply should be as diversified as possible,
- Community undertakings should participate in joint ventures in the coal industries of non-member countries, the Community coal industry being thus enabled to make its technical expertise available,
- discussions should be opened with the governments of the exporting countries with a view to securing a mutually satisfactory state of commercial relations,

- port and transport infrastructures in the Community should be developed in such a way as to gain maximum advantage from the cost benefits of large coal carriers.

- (47) Particular difficulties may arise in the short term if cyclical coal surpluses and corresponding price adjustments on the world market jeopardize the process of stabilizing sales of Community coal.

The measures proposed above regarding sales and stocks of Community coal would certainly permit extensive stabilization of production notwithstanding influences of short term cyclical variations. Moreover, the possibility should be examined of agreeing - in certain cases - a price policy with supplier from non-member countries which would keep cyclical price fluctuations within strict limits.

There are certain obstacles, however, to all these possibilities, not the least of which is finance. Consequently, it would seem desirable as part of a ^{Community} commercial policy for all sources of energy, for coal imports to be brought under Community surveillance to allow their development to be consistently followed. This coal import policy must permit the introduction of safeguard measures in the event of coal being imported into the Community in such greatly increased quantities and on such terms or conditions as to cause, or threaten to cause, substantial injury to Community producers.

The cooperation mentioned above must apply equally to possible short-term safeguard measures. Priorities must be fixed by mutual agreement - depending on the nature of import arrangements - and must guarantee that steps necessary for ^a long term increase in coal imports from non-member countries are not endangered.

Chapter III

SUMMARY

The main lines of a coal policy for the Community in the period from 1975 to 1985 can be summarized in the following points:

Demand

1. Fullest possible utilisation of existing coal or lignite-fired power stations and the conversion to coal of dual-fired power stations in so far as this is technically and economically possible. In so far as nuclear energy is ruled out, investment to be directed into the construction and modernization of solid fuel power stations, with long-term stabilization of sales of Community coal to power stations through the creation of an appropriate system of support.
2. Maintenance of a system of aids for Community coking coal used by the Community's steel industry.
3. Assistance from public funds towards coal stockpiling to even out cyclical fluctuations in demand. Compulsory security stocks to be drawn on in the event of interruptions in the flow of energy supplies.

Supplies

4. Maintenance of Community hard coal production at about 250 million tce with due regard to geological, technical and economic conditions in the different coalfields. Continuous efforts by the coal industry to maintain or regain competitiveness with competing sources of energy through increased productivity, rationalization and reduced costs.

5. Pursuit of an active manpower policy to maintain a stable, young and productive labour force through the creation of attractive working conditions at all levels. Re-establishment of confidence in the long-term security of coal mining as a career.
6. Immediate increase in current investment to balance depreciation and maintain productive capacity and assets. Additional investment in coalfields suitable for the development of existing and the sinking of new pits.
7. Strengthening of the financial position of the coal industry through a pricing policy which enables undertakings progressively to cover amortisation as well as costs of production. Provision of capital under Article 54 of the ECSC Treaty and investment assistance by the respective governments.
8. Increased technical research in coal mining, coal preparation and up-grading, and conversion of coal into hydrocarbons. Provision of additional research funds for this purpose from the General Budget of the Community and closer cooperation between the research institutes involved.
9. Gradual development of a Community import policy designed to give all consumers access to the world market and to secure mutually satisfactory commercial relations with the exporting countries, and connected therewith, monitoring of imports at Community level. Participation in joint ventures in the coal industries of non-member countries by Community firms and industries (including the coal industry).

General

10. Efforts to re-establish a climate of confidence and genuine co-operation between all parties concerned (producers, employees, consumers, authorities), to enable the coal industry to fulfill its tasks as the presently most important indigenous source of energy.

CONCLUSION

11. This document is part of the new strategy for a Community energy policy. It covers the subject of coal and bears witness to the determination of the Community to reduce its dependence on external sources of energy.

Acceptance by the Council of the principles contained in this document are a contribution towards achieving this general objective.

With this aim in view, the Commission will formulate detailed measures for the implementation of the coal policy. These measures will be based, on the one hand, on the powers given to it under the ECSC Treaty and, on the other, on proposals which the Commission will submit to the Council as soon as possible.

COMMISSION
OF THE
EUROPEAN COMMUNITIES

COM(74) 1860 final

PART II

Brussels, 21 November 1974

DRAFT RESOLUTION

Medium Term Guidelines for Coal 1975-1985

COM(74) 1860 final
PART II

DRAFT RESOLUTION

Subject : Medium Term Guidelines for Coal 1975-1985

The COUNCIL, having taken note of the communication from the Commission dated 1974, " Medium Term Guidelines for Coal 1975-1985 " (XVII/188/3/74)

1. Agrees that this communication accords with the COUNCIL's resolution of the 17th September 1974 [R/2391/74 (ENER 45)] paragraph 3, in :
 - presenting joint target figures for solid fuel, constituting guidelines for national policies
 - providing major indicators in respect of solid fuel for Community energy producers and consumers.

2. Agrees that this communication accords with the aforementioned resolution paragraph 6 b) second, third and fourth indents, in providing guidelines in respect of solid fuel for improving security of energy supply, under the most satisfactory economic conditions possible :
 - by means of using the solid fuel resources of the Community
 - through diversified and reliable external supplies
 - through a research and technological development effort towards the required development of the extraction and use of solid fuel.

3. Agrees that the consumption of coal in the Community makes a contribution towards the achievements of the objectives of the energy policy of the Community and contributes directly or indirectly to the security of energy supplies of the Community.

4. Recognizes that the level of Community coal production to 1985 indicated in the Medium Term Guidelines for Coal 1975-1985 (XVII/188/3/74) requires heavy financial investment in productive capacity on the part of the Community coal industry combined with a manpower commitment to this industry in the coal producing member countries.

5. Recognizes that in view of the low degree of flexibility of coal production in response to fluctuations in demand, the heavy financial investment and manpower commitment referred to in the previous paragraph will not be forthcoming in the absence of assured and stable outlets for Community coal at proceeds covering costs of production.

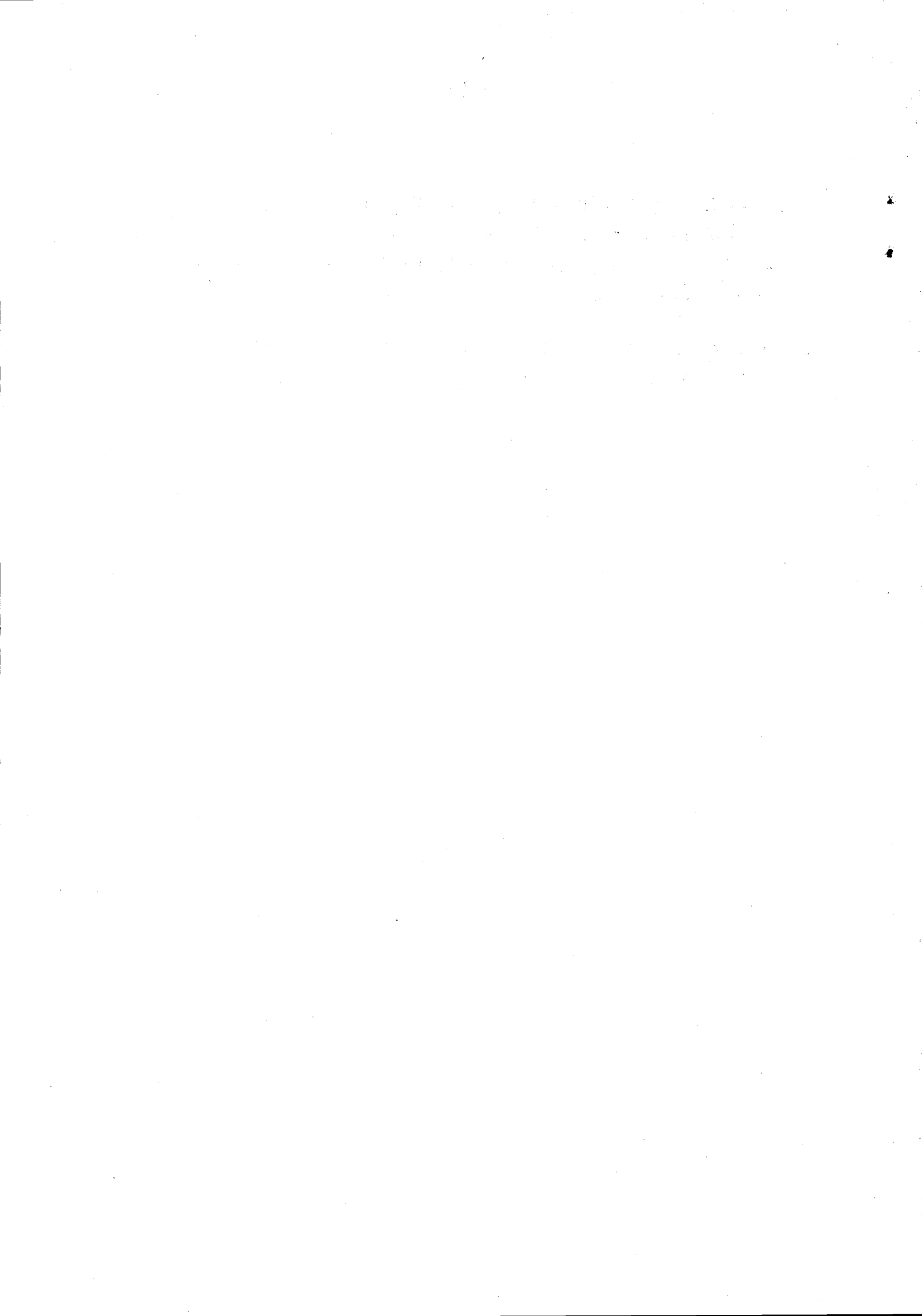
6. Recognizes that the provision of stable outlets for the Community's coal production entails

- the stabilization of the power station market for Community coal
- the stabilization of the market for Community coking coal for the Community's steel industry
- a stocking policy to even out the effects of cyclical fluctuations in demand and to provide security stocks against interruption in supplies

in regard to which the need for support by the generality of the Community must be envisaged, and which might involve financial means.

7. Recognizes the need for the creation of a Community commercial policy for coal designed to combine the availability of adequate diversified and reliable external supplies at favourable prices with the requirements of stable outlets for the Community's coal production at proceeds covering costs of production as far as possible. In this context, the COUNCIL notes the Commission's communication dated 1974 relating to the monitoring of coal imports into the Community (XVII/336/74).

8. Recognizes the need to strengthen the financial position of the coal industries of the member countries through a pricing policy which enables undertakings progressively to cover amortisation as well as costs of production.
9. Takes note of the Commission's intention to formulate detailed measures for the implementation of the policy mentioned in this resolution.



COMMISSION
OF THE
EUROPEAN COMMUNITIES

COM(74) 1860 final

PART III

Brussels, 21 November 1974

COMMUNICATION FROM THE COMMISSION TO THE
COUNCIL

on measures which will be taken by the
Commission in regard to the monitoring
of coal imports into the Community

COM(74) 1860 final

PART III

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on measures which will be taken by the Commission in regard
to the monitoring of coal imports into the Community

1. In accordance with the COUNCIL'S resolution of the 17th September 1974 (R/2391/74 (ENER 45)) paragraph 3 second sentence and paragraph 6 (b) second, third and fourth indents, the Commission has submitted to the COUNCIL a document dated 1974 " Medium Term Guidelines for Coal 1975 - 1985 " (XVII/188/3/74).

In the context of the Community's energy strategy designed to keep imports of oil from third countries within economically acceptable limits, this document sets an objective of 300 m.t.c.e. (million tons coal equivalent) coal consumption in the Community in 1985, approx. 250 m.t.c.e. of this produced in the Community and the rest imported from third countries. Compared to 1973, these figures involve maintenance of the approx. level of Community production and a rise in imports from third countries of around 20 m.t.c.e.

The document explains the necessity, on the one hand, for assured and stable outlets for Community coal at proceeds covering costs of production to attract the heavy financial investment and manpower commitment required to produce approx. 250 m.t.c.e. per annum during the period 1975 - 1985 and, on the other hand, the need for an active Community import policy to ensure the availability of adequate diversified and reliable external supplies of coal at favourable prices. To secure the greatest possible concertation of measures to satisfy both these requirements, the Commission will, in conformity with the powers given to it under the ECSC Treaty, forthwith undertake the steps set out in sections 3 - 5 below.

- 2. At present, the Commission obtains up-to-date information on coal production, consumption, imports and stocks from questionnaires sent to member governments at quarterly intervals.

As regards imports, the questionnaires cover both intra-Community exchanges and imports from third countries. Broken down by types of coal and countries of origin, the information requested relates to both the next quarter and to longer forward commitments.

The information obtained in this manner is collated into tables circulated to the member governments, followed by discussion and elucidation at quarterly meetings convened by the Commission. These are attended by government representatives, accompanied by representatives of the coal industry in some cases.

The questionnaires and meetings serve the purpose of obtaining and exchanging information on the member countries' general coal supply position.

- 3. By way of new measures, the Commission will analyse the information emerging from the procedure in section 2 above from the point of view of consistency with the dual requirements indicated in section 1 third paragraph first sentence above. In so far as necessary, the Commission, exercising its powers under the ECSC Treaty, will obtain additional information for the preparation of these analyses from member governments and enterprises.

The analyses will be confidential working documents of the Commission.

4. When an analysis reveals inconsistencies with the COUNCIL's resolution of the 17th September 1974 (R/2391/74 (ENER 45)), and in particular with paragraphs 3 and 4 thereof, copies of the analysis will be circulated to member governments who will be invited to send senior officials to a meeting with officials of the Commission. The invitation may include a request that certain officials should be accompanied by representatives of specified industries directly involved in any problems which have given rise to an inconsistency.

The purpose of these meetings will be to seek solutions satisfactory to the parties concerned.

5. In the event of failure to reach solutions acceptable to the parties concerned, the Commission will formulate suitable proposals at the appropriate time.