



European Communities

**EUROPEAN PARLIAMENT**

# **WORKING DOCUMENTS**

English Edition

1985-86

4 March 1986

SERIES A

DOCUMENT 2-224/85

## REPORT

drawn up on behalf of the Committee on Energy, Research  
and Technology

on the communication from the Commission of the European  
Communities to the Council (COM(85) 525 final -  
Doc. C 2-110/85) concerning new Community rules for state  
aids to the coal industry

Rapporteur: Mr L. CROIX



By letter of 7 October 1985 the Commission requested the European Parliament, pursuant to the provisions of document 103/73 (COM(73) 999) Annex 1, paragraph 2, second subparagraph, to deliver an opinion on the new rules for state aids to the coal industry.

On 11 November 1985, the President of the European Parliament referred this proposal to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Budgets for their opinion.

The European Parliament, at its sitting of:

- 9 October 1984 referred the motion for a resolution on the European coal policy (Doc. 2-581/84), tabled by Ms TONGUE pursuant to Rule 47 of the Rules of Procedure, to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Budgets for its opinion;

- 11 February 1985 referred the motion for a resolution on new uses for coal (Doc. 2-1489/84), tabled by Mr FORD pursuant to Rule 47 of the Rules of Procedure, to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Economic and Monetary Affairs and Industrial Policy for its opinion;

- 15 April 1985 referred the motion for a resolution on the coal industry (Doc. B 2-38/85), tabled by Mr LOMAS and Mr WEST pursuant to Rule 47 (Doc. B 2-38/85), tabled by Mr LOMAS and Mr WEST pursuant to Rule 47 of the Rules of Procedure, to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Budgets for their opinions;

- 16 October 1985 referred the motion for a resolution on promoting the use of solid fuels in southern Italy (Doc. B 2-605/85), tabled by Mr VAN AERSSSEN and others pursuant to Rule 47 of the Rules of Procedure, to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Transport and the Committee on Regional Policy and Regional Planning for their opinions.

At its meeting of 27 September 1985 the Committee on Energy, Research and Technology appointed Mr CROUX rapporteur of a draft report on Annex 2 and rapporteur of a draft general report (Annex 1).

The committee considered the Commission's proposal and the draft general report at its meetings of 28 November 1985, 21 January 1986 and 24 February 1986.

At the last of these meetings the committee decided by 16 votes in favour with 5 abstentions to recommend to Parliament that it approve the Commission's proposal concerning the proposal for a Commission decision on Community rules for aids to the coal industry subject to the following amendments.

The Commission stated before the committee that it had not taken a position on these amendments.

The committee then adopted the resolution as a whole by 16 votes in favour with 5 abstentions.

The following took part in the vote: Mr Sälzer, Mr Adam and Mr Seligman, vice-chairmen; Mr Croux, rapporteur; Mr Bonaccini (deputizing for Mr Valenzi), Mr Duarte Cendan, Mr Estgen, Mr Ford (deputizing for Mr Schinzel), Mr Garcia Amigo, Mr Kolokotronis, Mr Likohr, Mr Mallet, Mr Münch, Mr Petronio, Mr Rinsche, Mr Sanz Fernandez, Mr Spath, Mr Tridente, Mr Turner, Sir Peter Vanneck and Mr West.

The opinion of the Committee on Economic and Monetary Affairs and Industrial Policy is attached to this report.

The Committee on Regional Policy and Regional Planning and the Committee on Transport decided not to deliver an opinion.

The report was tabled on 26 February 1986.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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Text proposed by the Commission  
of the European Communities

- opening new economically viable capacities;
- the solution of the social and regional problems to which this amendment gives rise.

Amendments tabled by the Committee  
on Energy, Research and Technology

- further adapting production to market conditions in such a way as to avoid causing serious economic and social disturbances in those regions where the employment possibilities are still inadequate.
- opening new economically viable capacities;
- the solution of the social and regional problems to which this adjustment gives rise.

Article 3 unchanged

Article 4

Paragraphs (1) and (2) unchanged

- (3) Coal undertakings shall be authorized where necessary, to agree to reduce their normal prices even where there has been no competitive consumption as such with coal or coke.

These reductions may not result in the cost price of Community coal and coke falling below the cost price of coal from third countries or of coke produced from this coal.

The detailed provisions shall be set out in an implementing decision.

Article 5

Paragraph (1)

Investment aids for the rationalization of existing production capacity which is economic or close to being so and for opening new capacities where this would be economic may be considered compatible with the Common Market provided that

- they cover no more than 50% of the costs of the investment concerned;

Article 5

Paragraph (1)

Investment aids for the rationalization of existing production which is economic or close to being so and for opening new capacities where this would be economic may be considered compatible with the Common Market provided that

Text proposed by the Commission  
of the European Communities

- such investment has been notified to the Commission as required by High Authority Decision 22/66 of 16 November 1966, as amended by Decision 2237/73/ECSC or by any subsequent decision and the Commission has delivered a favourable opinion on the projects so notified.

Amendments tabled by the Committee  
on Energy, Research and Technology

- such investment has been notified to the Commission as required by High Authority Decision 22/66 of 16 November 1966, as amended by Decision 2237/73/ECSC or by any subsequent decision and the Commission has delivered a favourable opinion on the projects so notified.

Articles 6 - 11 - unchanged

Article 12

Aids to the coal industry granted up to 1 July 1986 pursuant to Articles 8, 9 and 10 of Decision 528/76/ECSC may be extended until 30 June 1987. They shall be evaluated in accordance with the appropriate provisions of this Decision.

Article 12

Aids to the coal industry granted up to 1 July 1986 pursuant to Decision 528/76/ECSC, may be extended until 31 December 1987.

Articles 13 - 14 unchanged

Article 15

This decision shall enter into force on 1 July 1986. It shall cease to have effect on 31 December 1990.

Article 15

This Decision shall enter into force on 1 July 1986. It shall cease to have effect on 31 December 1996. At the end of a period of five years after the entry into force of this Decision it may, under the procedure provided for in Article 95, first paragraph, of the ECSC Treaty be amended on the initiative of a Member State or the Commission if new circumstances make such amendment necessary.

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the communication from the Commission to the Council for new Community rules for state aids to the coal industry

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council (COM(85) 525 final),
  - having been consulted by the Commission pursuant to the provisions of document 103/73 (COM(73) 999) Annex 1, paragraph 2, second subparagraph (Doc. C 2-110/85),
  - having regard to the motion for a resolution on the European coal policy tabled by Ms TONGUE pursuant to Rule 47 of the Rules of Procedure (Doc. 2-581/84),
  - having regard to the motion for a resolution on new uses for coal tabled by Mr FORD pursuant to Rule 47 of the Rules of Procedure (Doc. 2-1489/84),
  - having regard to the motion for a resolution on the coal industry tabled by Mr LOMAS and Mr WEST pursuant to Rule 47 of the Rules of Procedure (Doc. B 2-38/85),
  - having regard to the motion for a resolution on promoting the use of solid fuels in southern Italy and specifically the extension of unloading facilities for hard coal in the port of GIOIA TAORA and the setting-up of a coal liquefaction research facility, tabled by Mr van AERSSSEN and others pursuant to Rule 47 of the Rules of Procedure (Doc. B 2-605/85),
  - having regard to the report by the Committee on Energy, Research and Technology and the opinion of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A 2-224/85),
  - having regard to the result of the vote on the Commission's proposal,
- A. having regard to the numerous previous decisions on the Community's energy policy in general since the 1973 energy crisis,
- B. having regard to developments on the energy market and in the economic, social and financial aspects of the coal industry since that time,
1. Stresses that coal continues to play a vital role in the Community's energy supplies and, as the only source of energy found in abundance in the Community, plays an essential part in efforts to reduce dependence on imported energy and to diversify energy supplies;
  2. Points out that, despite improvements, the energy market remains extremely unstable and the long-term prospects uncertain, particularly beyond 1990, and that the vital importance of energy calls for adequate safety margins;
  3. Points out that energy policy must be determined on a long-term basis owing to the lack of elasticity within the individual energy sectors and the large-scale capital investment which the energy sector requires;

4. Is surprised that the draft decision does not mention the prospect of expansion in the coal share of the energy market in general and of the heat-generation market in particular;
5. Recognizes that state aid to the coal industry has increased appreciably in recent years and notes that production and employment have fallen substantially since 1973;
6. Points out that coal production is heavily concentrated in particular geographical areas and is of great importance from the social and regional viewpoint, both directly and indirectly, particularly when alternative employment is in short supply;
7. Notes that a number of socio-economic cost-benefit analyses, macro-economic studies and assessments of the overall financial implications of running down the coal industry have indicated that great caution and thoroughness are called for in evaluating the effects of cutting back production and the number of jobs;
8. Urges that in evaluating national aid to the coal industry a balanced range of criteria and objectives be taken into account, viz:
  - in the economic sphere: improvement in competitiveness and security of supply; greater profitability at both plant and the macro-economic levels;
  - in the social sphere: employment and regeneration; social services and regional prosperity;
  - in the financial sphere: short and long-term cost-benefit;
9. Points out that national aids have not affected and are not affecting the operation of the market or competition in the Community;
10. Believes that the Commission must devise a method of achieving transparency and comparability between the various aid schemes as quickly as possible so that assessments can be made on objective grounds and calls on the Commission, in particular, to study price mechanisms on the world coal market and to draw up a report within eighteen months;
11. Points out that the deadlines for implementation of the proposed new rules are too short to achieve transparency, to consider the opinions and objectives of the Member States and to define procedures for implementation in a balanced fashion.

Proposes that the period of validity of the new rules be increased from five to ten years with the possibility of a review after five years.

Also proposes that the transitional period be clarified and extended to 31 December 1987;
12. Calls for the new rules to be accompanied by an active and coordinated long-term policy with a view to:
  - promoting coal consumption;
  - encouraging installations using other energy sources to switch to coal under competitive conditions;

- developing types of production designed to substitute imported oil, gas and coal;
  - intensifying research, particularly in the technological field;
  - conservation of the environment;
  - securing conditions of safety at work.
13. Believes that the Community must use the appropriate means to stimulate and promote the regeneration of coal-mining areas by
- implementing integrated action programmes which make swift and coordinated use of the resources provided by the European structural funds, the ECSC, the European Investment Bank etc., in conjunction with the national and regional instruments for regeneration and development;
  - granting special tax and financial arrangements for companies setting up and creating jobs in coal-mining areas;
  - ensuring that plans for reorganizing the coal industry are implemented in tandem with social measures for the benefit of workers leaving the industry;
14. Urges the Commission most strongly to take into account Parliament's proposals and amendments in accordance with the Commission's own recent declarations and those of the Council concerning their cooperation with Parliament;
15. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENTI. The energy market 1973-2000

1. An appraisal of the Commission's proposal for 'New Community rules for state aids to the coal industry' must be based on an analysis of the actual wording of the rules and the changes made in relation to those currently in force. These must also be considered in relation to:

- (1) the energy policy pursued since 1973-4 (first oil crisis) in general and the coal sector policy in particular - and
- (2) anticipated developments on the energy market in the foreseeable future up to the year 2000.

2. The period between 1973 and 1985 has yielded vital experience as regards the reactions and elasticity of the energy market following changes in certain individual parameters. The new rules must form part of a coherent, well-defined and forward-looking energy policy.

A forecast of developments for 1985-2000 is essential in order to draw up now a well-defined energy policy which incorporates a coal sector policy and takes into account the role of solid fuel in energy supplies. Industry must be informed of what policy the Community and the Member States intend to pursue and uphold. Only then can industry make well-founded plans - for costly energy investment for example - as vital decisions bearing on the structure of the energy market must be taken now.

The overall energy situation in terms of volume in these two periods is summarized in Annexes I-IX.

1973-1985

3. A number of weaknesses in the structure of the European energy market were revealed at a stroke by the first energy crisis. Although the main cause was an oil crisis, there were several contributory factors as regards prices and supplies, which included:

- a very small margin between supply and demand of a major source of energy
- dependence on imports of a single major energy source
- dependence on imports from a single major geographical region
- a single source of energy accounting for a large proportion of primary energy consumption in the Community (62%)
- lack of short term elasticity on the energy market

4. The dependence of national economies on a smoothly operating energy economy - including the supply factor - led to the formulation of now familiar energy policy objectives which remain valid today. These include:

- a greater level of self-sufficiency whatever the energy source
- diversification of supplies as regards both sources and regions
- energy saving and efficient use of the energy consumed
- greater use of alternative sources

5. For the abovementioned reasons, principally the supply policy aspects, coal policy and the coal sector have played a pivotal role. An additional factor is the importance of the coal industry in the individual coal producing Member States for their economies as a whole and for the regions in which the coal industry is the major economic activity. The importance for employment is obvious as are the social policy aspects.

6. The accuracy of these facts and the strategic importance of coal were demonstrated by the first oil crisis, and confirmed by the second crisis in 1979 and the situation will not change in future unless the structure of the energy market alters even more towards a situation in which the Community has greater control over its own internal supplies.

Coal is an energy source in abundant supply, inexhaustible for a long time to come and is, therefore, in fact the only source of energy over which the Community has ultimate control, from the extraction stage through supply to consumption. This holds true regardless of any temporary economic and financial fluctuations which may or do affect the market.

#### Changes of objectives

7. Although the abovementioned objectives and the background facts are well known, attention has been focused on them here because it is the first time since the first oil crisis that the Commission has submitted a proposal which does not advocate the maintenance of or an increase in the production of coal. However small the Commission's proposed changes are, financially and quantitatively, the fact remains that a real political change is being proposed.

This therefore creates uncertainty in the coal industry about a policy which has been based for over ten years (if not longer) on at least maintaining production. It is the Commission's view that competitiveness and public budgetary policy have developed into a problem which the proposed Community rules must take into account.

A number of positive changes have in fact taken place on the energy market and coincide with energy objectives (possibly of necessity more than as a result of declared policy, or economic causes) and these are welcomed.

#### 1985-2000

##### Production and consumption

8. The forecasts up to the year 2000 for both the European and the world energy markets incorporate some interesting features. It is the committee's view that the changes in consumption and production trends, several of which can be predicted with some confidence, are such that present coal production in the Community must at the very least be maintained (see Annex I). The reasons for this are:

- an expected rise in coal consumption )
- an expected rise in coal imports )
- falling domestic production of oil ) in the EEC
- falling domestic production of gas )
- a sharp increase in export coal production in the exporting countries (US, Canada and Australia).

Of particular note is the virtual doubling of coal imports into the Community, i.e. of the only source of energy for which the Community has the resources to increase production.

#### Economic uncertainties on the future European energy market

9. How rapidly conditions can change is clearly demonstrated by the way in which the price of crude oil plummeted in December 1985. From a previous high of up to \$34 a barrel of crude oil down to something around \$28-29 a barrel before OPEC's announcement that it wished to acquire a greater share of the market, the price of crude oil suddenly fell to little over \$22 on the spot market. Most estimates agree that the trading price will be about \$20 a barrel for 1986, some put it even lower.

10. The fall in prices gives rise to several elements of uncertainty. How will the world economy react to a redistribution of wealth, changes in the balance of payments, inflation, employment, etc.? How will energy producers and consumers react? Will OPEC's strategy have the desired effect, i.e. (1) the acquisition of a bigger share of the market at the expense of Community oil producers, particularly the UK which can expect to encounter serious problems in its domestic economy as world prices decline, (2) a possible sharp increase in oil consumption in general in the Community and finally (3) a significant change in profitability calculations not only for oil within the EEC but also for other energy sources. The economic and competitive aspects should dictate a sharp short-term increase in oil consumption at the expense of other traditional energy sources and a number of research studies and development projects in various, if not all, energy sectors would have to be shelved. If energy producers and consumers confine themselves to short-term profit considerations alone, the EEC will move rapidly towards the situation which typified of the energy market in the 70s and which OPEC was able to exploit with the consequences with which we are now all too familiar.

11. If lower oil prices are maintained until they control the market again, the Community's coal industry will find itself in an even more difficult situation than now. Imported coal would become even cheaper (lower transport costs and greater likelihood of a dumping policy to maintain the level of sales necessitated by new large-scale capital investment in a number of exporting countries). In other words, if short-term profitability is to be the decisive consideration, will the future for Community energy be (1) a much higher level of dependence on imported oil and (2) a much higher level of dependence on imported coal, which would mean that within a few years economic and political forces outside the Community could again control the Community energy market?

II. Comparison of the current Community rules for aids to the coal industry and the new proposed Community rules; main points and differences

12. Aims

(A) The aims of Decision 528/76/ECSC are:

- to ensure the long term security of energy supplies, reduce dependence on imported energy, maintain coal production,
- increase investment and conduct an active manpower policy; mine closures must be so phased as to avoid creating social and economic problems in mining areas where sufficient opportunity for alternative employment does not yet exist; to utilize production capacity and increase the elasticity of coal supplies; to establish and maintain cyclical and security stocks; to make it possible to cover actual losses incurred in the two preceding years; to allow the necessary arrangements to be made the period of validity was fixed at 10 years with the possibility of a review after 5 years.

(B) The aims of the proposed new Community rules are:

- to improve competitiveness with a view to gearing production to conditions on the energy market, to open viable capacities, and resolve social and regional problems.

13. Deficit grant aids

(C) - Aids to cover operating losses in the new rules may not exceed the difference between expected average costs per tonne of coal produced and the average returns for the coal production year.

- The calculation of production costs may include depreciation on the basis of replacement value and effective interest charges on capital borrowed. The Commission may fix a ceiling for aids covering losses. In exceptional cases, additional aid may be granted to cover previous losses provided it is limited to covering the difference between production costs and returns in the two preceding years.

(D) The provisions of Decision 528/76 are the same except that:

- a fixed amount per tonne of production is calculated,
- calculation of production costs includes normal depreciation and a normal rate of interest on the capital required for the operation,
- aid may be granted where closures of mines and redundancies are foreseeable.

14. Investment aids

(E) The new rules provide for investment aids (Art. 5) for the rationalization of existing production capacity which is economic or close to being so and new economically viable capacities provided the aid does not cover more than 50% of the cost.

Decision 528/76 (Art. 7) contains provisions concerning an improvement in the profitability and safety of mines, the introduction of technology and/or new technological equipment.

#### 15. Implementing provisions

The obligations on the Member States to provide information under Decision 528/76 were extremely general in comparison with the proposed new decision and could give rise to a considerable lack of precision.

Under the old rules it was considered necessary to provide for a 10-year period of validity taking into account the arrangements and planning which industry would have to undertake (with the possibility of review after 5 years) whereas under the new decision the period of validity is only from 1 July 1986 to 30 December 1990, previous aid for training, cyclical and security stocks will be withdrawn on 30 June 1987 and assessment of these forms of aid will be based on the new provisions, which are concerned with competitiveness and profitability, as of July 1986.

#### REMARKS

16. This comparison produces the following main points:

- the profitability factor has replaced security of supplies and aid to maintain production,
- the rules determining whether production is eligible for aid are stricter whereas this was previously assessed on the basis of energy policy objectives in particular,
- various forms of aid are excluded, particularly measures relating to stocks and training,
- employment measures are different. For instance, no mention is made of whether adjustment to market conditions will create economic and social difficulties in areas with insufficient alternative employment.
- in addition to the far more rigid conditions for approving state aid, the period of validity of the rules is very short, in real terms 4 1/2 years from the date of adoption.

#### III. Social and regional aspects

17. It is notable that the existing rules list two general aims, i.e. energy policy objectives (Art. 1) and

'Further adaptation of the production of pits or coalfields having a low economic return to market conditions in such a way as to avoid causing serious economic and social disturbances in those regions where re-employment possibilities are still inadequate.'

18. Moderate economic growth is anticipated in all the Member States of the Community in the forthcoming years and therefore, presumably, correspondingly moderate growth in employment. It is equally obvious that any increase in employment is not likely to occur in traditional productive sectors such as the coal industry and that the manpower which will become available in this sector through possible rationalization does not fall into those categories which will be in demand either in terms of their skills or their age. As it is also a feature of the coalmining industry that it is geographically concentrated coal deposits and tied to regions where the coal industry is the main source of employment, which is frequently of crucial importance for other activities dependent on coal production, social and regional problems will be seriously exacerbated.

19. The financial effects of restructuring must also be taken into account. The 'Rheinisch-Westfälisches Institut für Wirtschaftsforschung' in Essen has carried out an interesting study to elucidate the socio-economic and regional 'costs' resulting from a reduction in production. Any reduction in coal mining capacity must have considerable effects on production and employment: the loss of 10m tce in sales and production would make 23 400 miners redundant and affect a further 25 000 jobs in industries dependent on mining. The consequences would be particularly severe for the Ruhr area: just under 33 000 of the total 49 000 jobs concerned are located in the Ruhr, i.e. two-thirds of the total and 2 per cent of all jobs in the area. There are hardly any alternative jobs available and only a proportion of the supply firms have been able to find new markets in Germany and abroad: as a result the job losses would be reflected in an almost uninhibited increase in (registered or non-registered) unemployment. Nor must it be forgotten that the mining regions display considerable structural disadvantages, the outward sign of this being above-average unemployment figures. Reference is made here again to method-related qualifications.

A reduction in coal production would also have serious effects on the financial situation of the country, the Lander, the municipalities and the social security agencies. This is because:

- coal mining, taken together with its side-effects on suppliers and private consumption, is still a net contributor to the national budget - a drop in production would induce a reduction in revenue and this would not be offset by the money saved on production-related subsidies, and
- the loss of jobs necessarily entails considerable increases in expenditure for social security benefits irrespective of whether they are provided by the State, the unemployment insurance scheme (in the case of early retirement) the pension insurance agencies.

A seemingly realistic assumption is that for every tce of decommissioned coal-mining capacity, the State will have to face increased expenditure or decreased revenue (including shut-down premiums) of DM 174, as opposed to expenditure on coal industry aids of some DM 56 per tce at the present time (1981). In other words - compelling the industry to reduce production by cutting down financial aid would lead not to savings but to an increased financial burden on the national budgets. In the first few years this extra burden would be about DM 100 - 120 per tce but would fall after a few years (to about Dm 72 per tce) as the workers laid off reached normal retirement age - although their jobs would not be available for job-seekers from the following generations.

20. Studies have also been carried out on Belgium which, apart from demonstrating that Belgium will have the same regional and social problems as the Federal Republic of Germany if subsidies are abolished, show that there would be an increase in state expenditure. The effect of (hypothetical) closure is shown in the following table:

Cost and benefits for the Government of a possible discontinuation of coal, production (1983 situation, in Bfrs million per annum)

BENEFITS		COSTS	
Direct subsidies no longer paid	6 970	Reduced revenue from social security contributions for miners	4 680
Indirect subsidies no longer paid	960	Reduced revenue from direct taxes on miners	2 490
		Unemployment support for miners	5 800
		Cost of indirect employment	5 500
<b>TOTAL</b>	<b>7 930</b>	<b>TOTAL</b>	<b>18 470</b>

Industrial Development Department

21. Reference could be made to other analyses and studies based on different methods and hypotheses which naturally affect the value of their findings. Obviously, in each separate case, a clear distinction must be drawn between short-term and long-term assessments of the consequences. All the studies, however, show that the consequences of a reduction in employment are complex at the financial level and therefore call for a social programme or policy to deal with the effects of reorganization.

22. As the ecological aspects of energy production and consumption are the subject of another report, the rapporteur wishes to await the latter's conclusions since the ecological problems connected with the coal sector should not be analysed separately and should be seen in relationship to the production and consumption of all sources of energy.

#### IV. Conclusions

An analysis of the Commission's proposals shows that it would be advisable to ensure greater conformity between the provisions contained in the proposal for a decision on the one hand and the aims and intentions set out in its explanatory memorandum on the other.

This is the purpose of the amendments proposed by the rapporteur concerning the security of supplies and the balance to be sought between the energy-related socio-economic and financial factors in the short and long term.

The rapporteur also believes that there should be a longer period allowed for the implementation of the new decision (i.e. the transitional period required to study the aims and intentions of the Member States and industry) and a longer period of application for the new rules - ten years rather than five - while creating the possibility of a review after five years.

The present obscure situation calls for a fairly extensive study before being able to apply the decision on the basis of objective facts. The nature of the coal industry is such that fairly long periods of time are required for investments and for the organization and restructuring of mines.

## Summarized Energy Balance - EUR-10 / ENERGIE 2000

in million toe	1973 <sup>a</sup>	1980 <sup>a</sup>	1983 <sup>a</sup>	1990 <sup>b</sup>	2000 <sup>b</sup>
I. Gross Energy Consumption	968,04	970,05	907,21	1034	1135
- Bunkers	37,56	26,21	21,96	28	29
- Inland consumption	930,68	943,84	885,23	1006	1107
II. Inland Energy Consumption	930,68	943,84	885,23	1006	1107
- Solid fuels	221,97	272,68	211,99	242	264
- Oil	563,93	493,82	416,29	413	410
- Gas	115,83	169,26	165,35	190	196
- Primary electricity, etc.	28,95	58,08	91,60	161	236
III. Indigenous Production	351,29	462,10	516,29	563	625
- Hard coal	171,16	153,31	143,06	139	137
- Lignite & peat	26,49	31,81	30,99	36	35
- Oil	13,17	90,52	132,51	111	108
- Natural gas	112,20	129,16	119,94	115	108
- Nuclear energy	17,73	42,67	76,06	145	215
- Hydro & geothermal <sup>2</sup>	9,38	12,39	12,00	13	14
- Others & renewables	1,16	1,66	1,67	4	7
IV. Net imports	619,91	527,15	377,90	471	511
- Solid fuels	19,00	47,28	39,08	67	92
- Oil	596,21	437,95	288,78	330	330
- Natural gas <sup>2</sup>	4,01	40,56	48,17	75	88
- Electricity <sup>2</sup>	0,69	1,36	1,87	-1	-
V. Stock changes	+3,15	-19,21	-13,08	-	-
- Solid fuels	-5,32	-9,72	+1,14		
- Oil	+8,09	-9,03	-16,99		
- Gas	+0,38	-0,46	+2,77		
VI. Electricity Generation Input	235,13	279,06	286,73	367	444
- Solid fuels	108,33	130,12	138,38	160	178
- Oil	75,04	60,91	36,86	20	18
- Natural gas	23,51	31,31	21,76	27	15
- Nuclear energy	17,71	42,67	76,06	145	215
- Hydro & geothermal <sup>2</sup>	9,38	12,39	12,00	13	14
- Others & renewables	1,16	1,66	1,67	2	4

## Main indicators (related to the 1990 objectives)

	1973-1963	1979-1975	1990-1983	2000-1990	
Inland energy annual growth rates	+4,6%	+3,4%	+1,8%	+1,0%	
GDP annual growth rates	+4,7%	+3,6%	+2,4%	+2,8%	
Energy - GDP ratio	0,98	0,94	0,75	0,37	
	1973	1980	1983	1990	2000
Share of oil in gross energy consumption	62,1%	52,3%	48,%	41%	37%
Share of coal and nuclear in electricity production	53,6%	61,9%	74,3%	83%	88%
Supply dependence on imports	64 %	54,3%	41,8%	46%	46%

## Sources:

- Statistical Office of the European Communities
- ENERGY 2000 Study - DG XVII - November 1984

## Notes:

- Production of primary sources, including recovered products.
- The conversion of electricity, including hydro and geothermal, is based on its actual energy content: 3600 Kjoules/kwh or 860 kcal/kwh
- The (-) sign means net exports
- The (-) sign means a stock decrease
- Including coke oven gas and blast furnace gas (derived from coal)

Table 29 Projected Solid Fuels Production in Major IEA Producing Countries  
(Mtoe)

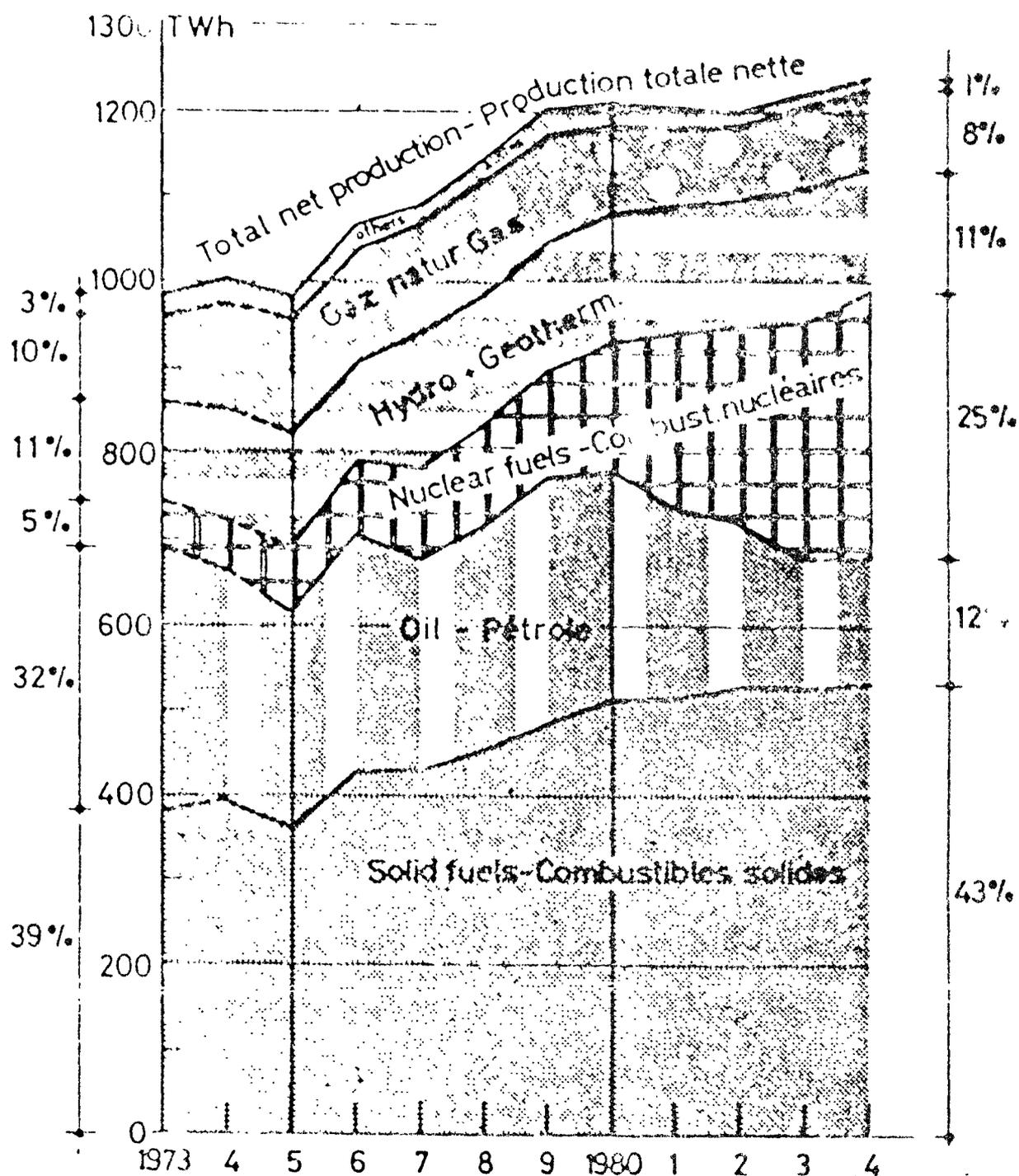
	1979	1981	1990	1995	2000	Average Annual Growth Rates (%) 1981-2000
Australia	55.0	71.3	98.0	122.4	150.2	4.5
Canada	23.9	32.7	51.0	60.8	72.0	4.8
Germany	90.1	87.5	81.3	82.3	82.2	-0.4
Spain	8.6	13.1	16.6	18.5	20.5 <sup>1</sup>	2.7
Turkey	14.1	16.5	27.4	30.3	35.0	4.5
United Kingdom	69.8	68.4	66.0 <sup>1</sup>	66.0	66.0 <sup>1</sup>	-0.2
United States	494.6	491.8	664.0	753.0	875.0	3.4
Sub-Total	756.1	781.2	1 004.3	1 133.3	1 300.9	3.0
Other IEA Countries	30.0	33.6	40.2	41.4	44.6	1.7
IEA Total	786.1	814.8	1 044.6	1 174.7	1 345.5	3.0

<sup>1</sup> IEA Secretariat estimates

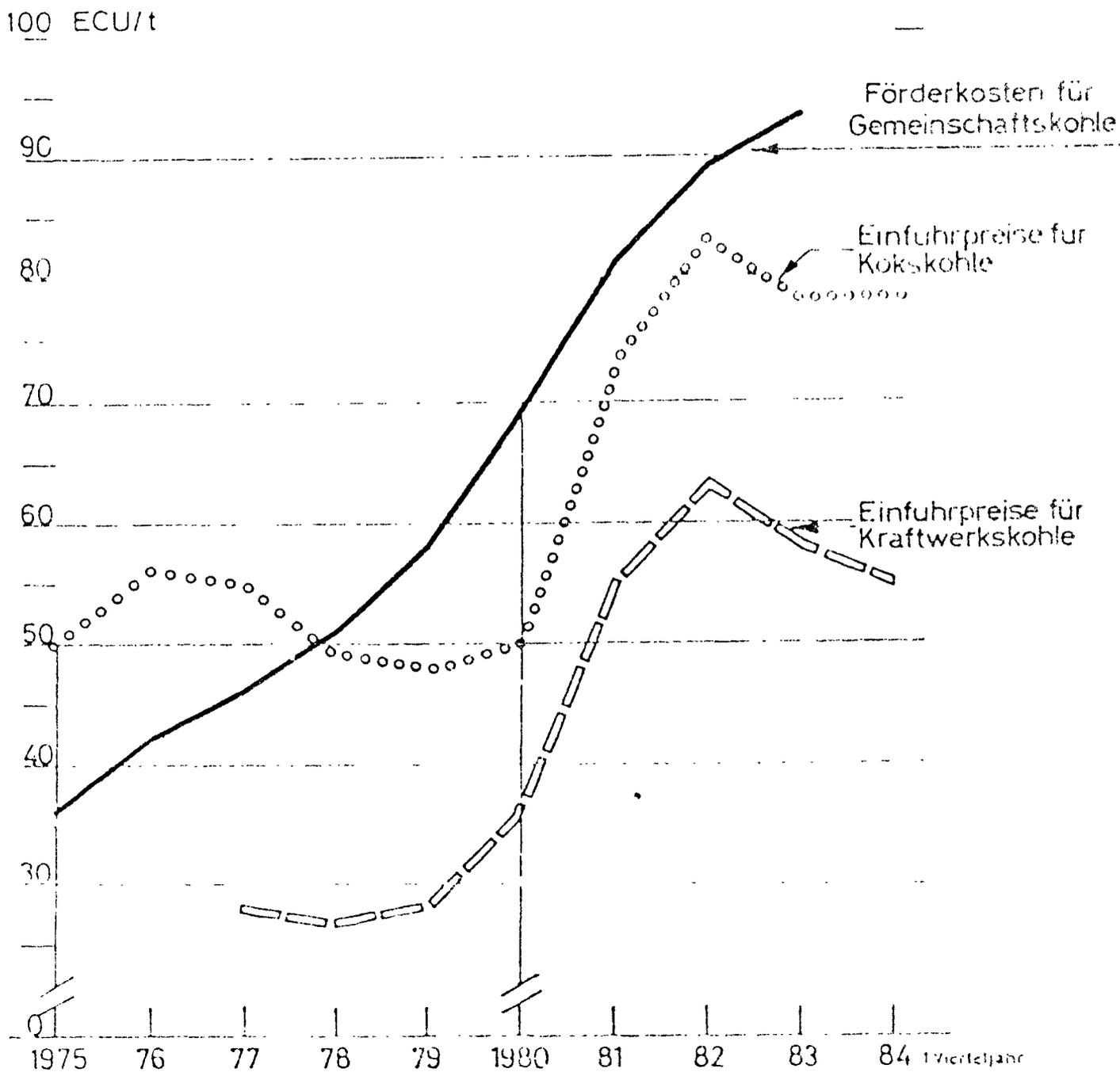
Sources: Energy Balances of OECD Countries (1979 and 1983); Country submissions, 1990 to 2000

# EUR-10: Electricity Production

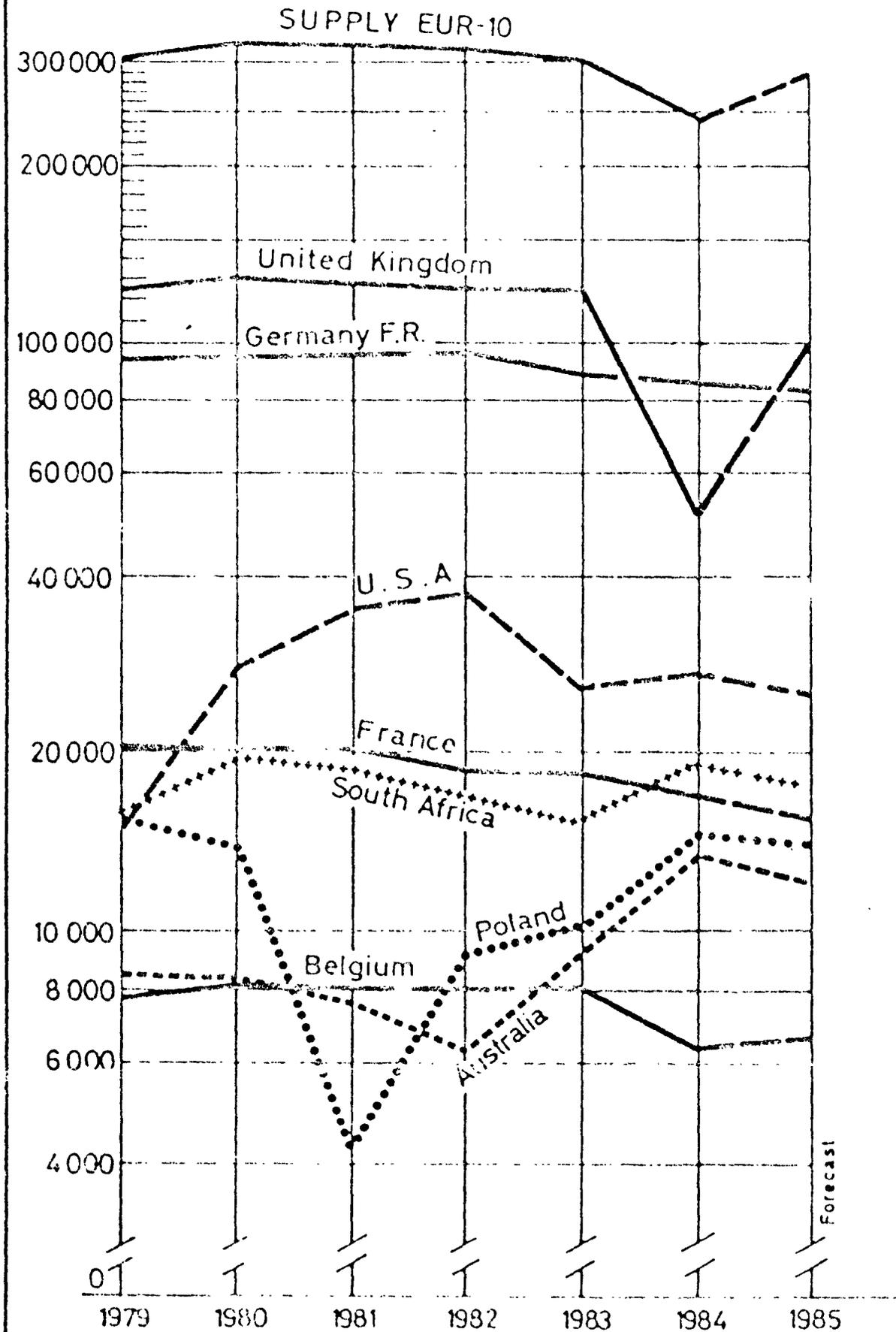
## Production d'électricité



# ENTWICKLUNG DER FÖRDERKOSTEN FÜR GEMEINSCHAFTSKOHLÉ UND DER PREISE FÜR EINFUHRKOHLÉ

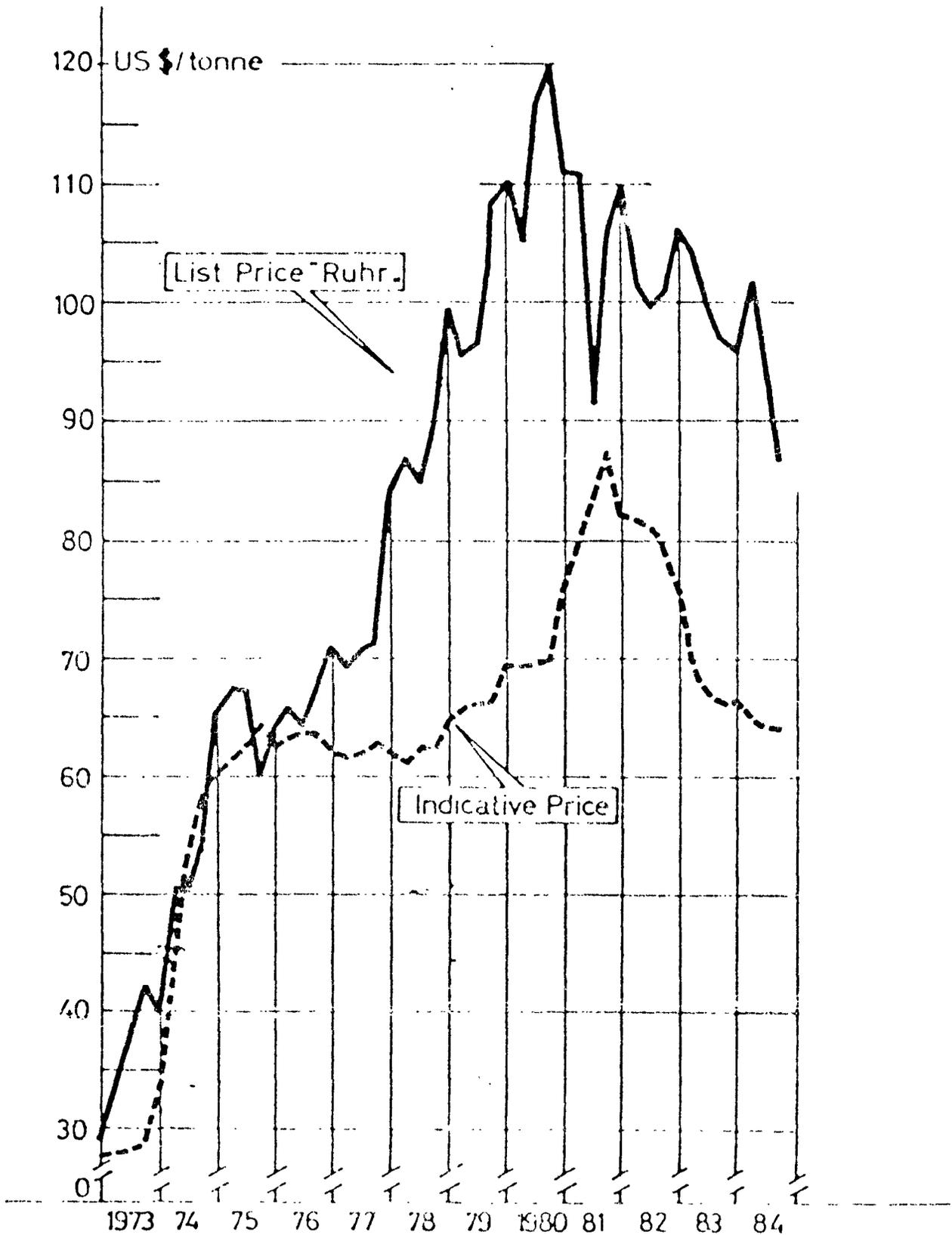


# EUR-10: COAL-Production and Imports (units = 1000 t)

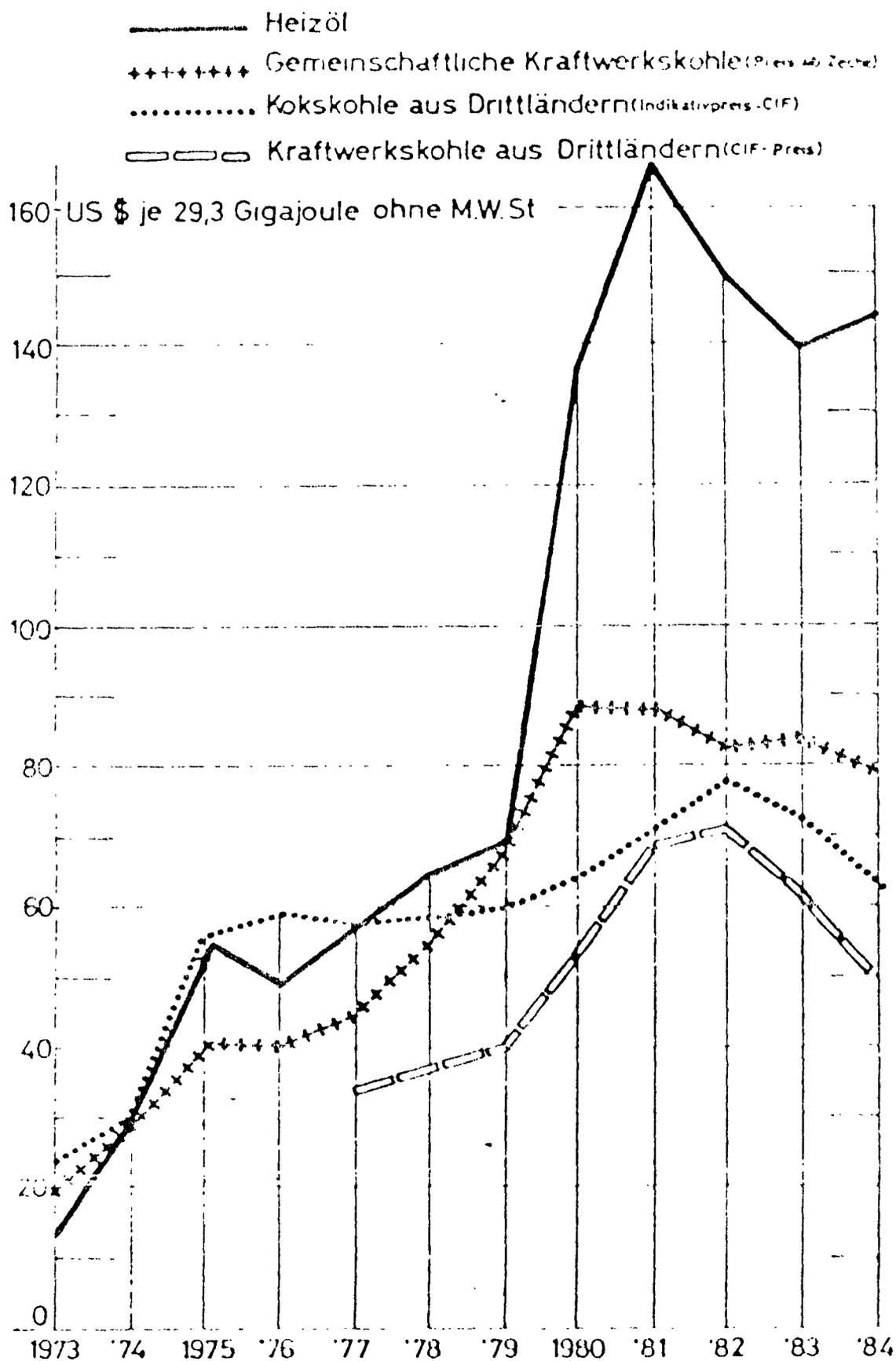


## EUR-10: Met Coal Prices

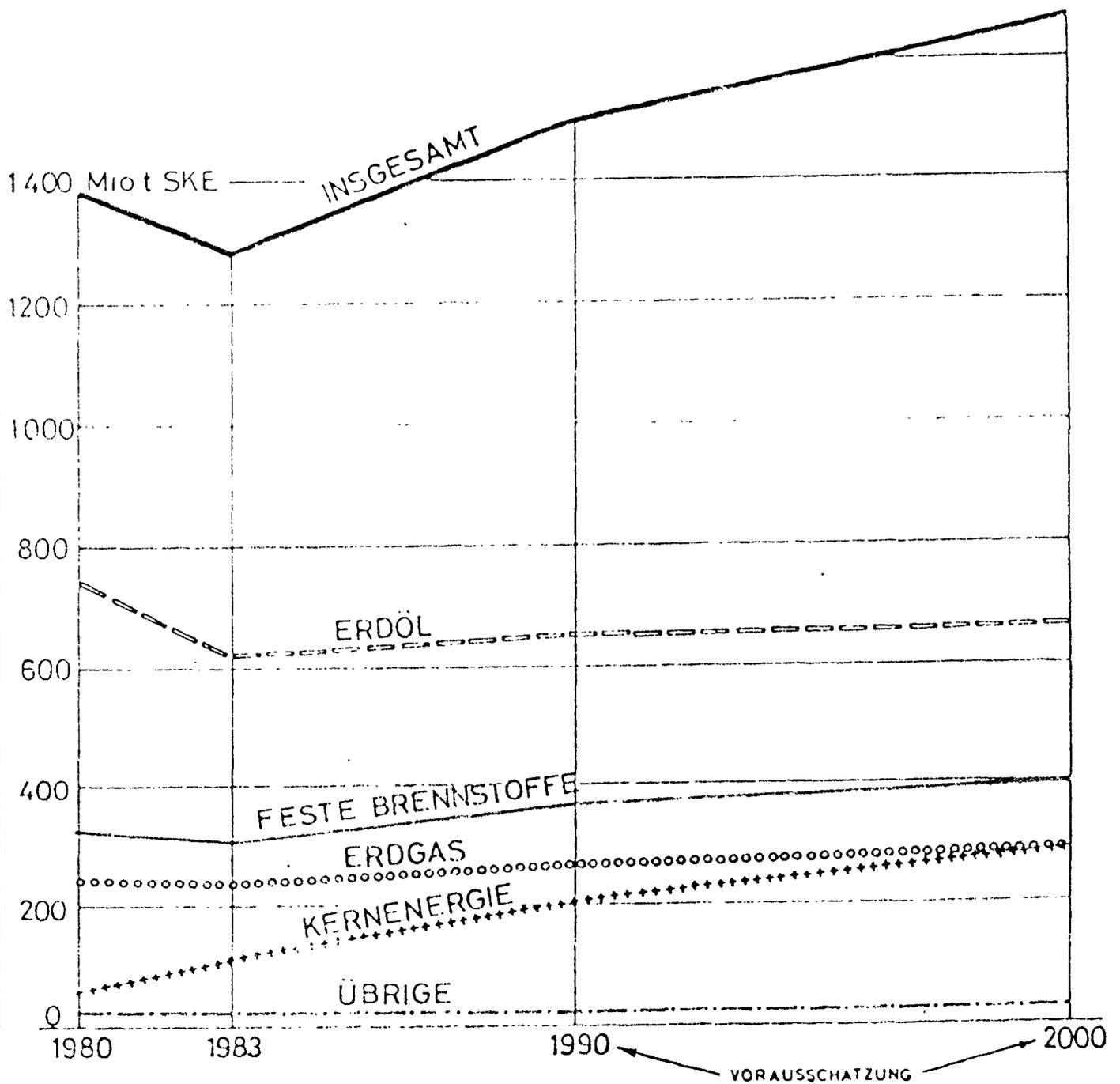
Average Import Price ARA + List Price "Ruhr."



## EUR-10 STEINKOHLLENPREISE



## EUR-10 BRUTTOENERGIEVERBRAUCH



Development of production, employment and national aids,  
 pursuant to Decision 528/76/ECSC, in the Community  
 Coal Industry since 1976. Aids in Million ECU

Year	Coal produc- tion Million tonnes t=t	Number of employed 1000 EEC	A I D S										Total art. 7-12						
			Art. 4 Social security benefits	Art. 5 Costs pit closures	Art. 7 Invest- ment	Art. 8 Recruit- ment of staff	Art. 9 Pithead stocks	Art. 10 Security stocks	Art. 11 Power station coal	Art. 12 Loss coverage									
1975	256.9	507.2																	
1976	247.7	491.2	3.116.9	218.1	118.8	44.4	29.4	26.5	-	417.5	536.6								
1977	240.4	478.3	3.673.0	275.0	94.0	45.2	28.9	36.2	8.2	539.0	751.5								
1978	238.1	458.9	4.119.9	297.1	318.2	45.7	51.8	42.2	38.9	686.7	1.183.5								
1979	238.7	453.1	4.390.4	309.2	339.7	46.6	19.1	44.6	12.0	869.8	1.331.8								
1980	247.2	449.3	4.695.5	312.8	289.8	78.3	23.3	45.5	19.2	840.7	1.296.8								
1981	245.6	435.1	4.908.0	343.9	308.4	99.3	24.8	49.8	24.8	1.308.8	1.615.9								
1982	241.2	422.6	5.175.3	441.8	249.5	108.8	13.4	50.7	6.8	1.325.3	1.751.5								
1) 1983	229.2	395.8	5.596.7	832.9	149.5	114.9	3.2	63.7	-	2.118.9	2.450.2								
1) 1984	157.1	..	5.482.3	891.7	124.7	101.5	2.3	62.3	-	4.416.6	4.707.4								
1985	201.4	..	..	..	..	..	..	..	..	..	..								

1) Planned figures

3) Influenced by strike

4) Preliminary

5) Estimate

Source: Statistical Data on Trends in the Community Coal Industry since 1975, Commission SEC (85) 1584.

# European Communities

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ENGLISH TRANSLATION DIVISION  
EUROPEAN PARLIAMENT  
LUXEMBOURG

## EUROPEAN PARLIAMENT

# Working Documents

1984-1985

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24 September 1984

DOCUMENT 2-581/84

MOTION FOR A RESOLUTION

tabled by Ms TONGUE

pursuant to Rule 47 of the Rules of Procedure

on the European Coal Policy

The European Parliament,

- A. considering the declaration of the Economic Summit in Venice in June 1980 which called for a doubling of coal production by the end of the century,
  - B. considering that the cost of energy imports into the Community, as a percentage of Community GNP, has not been reduced since the oil crisis of 1973,
  - C. considering that the present trend in oil consumption within the Community indicates an increase,
  - D. considering that some 60 mt of coal are imported into the Community annually,
  - E. considering that the recent report of the I.E.A. urges a sharp increase in the use of coal,
  - F. alarmed that the conflict between Iran and Iraq has escalated with attacks on oil tankers in the Persian Gulf which poses an urgent and critical threat to the Community's external supplies,
1. Calls therefore on the Commission urgently to prepare a new European Coal Policy which will
    - i. promote the production and use of indigenous coal reserves,
    - ii. improve the security of Community energy supplies,
    - iii. reduce the cost of imported energy;
  2. Calls on the Council to agree the implementation of such a policy at an early date;
  3. Determines to make suitable financial provision in the 1985 budget.

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ENGLISH TRANSLATION DIVISION  
EUROPEAN PARLIAMENT  
LUXEMBOURG

EUROPEAN PARLIAMENT

# Working Documents

1984-1985

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21 January 1985

DOCUMENT 2-1489/84

MOTION FOR A RESOLUTION

tabled by Mr FORD

pursuant to Rule 47 of the Rules of Procedure

on new uses for coal

The European Parliament,

- A. aware of the problems facing the coal industry in Europe at the present time,
  - B. aware that in the long-term coal will be needed to substitute for oil as supplies become increasingly exhausted or unavailable,
1. Recognises the need in the meantime to sustain the European coal industry and find new uses for its products;
  2. Therefore welcomes both the work of the National Institute for Extractive Industries in Liege on the extraction of basic feedstocks for the chemical industry by exposing crushed solidcoal to hot hydrogen gas under pressure which will be of particular benefit to the soft-coal mines of Northern Europe, and the research programme on Coal/Water Fuel (CWF) being conducted at the coal research establishment in Britain, as well as in Canada and U.S., to produce a fluid substitute for oil;
  3. Urges the European Community and Member States to continue and increase research effort in these areas and others which will assure the long-term future of the coal industry in Europe;
  4. Asks that copies of this resolution be sent to the Commission and governments of the Member States.



European Communities

**EUROPEAN PARLIAMENT**

# **WORKING DOCUMENTS**

English Edition

1985-86

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20 March 1985

B SERIES

DOCUMENT B 2-38/85

MOTION FOR A RESOLUTION

tabled by Mr LOMAS and Mr WEST

pursuant to Rule 47 of the Rules of Procedure

on the coal industry

The European Parliament,

- A. notes that according to EEC rules, the Commission can forbid state subsidies and other aids to the coal industry in EEC countries,
  - B. notes that exemptions from these rules have been given, but that these expire at the end of 1985,
  - C. notes that if these exemptions are not renewed, this could lead to closure of "uneconomic" mines in the EEC with devastating consequences for mining area communities,
  - D. notes that the agricultural sector of the economy receives enormous subsidies from the EEC with no regard to "uneconomic" farms,
- 1 Calls on the EEC Commission to continue its exemption of national subsidies and other aids to the coal industry,
  - 2 Calls on the Commission to examine ways in which the EEC can give more aid to the Coal industry, in recognition of its continuing importance to the economies of Member States and appreciating the fact that in some areas whole communities are dependant on mines remaining open.
  - 3 Instructs the President to forward this Motion to the EEC Commission and all Member Governments.



European Communities

**EUROPEAN PARLIAMENT**

ENGLISH TRANSLATION DIVISION  
EUROPEAN PARLIAMENT  
LUXEMBOURG

# WORKING DOCUMENTS

English Edition

1985-86

27 June 1985

SERIES B

DOCUMENT B 2-605/85

## MOTION FOR A RESOLUTION

tabled by Mr van ALRSSEN, Mr ANASTASSOPOULOS,  
Mrs BANOTTI, Mr BATTERSBY, Mrs BOOT, Mr CIANCAGLINI,  
Mr EBEL, Mr IODICE, Mr MALLET, Mr MERTENS, Mr MICHELINI,  
Mr MÜHLEN, Mr O'DONNELL, Mr WEDEKIND, Mr ZAHORKA,  
Mr AIGNER, Mrs BRAUN-MOSER, Mr HOFFMANN and Mr ANTONIOZZI

pursuant to Rule 47 of the Rules of Procedure

on promoting the use of solid fuels in southern Italy and  
specifically the extension of unloading facilities for  
hard coal in the port of GIOIA TAURO and the setting-up  
of a coal liquefaction research facility

The European Parliament,

- A. having regard to the communication from the Commission to the Council containing proposals for a balanced policy on solid fuels, the practical outcome of which was the Council resolution of 9 June 1980 on priority for the use of solid fuels (OJ No. C 149 of 18 June 1980),
- B. having regard to the Commission's attitude to the role for coal in Community energy strategy as defined in two recommendations to the Council on the conversion of industrial combustion plants to solid fuels (OJ No. C 105 of 26 April 1982),
- C. having regard to the European Parliament's report (OJ No. C 66 of 15 March 1982) on promoting the use of coal in Member States without indigenous coal reserves,
- D. whereas industrial research projects on coal should also be sited in the Mediterranean area for the sake of know-how and should therefore be provided with practical support from the Mediterranean programme fund,
  - 1. Calls on the Commission to ascertain what unloading facilities are available for solid fuels in the port of Gioia Tauro and what investment would be required to extend the unloading facilities for hard coal;
  - 2. Calls on the Commission to inform the European Parliament of the possibilities for setting up a coal liquefaction plant as a research centre on the use of coal in the Mediterranean;
  - 3. Instructs its President to forward this resolution to the relevant committee for further consideration.

## O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman : Ms QUIN

On 9 October 1984 the proposal for a regulation concerning financial support by the Community in favour of industries producing solid fuels (COM (84) 469 fin. - Doc. 2-642/84) was referred to the Committee on Energy, Research and Technology and to the Committee on Economic and Monetary Affairs and Industrial Policy for its opinion.

On 16 October 1984 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Ms QUIN draftsman of the opinion.

On 11 November 1985 the proposal on new Community rules for state aids to the coal industry (COM (85) 525 fin. - Doc. C2-110/85) was referred to the Committee on Energy, Research and Technology and to the Committee on Economic and Monetary Affairs and Industrial Policy for its opinion.

On 31 October 1985 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Ms QUIN draftsman of the opinion. On the same occasion it was decided to combine the two opinions within one.

The Committee considered the draft opinion at its meetings of 18 December 1984, 15 October 1985, 28 November 1985 and 29 January 1986.

It adopted the draft opinion on 29 January 1986 unanimously.

The following took part in the vote :

SEAL (chairman), von BISMARCK (vice-chairman), BEAZLEY (vice-chairman), Ms QUIN (Draftsman), AVGERINOS (Present according to Art. 93.2, replacing Falconer), BEIROCO, BESSE, BEUMER, BONACCINI, BRAUN-MOSER (replacing Abelin), BRITO (present according to Art. 93.2, replacing Novelli), BUENO VICENTE, CASSIDY, CRYER (replacing Ms Gredal), CHRISTODOULOU (replacing Chiusano), CATHERWOOD (replacing de Ferranti), de VRIES, DIDO (present according to Art. 93.2, replacing Ms van Hemeldonck), FILINIS, FRANZ, FRIEDRICH, GARCIA-PAGAN, GAUTIER, HERMAN, KILBY (replacing Lafuente Lopez), KLEPSCH (present according to Art. 93.2, replacing Raftery), MARQUES MENDES, METTEN, MUHLEN (replacing Starita), MUSSO (present according to Art. 93.2, replacing Juppe), NEWMAN (replacing Mahr), Ms NIELSEN, NORDMANN (replacing de Gucht), Ms OPPENHEIM, PATTERSON, PETERS (replacing Moroni), ROGALLA, SEEFELD (present according to Art. 93.2, replacing Bru-Puron), SUTRA (present according to Art. 93.2, replacing Mavros), von WOGAU, WAGNER, ZARGES (replacing Wedekind).

## Introduction

1. In August 1983, the Commission put forward its original proposals<sup>1</sup> for financial support from the Community to aid investments in the hard coal industry as well as in the peat and brown coal sector, and also to aid destocking. Parliament's resolution<sup>2</sup> broadly supported the Commission's proposals, although a number of amendments were suggested. The Economic and Social Committee also<sup>3</sup> approved the general thrust of the Commission's proposals, subject to certain reservations about the proposed eligibility criteria for investment and stock reduction aid.
2. The Commission has now put forward an amended set of proposals<sup>4</sup> which go in the opposite direction from the suggestions made by both the Parliament and the Economic and Social Committee. The eligibility criteria have been tightened up rather than made more flexible, the Community level of investment potentially qualifying for support has been reduced from 1,520 million ECU to 1,200 million ECU and the total amount of proposed Community funding for investment support has been reduced from 300 million ECU to 200 million ECU. In addition the Commission has dropped its original proposal of aid for the running-down of coal stocks "in view of the need for tighter budgetary discipline"<sup>5</sup>.
3. On 25 September 1985 the Commission put forward its proposed new Community rules for state aids to the coal industry<sup>6</sup>. These rules recognize the need for the continuation of state aids to the sector, in order to provide for smooth readjustment to new conditions. The Commission states that these new rules are based largely on the previous ones, notably as regards social measures, inherited liabilities, aid to investment and aid to cover losses.

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<sup>1</sup> COM (83) 447 fin of 8 August 1983

<sup>2</sup> OJ C 104, of 16.4.1984, p. 127, based on a report by Mr Rogalla (Doc. 1-1162/83) on behalf of the Committee on Energy, Research and Technology

<sup>3</sup> At its plenary session of 14-15 December 1983, OJ C 35 of 9.2.1984, p. 26

<sup>4</sup> COM (84) 469 fin of 7 September 1984

<sup>5</sup> op. cit. page 5

<sup>6</sup> COM (85) 525 fin.

While most types of aid would be allowed to be maintained aid to cyclical stocks, strategic stocks and recruitment would no longer be granted.

A period of transition to the new rules is provided, so that over the first year of their operation the new authorization procedures would be applied but all the aid authorized under the previous rules could be maintained.

The existing rules have already been extended for six months as of 1 January 1986 in order to give more time for a proper debate on the new criteria. The Committee on Energy, Research and Technology has decided to combine examination of these new rules and that of the Commission on financial support by the Community in one single report. The present opinion is also covering both sets of issues, not merely for administrative convenience but also because Community coal strategy must clearly be looked at as a whole.

#### Current situation in the coal industry

4. The Commission has recently published a staff paper on statistical data on trends in the Community coal industry since 1975<sup>7</sup>. This includes a number of telling figures. While coal deliveries to consumers have remained constant from 1975 to 1983 there have been major shifts in the pattern of consumption, with deliveries to households and other consumers falling and coal sales to industry rising slightly, but with a really major decline in the use of coke in the steel industry largely compensated for by increased demand in the power station sector. This shift, however, has had negative effects on the competitiveness and on the aid requirements to the Community's coal industry because of the lower price level for steam coal than for coking coal.
5. Besides this shift in consumption there has also been a major shift in sourcing, since a much higher percentage of consumption is accounted for by imported rather than Community produced coal. This is particularly true of the non-coal producing Member States where coal imports from non-member countries have gone up by 131% from 1975 to 1985, but also for the producing countries of Germany, Belgium, France and the U.K. whose third country imports have gone up by 69% over the same period. The prices for imported coal have

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<sup>7</sup> SFC (85) 1584 of 4 November 1985

been consistently lower than average production costs in the Community's coal industry. While the biggest single supplier is the United States (13.8 million tonnes in 1975, 26 million in 1985), and imports from Australia have also grown rapidly, the fastest rise in imports has been from South Africa (1.6 million tonnes in 1975, 19.5 million tonnes in 1985, although the real rise from this source was between 1975 and 1980, since when the level of imports has held fairly steady). The other major supplier is of course Poland.

6. Annual coal production within the Community has thus fallen from 256.9 million tonnes in 1975 to an estimated 196.6 in 1985 with the main decline from 1983 onwards. The number of working pits dropped from 331 to 229 from 1975 to 1984 as a result of pit closures and pit mergers. The number of wage earners in the industry dropped from 507,200 in 1975 to about 395,200 in 1983, although this overall figure masks large differences from one Community country to another. In Germany the number dropped by only 11.6% (168,800 to 149,200) while in France the drop was 37.6% (68,700 to 42,900). In Belgium the drop was of the order of 30% and in the U.K. 24% (from 245,200 to 186,600).
7. The Commission's paper also discusses trends in investment, productivity, state aids to the industry (both aids not related to current production and aids to current production) as well as Community aids.
8. A further important feature of the document is that it shows the various shifts in philosophy on the part of the Community towards its coal industry. For example, whereas Decision 3/65, which first established a Community framework for state aids to the coal industry, had adjustment of coal production to the market situation and aids for investment in rationalisation measures as its main criteria, Decision 528/76, which was adopted to cover the ten year period 1976-85, reflected the impact of the oil crisis and thus put its emphasis on Community security of supply rather than mere market adjustment. The Commission's various proposals over the last 2 years would seem to indicate that there has been a marked return in the direction of the original philosophy rather than that of the mid 1970's.

9. However, while this Commission statistical analysis is a very helpful one, it is incomplete in a number of respects. Besides giving one index for productivity (underground coal output per man/year in tonnes) it gives no idea of the cost structure of coal production in third countries, so that the extent to which world prices reflect actual production conditions in third countries remains unclear.

Secondly, there is no discussion of the type and quality of coal produced within the Community, merely production figures for coal as a whole. The calorific value of the coal, and comparative sulphur levels, should, for example, both be taken into consideration.

Thirdly, productivity is measured in terms of labour productivity only. The productivity of capital should also be examined if a fair overall picture is to be gained.

These are just some of the additional factors which need analysis. The Commission's paper outlines some disturbing trends in the Community coal industry but it does not give a fully rounded view of its strengths and weaknesses in its own right and vis à vis its international competitors.

#### Comments on the Commission's proposals

##### 10. Proposals for financial support

The figures quoted above indicate some of the current problems faced by the Community coal industry, whose continued prosperity is an essential part of any Community energy strategy. The Commission's conclusion (in page 6 of its document on financial support) is that "the Community coal industry continues to have great difficulties in financing absolutely essential investment." It is thus unfortunate, to say the least, that the Commission's latest proposals will make it more difficult to finance needed investments than under the Commission's original proposals.

11. The reasons for the Commission's change of emphasis are not very clearly set out in the explanatory memorandum. The Commission states that discussions on the subject in the Council have shown that Member States had reservations

about the original proposals and wished to make various amendments (page 1 of the explanatory memorandum). There is no description, however, of the nature of these reservations.

12. The other main reason cited by the Commission, both for dropping its aid to destocking, and for tightening up the eligibility criteria for aid to investment, is the need for greater budgetary discipline. The Commission also states, in this context (page 5) that it is following the advice of the Council at its meeting on 4 November 1983, which had emphasised the question of the competitiveness of Community coal vis à vis imported coal. No more details are given, however, as to the nature of the Council's discussions on 4 November 1983.
13. This whole issue of imported coal merits more thorough study. As mentioned above, the Commission's background analysis does not examine the relationship between world prices and the actual cost structure of third country producers. World coal prices are marginal prices and ones that can shift suddenly. As the paper by Kerevan, Saville and Percival shows<sup>8</sup> "There is strong evidence to suggest that changes in the EEC in the structure of demand (i.e. a major increase in imports) would produce a radical alteration in the conditions of supply". They also claim that "for the past three years around half of the imports of coal to the EEC have failed to meet long run costs of production" (op. cit. p. 31). It would clearly be unwise for the Community to become too dependent on unpredictable imports and to run down its own industry too far on the grounds that demand can better be met by such imports, often representing 'the marginal excess of home production sold below cost' (op. cit. p. 33).

Another factor which should be taken into consideration is the increasing reliance on imports from South Africa, the cheapness of whose production is due in considerable measure to the extremely low wages paid to black miners. It is ironical to say the least that almost a quarter of Community coal imports have recently been coming from this source at a time when there have been strong calls for general economic sanctions against South Africa.

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<sup>8</sup> p. 32 "The case for retaining a European coal industry"

14. Your draftsman would like to make two other central criticisms in particular. The first concerns the criteria for eligibility of investment projects, by which the productivity criterion for investment in existing mines and in new capacity has been raised from 380 mg per man-hour to 420, and from 600 kg per man-hour to 800 kg respectively. Both Parliament and the Economic and Social committee had criticised the establishment of such a simplified numerical yardstick, with the Committee emphasising the need for other criteria to be brought into account such as surface output, size of deposits currently being mined, nature and quality of coal, age of equipment, and so on, and with the Parliament emphasising even wider factors such as the potential for increasing production and the importance of coal mining for the relevant regional structure. The Economic and Social Committee had suggested that the minimum needed level of underground output be reduced to 320 kg per man-hour during the initial stage, and the Parliament suggested instead that eligibility be assessed on a case-by-case basis. Moreover output should be measured against all resource inputs, not just labour.

The Commission has ignored these comments and has not only maintained its simplistic threshold figures, but has actually increased them so as to make less investments eligible for support. The Commission has thus taken a very narrow view of the value of Community investment in the coal industry, and has taken insufficient account of the importance of such investments for the coal-making regions of Europe, where typically unemployment is particularly high, and alternative employment possibilities are low.

15. The second comment relates to the dropping of the original proposal of aid for the running down of coal stocks. Again both the Economic and Social Committee and the Parliament supported the Commission's original proposals, and the Economic and Social Committee went so far as to suggest that such aid should not be exclusively linked to aid for the modernization of hard coal production but also be granted to hard coal mines which had already been modernized, and which had stocks to sell on the market. The Commission gives no details as to why it has changed its mind on this matter, and it is essential that more such details are provided.

16. Finally your draftsman would like to emphasise the short-sightedness of the Commission's proposals in view of Community energy policy as a whole. For it is now at a time when oil prices are still relatively low, and when there is no atmosphere of crisis that longer-term decisions must be taken, and a proper Community energy strategy finally established. An essential part of this is a long term strategy for coal. This is particularly important in view of the need to reduce dependence on imported oil, and in view of the growing doubts concerning an increased dependence on nuclear energy. Alternative non-nuclear forms of energy will have to be developed, but the rate at which they can be introduced is highly uncertain. Dependence on non-Community sources of supply, both of other forms of energy and of coal itself will pose high risks for the Community. Research into the environmental aspects of coal use, and into coal gasification and liquefaction will further enhance the role of Community coal. A strong coal industry within the Community is thus absolutely vital.

In this perspective it is essential that there be major investments within the Community coal industry, both to open up new facilities and to modernize existing ones. The Commission's revised proposals go in the opposite direction in terms of meeting these needs, and should be withdrawn.

#### State aids

17. More recently the Commission has also produced its suggested new Community rules for state aids to the coal industry (COM (85) 525 fin), and there has now been a 6 month extension of the existing aids code in order to permit (p. 4) "a thorough examination by the Community institutions" and to allow them "to deliver their opinions with full knowledge of the facts and without unnecessary haste".
18. In general terms your draftsman welcomes the Commission's central conclusions that aids to the sector should not be abandoned forthwith and that (p. 2, para. 4) "to ensure that the process of adjustment launched by the Member States and the undertakings can continue in satisfactory economic, social and regional conditions, new rules to enable the continuation of state aid in this sector are indispensable."

19. Unfortunately the Commission's document does not facilitate full knowledge of the factors. Two examples can be cited : Firstly the Commission says that only three types of aid authorised under the current rules should not be retained in the new aids code, but provides no detailed explanation as to why they are no longer considered to be justified.
20. Secondly, the Commission cites three absolutely vital set of criteria by which it intends to examine national declarations of intentions and objectives in the coal sector, namely improved competitiveness, profitability and the consideration of social and regional problems. These criteria are obviously vital, but there is no definition of what the Commission actually means by them. Article 2 of the Commission's proposal which sets out these general objectives is of no help in this regard. But seen in the light of the Commission's other proposals in the coal sector there seems to be a danger that these criteria could be interpreted too narrowly without taking the whole range of factors into account.
21. Another article which needs further clarification is Article 7 where it states that "state aids to finance social security benefits may be considered compatible with the Common Market provided that for coal undertakings, they bring the ratio between the burden per mineworker in employment and the benefits per person in receipt of benefit into line with the corresponding ratio in other industries." Your draftsman also believes that open-cast workers who produce coal on which the levy has been paid should be eligible for the benefits which currently only apply to deep mine-workers.
22. Finally your draftsman welcomes the submission of an Annual Report to the Council and the Parliament on the application of this decision, and calls for it to contain sufficiently detailed analysis of the type of information to be submitted by the Member States pursuant to Article 9 of the Commission's proposals, dealing with Member States' intentions and objectives for the period 1987-90, the list of aids granted, and the available information on proposed closures, and the consequence for the workforce and for their regions.

## Conclusions

23. The Committee on Economic and Monetary Affairs and Industrial Policy
- i) Points out the need to take into account the type and quality of coal produced, and in particular calorific content and sulphur levels;
  - ii) Calls on the Commission to undertake a full investigation into the costs and prices of outside suppliers of coal to the EEC, and to report its findings to the European Parliament;
  - iii) Notes that the levels of investment qualifying for Community support, and the proposed Community budgetary appropriations for this programme have been reduced by the Commission; Considers that even the original sums proposed appeared inadequate to meet the tasks outlined, and requests for them to be reinstated as an absolute minimum;
  - iv) Welcomes the fact that the Commission plans to renew a framework for state aids to the coal industry rather than demolishing them wholesale, which would have had unacceptable economic and social costs;
  - v) Regrets, however, the lack of any explanation in the Commission's text as to why it considers that such aid to cyclical stocks and strategic stocks are no longer justifiable;
  - vi) Requests the responsible Committee on Energy, Research and Technology to incorporate the above points in its motion for a resolution.

