

First guidelines  
for a Community  
energy policy

*(Memorandum presented by the Commission  
to the Council on 18 december 1968)*

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# Introduction

1. The present guidelines for a Community energy policy have been designed to provide a framework for action. In drafting them the Commission has profited by the extensive and valuable work of the three former Executives, mainly within the Inter-executive Working Party on Energy, and has based itself first and foremost on two documents: the Protocol of Agreement on energy matters concluded between the Governments of the Member States of the European Communities on 21 April 1964;<sup>1</sup> and the Council decision of 10 July 1967 on the Community's policy for oil and natural gas.<sup>2</sup> The new elements in these proposed guidelines arise from the fact that an overall view is taken of the entire energy sector and from endeavours to define the paths to be followed and the means to be used as concretely as possible.

2. In order to facilitate discussion, two working documents are annexed to the proposals. The first, "The present situation of the Community's energy market", aims at establishing agreement on the main data of the Community energy economy. The second, "Fundamental problems of a Community energy policy", comprises a synoptic survey of the problems of energy policy arising generally and in the various fields.

3. Without prejudice to the exercise of the Commission's powers under the Treaties, it will progressively lay before the Council specific proposals for the implementation of a Community energy policy. In defining priorities the Commission will take into consideration the development of discussions on the present document and the time-limits fixed by the Treaties for the attainment of certain objectives.

## I. Need for a Community energy policy

4. In contrast to the situation as regards products of the other industries and of agriculture, there are still serious obstacles to trade within the Community as regards energy products. If this situation does not improve, and if a common energy market is not achieved in the near future, the level of integration already attained in this field will be endangered. Disparities between the costs of use of energy, resulting primarily from divergences between the energy policies of the individual Member States, are increasingly distorting competition in industries with high energy consumption, and penalize certain regions of the Community when important investment decisions are to be taken. The attempts made to remedy this state of things by measures at national level are leading to a gradual disintegration of the Community's energy economy; uneconomic systems of aid, consumption taxes varying from country to country, and increasingly nationalist supply and marketing policies are the result. This dangerous trend can only be changed by a Community energy policy which fully integrates the energy sector into the common market.

<sup>1</sup> Official gazette of the European Communities No. 69, 30 April 1964.

<sup>2</sup> By this decision, the Council took note of the submission of the Commission's first Memorandum on the Community's policy for oil and natural gas, and stated its agreement with the report of the Committee of Permanent Representatives on the conclusions of this Memorandum as indicating the lines along which subsequent work should be done.

5. A Community energy policy is also necessary in order to counterbalance within the Community the risks arising from the great dependence of the Member States on imports and from insufficient diversification of the sources of supply.

At present, more than half the Community's energy requirements have to be met by imports, and a common approach would be the best way of enabling it to play its role as major customer on the world energy market and to give itself a sufficiently reliable supply basis.

6. The energy sector accounts for 12% of the Community's industrial production, and its investments represent, on average, 15 to 20% of all the Community's industrial investments. In 1967 the value of energy imports into the Community rose to about 5 500 million units of account, or around 18% of the total value of imports.

Far from deterring the Community from establishing an energy policy, the economic importance of the sector as revealed by these figures ought to stimulate it to develop a policy which will enable its interests and those of the Member States to be much more effectively served in this vitally important field.

## II. Aims of a Community energy policy

7. The Commission does not think it necessary to define again the aims of a Community energy policy, which the Member States fixed in the Protocol of 1964. The list of these aims is a long one,<sup>1</sup> and it is impossible to give them a strict order of priority. However, the Commission would like to draw attention to some of their aspects.

The object of the three Treaties is to achieve, under the best possible economic and social conditions, continuous and balanced expansion, a harmonious development of economic activities, increased stability and an accelerated raising of the standard of living.

Energy is an important cost factor for enterprises, and hence the productivity and exporting capacities of the economy are perceptibly influenced by the level of energy prices. Owing to the rapid increase in consumption of energy by households, its price also directly affects the cost of living. This is why protection of the consumers' interests must be the basis of the Community energy policy. These interests must be defined as precisely as possible, whether they are the interests of all consumers, those of consumers of certain forms of energy, or those of consumers using energy for certain specific purposes. To this end, a long-term view must be taken which bears in mind trends on the world market, and endeavours must be made to find instruments to serve these interests.

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<sup>1</sup> The Protocol of 21 April 1964 quotes the following aims:

“Cheapness of supply,

Security of supply,

Progressive development of substitute products,

Stability of supply, as regards both cost and quantities available,

Freedom of choice for the consumer,

Fair competition in the common market between the various sources of energy,

General economic policy.”

8. The Community's interests demand first and foremost security of supply at prices which are relatively stable and as low as possible. There is no foundation for the assertion that this requirement is a contradiction in terms. The only criticism that can be made of it is that neither security of supply nor low prices can be attained absolutely.

The adoption of a long-term view definitely helps towards reconciling the demands of the search for cheap energy and the search for security of supply in specific quantities and at specific prices. It is indefensible to rely for a large part of one's supplies on sources which are only temporarily available. The angle of quantities and prices must also be considered. In the long term, it would be rational to include the price of an adequate guarantee against insecurity of supply in making calculations of optimum cost. It is also important not to take a generalized view of security of supply or prices, but to make distinctions according to the uses of energy, with due consideration for the extent to which the various kinds of primary energy can be substituted for each other. Furthermore, in order to define the aims of energy policy, particularly as regards prices, it is essential to have medium- and long-term forecasts concerning the cost at which primary energy will probably be available and concerning what form of primary energy will have a decisive influence on price trends.

9. The aims of energy policy cannot be attained in isolation. In particular, motives of social policy and regional policy can slow down or speed up processes of natural substitution. Here, considerations of energy policy must indicate the direction to be taken; but the rate of adaptation may be modified by social or regional considerations. In this context the Commission will propose a body of social measures to deal with the position of miners who are obliged to leave mining before due time.

### III. Instruments of a Community energy policy

10. Just as in the case of the aims of energy policy, no strict order of importance can be laid down for the instruments to put it into effect. Nevertheless, certain aspects of the policy should be emphasized more than others, in order to highlight the path proposed and enable it to be taken as a basis in making a choice among the instruments available.

Since the energy policy is intended to serve the consumers' interests, its basic guiding factor must be competition. Competition forces enterprises to exert all their competitive strength, compels them to become technically progressive, stimulates the natural processes of substitution, and brings with it a differentiation in supply. But even an energy policy fundamentally geared to competition cannot be implemented without instruments of economic policy enabling the interplay of supply and demand to be supervised and influenced more extensively than in a large part of the other economic fields. There are two main reasons for this.

11. Firstly, the requirement of security of supply, as regards quantities and prices, renders an appropriate policy necessary to meet it. In all the major industrialized countries, this policy must consist of at least two elements: (i) measures to be taken in the event of partial interruption of deliveries; (ii) long-term supervision of the sources of supply and the possibility of influencing them, if need be, so that the necessary long-term level of security remains assured.

12. The second reason why provision must be made for greater possibilities of intervention is connected with the structural peculiarities of the energy sector, of which only the main ones will be mentioned here:

- (i) The Community's natural dependence on imports is more crucial here than in other fields;
- (ii) The technical and economic conditions for exploitation of the sources of primary energy differ from one deposit, etc., to another. The nature of research and exploitation activities depends not only on the geological structure and geographical situation of the deposits but also on the conditions imposed on concession-holders by the States in whose territory the resources are found;
- (iii) Natural gas and electricity are dependent on fixed supply lines, and this involves special problems;
- (iv) The oil industry has more room for manœuvring than other energy industries, for it can manufacture in variable proportions products for many different uses, including uses not connected with energy;
- (v) In certain fields, production conditions are such that short-term adaptations to meet changes in demand are impossible. Flexibility of supply greatly varies according to the source of primary energy concerned, but all the sources compete together on the market;
- (vi) In all the fields of energy, capital investment is exceptionally high and calls for programmes at particularly long term;
- (vii) The structure of supply is very peculiar: a relatively small number of sellers confronts a generally very large number of buyers. The trend towards industrial combination here is connected with the fact that risks are so great that only a few enterprises have enough capital to carry out the necessary research and development operations. In the economy of the oil industry, the trend towards combination is further strengthened by the fact that vertical integration from production to delivery to the final consumer takes many years to achieve. Since a small quantity of oil is marketed outside integrated enterprises, vital components of this market are subject to very special conditions.

13. Furthermore, the sources of energy are in different phases of economic development. The European coal industry is in decline, and has to adapt itself to a new marketing situation under trying conditions. Oil and natural gas are industries that are making great strides, and are relatively new to Europe; in this field, conditions of competition still have to be stably balanced. Nuclear energy, on the threshold of its industrial development, has to bear R&D costs which it cannot finance from its own resources.

14. Owing to these peculiarities, all or nearly all the aspects of energy economy are governed by special arrangements, both in the Community Member States and outside the Community. State intervention ranges from bans or restrictions on imports to control of marketing or of prices and to various provisions affecting the interplay of supply and demand. Even nations whose economic system is basically liberal, such as the USA and Japan, have introduced a comparatively rigorous regimentation of the energy market. And in industrial countries where the rules are hardly apparent, the government still exerts a regulating influence, most often in the shape of State participation in important enterprises in the energy field.

15. The Commission proposes a system to enable Community action to be taken in the sphere of energy policy, using only the instruments which, according to the analyses of the situation and problems annexed to this report, are strictly necessary to implement the Community policy.

16. The energy policy will depend not only on the nature of the instruments available but also, in fact still more, on the way in which they will be used. In this respect, the present proposals give first place to the function of supervision, intervention being provided for only as a last resort. If developments on the market make intervention necessary, it should first take the form of Community recommendations.<sup>1</sup>

17. Pursuit of a Community policy may call for operations not provided for by the Treaties. These activities should be undertaken by the Member States in so far as their intervention serves the ends of Community policy. Action by the Community institutions is envisaged only if the object in view cannot be achieved by national measures.

18. The Community energy policy will be a continuous creation, the result of the planned interaction of various operations. To achieve a specific objective, the means available will have to be applied flexibly, selectively, and in combinations calculated to produce the best economic result.

19. When the Commission submits specific proposals to implement the Community energy policy, it will see whether the activities envisaged are feasible on the basis of the Treaties in force or whether they must be the object of agreements between the Governments of the Member States pending the entry into force of a single treaty comprising adequate arrangements.

20. The Commission's proposals fall into three categories:

A. The fixing of a general framework for action and a policy providing for measures to be taken in the event of partial interruption of supplies.

B. Measures for the establishment of a common market.

C. Measures towards a policy for obtaining cheap and secure supplies.

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<sup>1</sup>Whenever the term "recommendation" is used in this document, its meaning is that of the EEC Treaty (Article 189).

## A. Framework of action

Implementation of the aims of the energy policy is a long-term process that will take place in various stages. To achieve these aims and ensure the coherence of the measures required, an effort must be made to lay down a framework of action comprising medium-term forecasts and policy lines, annual examinations of the economic situation and measures for meeting any supply difficulties, and to create the conditions needed for implementation of the body of provisions proposed in this document.

### I. Medium-term forecasts and policy lines

The energy sector in the Community is characterized by long-term investments, a complex substitution process, numerous forms of intervention by the public authorities, rapid technical development and growing dependence on the world market. To ensure the necessary coherence of energy policy measures in relation to these factors, medium-term forecasts and policy lines must be worked out for the whole sector and for the various forms of energy. At the same time, an examination must be made to see whether the forecasts and policy lines enable the energy sector to develop in harmony with the aims of medium-term economic policy.

Coal poses problems in respect of both the trend of mining output and the indispensable reorganization of the production capacities deemed still to be necessary for reasons of security of supply, in particular. To get an idea of the optimum conditions for supply of Community coal and imported coal, an estimate must be made of the medium-term and, if possible, long-term requirements of the various sectors consuming coal.

With regard to supply of the Community with oil and natural gas, there is a need for a study of the supply and demand conditions on the world market and for an assessment of import requirements and investment expenditure.

In the nuclear field, an effort must be made to find the best way of fitting nuclear power stations, limited to as few types as possible, into the electricity production network, and to see whether the capacity of manufacturers of nuclear equipment is sufficient to meet demand.

The Commission proposes that it should:

- (1) 1. Continue to draw up forecasts of supply and demand for a period of about five years, with due allowance for the trend of economic development. These forecasts must be consistent with the outlook for the longer term, so that account is taken of technological developments and changes in the structure of the markets;
- (2) 2. Apply these forecasts to the various forms of energy. This should be done, as in the past, by
  - a) Fixing the General Objectives for coal and the Target Programmes for nuclear energy, in conformity with the provisions of the Treaties establishing the ECSC and the EAEC;



and, in addition, by:

- b) Drawing up a Target Programme for electricity, similar to the one specified by the EAEC Treaty for nuclear energy, and by
- c) Fixing medium-term policy lines for the other forms of energy.

In order to facilitate the drawing up of these forecasts and policy lines, the Commission will have regular consultations with representatives of the Member States and professional and trade circles concerned. It will submit the forecasts and policy lines to the Council and will see that they are published.

## II. Examination of the economic situation — Annual balance sheets

Fluctuations in the business trend may cause developments on the energy market to differ from those assumed by the forecasts and medium-term policy lines, and may call for measures of adjustment.

The Commission proposes that it should:

- (3) 1. Continue to draw up the annual reports on the energy market, containing an account of the situation and summary forecasts for the following year;
- (4) 2. Fix, on the basis of these reports, the adjustment measures that might prove necessary and the appropriate procedure for applying them.

## III. Intervention in the case of supply difficulties

Given its heavy dependence on imports, the Community must be able to act to prevent any interruption in the flow of supplies.

The Commission proposes:

That an examination should be made, in conjunction with the representatives of the Member States, of the measures to be taken to meet any supply difficulties. This should, in particular, include:

- (5) 1. Permanent examination of the supply possibilities open to the Community, of risks of interruption and means of coping with them (assessment of production and transport capacities available and in reserve in the world);
- (6) 2. Application of a stockpiling policy for crude oil, oil products and nuclear fuels as part of the supply policy.

## B. Establishment of the common market

To establish the common market in the energy sector in accordance with the Treaties, measures must be taken with regard to the free movement of goods, freedom of establishment, application of the rules of competition, and indirect taxation.

### I. Free movement of goods

If the common market for oil is to work, the common customs tariff will have to be uniformly applied to oil products.

Article 37 of the EEC Treaty provides that the adjustment of state monopolies of a commercial character must be completed by the end of the transitional period. Adoption of common solutions under an energy policy would undoubtedly facilitate this adjustment. The Commission therefore proposes practical measures of commercial and structural policy which make the adjustment easier. The other obstacles to trade between the Member States which have an effect similar to that of such monopolies must also be removed.

Technical obstacles will also have to go, both those that affect actual energy products and those that concern equipment for producing, transporting and using them. In the case of certain forms of energy transported by pipelines, cables, etc., the inadequate level of harmonization of technical and safety standards may limit possibilities of access to existing means of transport: this situation must be remedied. Furthermore, a study must be made of Community rules of behaviour applying to the use of these means of transport and to the rates charged for using them.

The Commission proposes:

- (7) 1. To supplement the Council Decision of 8 May 1964, fixing the CCT system for oil products, by regulations concerning the definition of origin and determination of the value for customs purposes of these products;
- (8) 2. Submission, without prejudice to the measures to be taken to implement the provisions of the Treaty and particularly Article 37, of Community solutions in the field of energy policy which are designed to facilitate the adjustment of state monopolies of a commercial character and of public or private arrangements of a similar nature;
- (9) 3. Action, on the basis of the programme for the elimination of technical obstacles to trade,<sup>1</sup> to:
  - a) Harmonize the technical provisions governing building materials and equipment for electric power stations, and particularly nuclear power stations;
  - b) Harmonize the provisions governing the quality of oil products;

<sup>1</sup> General Programme for the elimination of technical obstacles to trade resulting from disparities between the laws of the different countries (Official gazette No. C 48 of 16 May 1968).

- c) Harmonize the safety rules for the transport of oil<sup>1</sup> and natural gas by pipelines;
  - d) Harmonize the measures of protection against pollution of environment where they affect the quality of the energy products.
- (10) 4. The study, and the introduction — where necessary — by means of recommendations or directives, of rules governing transport by oil or gas pipelines and transmission of electricity in so far as this transport or transmission is of common interest; and the study and introduction of rules on the rates charged for such transport or transmission.

## II. Freedom of establishment

Although most laws, regulations and administrative rules which hinder freedom of establishment and freedom to supply services have been abolished or are about to be abolished, there is in certain cases still a need to create conditions for effective non-discrimination, notably by drawing up objective criteria to be observed by the national authorities in the exercise of their powers.

The Commission proposes:

- (11) Adoption — with due allowance, for the reasons applying also to national enterprises, for the provisions on the guidance of investment (see proposals under C. II) — of measures to ensure the effective abolition of discrimination in the following fields:
1. Procedures governing the issue of prospecting licences and development concessions for oil and natural gas;
  2. Procedures governing the issue of permits for operating refineries;
  3. Procedures governing the issue of permits for building service stations;
  4. Rules governing permits for the transport of oil and gas and the transmission of electricity, and for the distribution of gas and electricity;
  5. Rules governing the award of contracts for the supply of equipment to public enterprises in the energy sector, in the context of the plans for throwing open public contracts to all firms in the Community.

## III. Rules of competition

The rules of competition of the three Treaties show divergences. Pending the merger of the Treaties these rules must therefore be applied in such a way that they form, within the limits of the legal possibilities, a framework for the behaviour of the

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<sup>1</sup> On 5 August 1968 the Commission submitted to the Council a proposal for a directive to this effect (Official gazette No. C 123 of 26 November 1968).

enterprises of the energy sector which does not distort the conditions of competition. Given the structure of supply there is, moreover, a need for measures to assure the consumers non-discriminatory access to the sources of supply. A small number of large companies occupy a dominant position on the markets in oil, natural gas and nuclear fuels; new combinations in these fields must be made subject to preventive surveillance in order to avoid serious threats to the proper functioning of the market. Lastly, the Commission must be able to draw on information regarding the prices actually obtaining on the markets, so that it can ascertain whether there are cases of behaviour infringing the rules of competition.

The Commission proposes:

- (12) 1. Measures to guarantee that all consumers have access, without discrimination as regards conditions of supply, to the primary energy produced in the Community and to the external sources of supply controlled or developed with the participation of the Community;
- (13) 2. A notification procedure, linked with provision for a period of suspension of action by the firms concerned, to enable the Commission to render an opinion on combinations planned in the oil, natural gas and nuclear fuel sectors. If this procedure proved to be inadequate, preventive control would have to be considered;
- (14) 3. Without prejudice to the provisions of Article 60 of the ECSC Treaty on coal, a procedure to provide the Commission with *a posteriori* information on prices actually obtaining on the market for the various forms of energy.
- (15) 4. Examination, together with the representatives of the Member States, of the case for harmonizing at Community level the national price-policy measures (for instance, maximum prices, approval procedures, forms of links to an index) and the way they are implemented.

#### IV. Indirect taxation

The fact that for one and the same source of energy the level of specific taxes may differ from one member country to another may distort the conditions of trade within the Community. The differences in taxation of the various forms of energy within a Member State have an adverse effect on competition between the forms of energy, and influence the consumer's choice.

The Commission proposes:

- (16) 1. Harmonized application of the tax on value added in the energy sector;
- (17) 2. Harmonization of the specific consumption taxes on energy products and reduction of these taxes where they are intended to protect other forms of energy;
- (18) 3. Harmonization of the taxes on hydrocarbon fuels, in conjunction with the common transport policy and in the wider framework of the harmonization of specific taxes on oil products.<sup>1</sup>

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<sup>1</sup> The Commission will shortly submit proposals on this matter.

## C. A policy for cheap and secure supply

### I. Commercial policy

Owing to the importance of energy in economic activity, it is essential that the Community should have the means of regulating supplies according to circumstances.

The specific measures in the energy sector should take into account not only the general aims of the commercial policy but also the particular aims of the energy policy.

In the coal industry, the production necessary to ensure security cannot be maintained, nor can the process of adaptation be effectively controlled, without a co-ordinated import policy.

The arrangements for imports of oil, natural gas and nuclear fuels must be designed in principle to ensure freedom of initiative and decision by managements. It is, however, necessary to know the enterprises' supply programmes before they are implemented, and to combine them in an overall supply programme for the Community.

Import arrangements applicable to associated countries, and trade and supply agreements concluded with non-member countries, should take the aims of the energy policy into account. Furthermore, in laying down the import policy, the concept of origin of oil products needs to be defined (cf. proposal B I. 1).

The Commission proposes:

- (19) 1. For coal, co-ordination of the national import programmes and exchange of information on their fulfilment;
- (20) 2. For oil, natural gas and nuclear fuels, the establishment of a Community supply policy which will include a Community supply programme combining the supply programmes of enterprises. This programme will make it possible to see whether the objectives of the energy policy are being adequately met. If the Commission finds that such is not the case it will formulate recommendations, after the necessary consultations, in particular with the representatives of the Member States. Should the recommendations not be followed up, it will propose suitable Community procedures;
- (21) 3. The introduction of import arrangements for products from associated countries, and the conclusion of trade and supply agreements with non-member countries, taking into account the aims of the energy policy.

### II. Guidance of investments

In accordance with the provisions in force, the Commission renders opinions on investment projects concerning coal and nuclear energy. As regards other types of energy, investment projects of Community interest should be notified to the Commission, which, however, will not be obliged to take a stand on them in every case. For long periods are necessary for preparing and carrying out investment projects,

and the rapid changes in the market, as well as the diversity of state interventions, prevent those selling energy from easily forecasting the trend of substitution between the types of energy.

In nuclear energy, investments should form part of a rational reactor strategy in order to create an optimum pattern of power station provision and prevent waste or delays in technological development.

In the case of electric power, lack of co-ordination of investments at Community level impedes the optimum establishment of power stations, the best use of high-capacity equipment, and the development of trade between the Member States.

In the case of oil refining, there is a risk of considerable over-investment.

An additional reason why the Commission, the Governments and the economic circles concerned should be informed of investment decisions at Community level is to enable infrastructure programmes to be discussed in good time, especially the planning and extension of oil harbours and the establishment of oil and gas pipeline systems.

The Commission proposes:

- (22) 1. To introduce, side by side with the procedures applied under the ECSC and Euratom Treaties, a system of formal notification of investment projects of Community interest concerning energy production, transport, and distribution;
- (23) 2. On this basis:
  - a) To carry out every year, together with the representatives of the Member States, a comparison of investment projects and policies in the light of the medium-term policy lines;
  - b) In case of need, to arrange discussions or render opinions on investment projects;
- (24) c) To address recommendations to the Member States when the steps described above under a) and b) have not prevented an immediate danger of over-investment in some fields which is such as to threaten the Community energy policy. Should the recommendations not be followed up, the Commission would propose Community procedures for decisions.

### III. Structure of Community industry — Development or maintenance of certain production capacities

The aim is to adapt the structures of the Community energy sector so that it can meet a rapidly expanding demand (subject to the necessary conditions as regards cost and security of supply), and to ensure that healthy competition is maintained on the market by influencing these structures. In addition, to prevent mergers and co-operation agreements between enterprises from being restricted to the national level, provision should be made for suitable measures to encourage such structural changes on an international basis.

As regards employment policy, steps should be taken to see that the various industries have properly trained manpower.

In the coal industry, the existing patterns of production and distribution may sometimes hinder efforts made to ensure the equilibrium of the industry by rationalizing management and improving the cost situation.

In the case of oil and natural gas, the existence of an adequate number of sound enterprises in fair competition in the Community should be assured. Steps should be taken to help insufficiently integrated Community enterprises to acquire their own crude oil resources, so as to maintain them in the market and to create a market pattern allowing the free play of competition together with diversification of sources of supply.

In the nuclear energy field, the creation of a reactor industry capable of meeting demand economically is a prerequisite for getting a real nuclear industry under way. This will be possible only if the number of reactor types is restricted and if the design and commissioning of prototypes and "first-off" reactors are supported by public loans. Community enterprises must also be encouraged to make greater efforts, preferably at Community level, in prospecting for uranium inside and more particularly outside the Community.<sup>1</sup>

As for electric power, the present patterns of enterprises and networks do not always correspond to the most rational conditions of use of equipment, and the Target Programme proposed elsewhere might well provide for measures to improve these patterns.

The Commission proposes:

#### 1. For coal

- (25) *a)* Comparison of the medium-term quantitative forecasts of production per coalfield drawn up by the countries concerned,<sup>2</sup> with a view to adapting coal output to marketing possibilities and concentrating production on the most productive mines, bearing in mind their location in relation to the markets, the grades required, and the economic and social development of the regions in question;
- (26) *b)* Introduction of Community aid arrangements which, together with the measures on commercial policy, would permit production of the quantities necessary for supplying the Community;
- (27) *c)* Improvement of co-ordination of the existing Community aid arrangements with the national measures of aid to coal mines, and adapting them in order to achieve the aims of the energy policy.

#### 2. For oil and natural gas

- (28) *a)* Elimination, principally by fiscal measures, of current disparities in the conditions of competition between firms established in the Community, in view of the direct and indirect advantages enjoyed by certain subsidiaries of enterprises established in non-member countries;

<sup>1</sup> The industrial and technological aspects of Community nuclear development are discussed in detail in the Report on the Community's nuclear policy submitted by the Commission to the Council on 9 October 1968.

<sup>2</sup> Cf. Protocol of Agreement of 21 April 1964 — No. 9.

- (29) *b)* Steps, in conjunction with the measures proposed for financing investments (cf. proposals under C. IV), to facilitate the acquisition by Community enterprises of their own resources for supplying the Community.

The regrouping or expansion of prospecting and production activities into organizations with the legal status of "joint enterprise" within the meaning of the Euratom Treaty would enable aid and advantages, mainly fiscal, to be given to projects acknowledged as being of Community interest. Measures should be taken to exploit the legal form of the "joint enterprise" for Community projects in the oil and natural gas industry.

### 3. For nuclear fuels

- (30) *a)* Steps to use the status of "joint enterprise" for prospecting and working uranium deposits, and perhaps also for setting up a Community isotope separation plant;
- (31) *b)* Extension of the conditions of application of Euratom Treaty Article 70 to enable the Commission to participate in prospecting activities outside the Community;
- (32) *c)* Amendment of the provisions of Euratom Treaty Chapter VI to make it possible for nuclear fuels to be supplied according to the rules of the market. The Supply Agency could then be used as a commercial instrument of Community supply policy, when demand on the market could not be met or when long-term supply problems arose for the Community. The Supply Agency would also be informed of all transactions concerning nuclear fuels and, in the event of a crisis, it should be able to intervene to make up for any shortage in supplies;
- (33) *d)* An early decision to set up an isotope separation plant in the Community.

## IV. Financing of investments

In order to avoid having to lay down strict rules on imports and markets, the Community should encourage certain investment projects in the energy sector — more particularly concerning prospecting and working sources of supply outside the Community — which are justified in Community interests but for which capital is wanting. This encouragement could take the form of various financial aids (e.g. direct participation, interest rate "subsidies", loan guarantees). In order to keep a check on the scale of commitments undertaken, these aids would be confined to supporting practical projects, on the basis of individual decisions made under an appropriate procedure. In addition, means already available for encouraging investment projects in the energy sector should be used in conformity with the Community energy policy.

The Commission proposes:

- (34) 1. Assistance, by means of Community guarantees or financing possibilities, in the execution of certain concrete investment projects in the energy sector, the importance of which to the Community is recognized by individual decisions made under an appropriate procedure;
- (35) 2. Encouragement of the execution of investment projects in the energy sector by using Community financing resources (direct participation by the Commission, the



grant of special advantages for projects enjoying the status of joint enterprise within the meaning of the Euratom Treaty, aid from the European Investment Bank), in conformity with the objectives of the common energy policy.

## V. Research

Under the ECSC and Euratom Treaties, the Commission has already transmitted proposals for medium-term research programmes to the Council.<sup>1,2</sup> The Commission considers that the position of the Community oil industry should be strengthened by stimulating and co-ordinating certain research projects.

In conclusion, encouragement should be given to research projects which are conducive to maximizing cheapness and security of supply and thus serve the Community's long-term interests.

The Commission proposes that:

- (36) 1. In addition to implementation — with due consideration for the medium-term energy policy lines — of the medium-term technological research and development programmes already submitted to the Council,<sup>3</sup> action should be taken to co-ordinate and stimulate research in departments of the oil industry where the national institutions or Community enterprises cannot act alone;
- (37) 2. Scientific and technological research should be encouraged in other fields of long-term interest for the Community energy supply, notably:
  - a) research into new techniques of energy production;
  - b) the scientific study of air and water pollution problems.

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<sup>1</sup> The Proposal for a research and training programme to cover several years was passed by the Commission to the Council on 9 October 1968.

<sup>2</sup> The Medium-term research programme for coal was passed by the Commission to the Council on 22 July 1968.

<sup>3</sup> In the nuclear field, the reactor development programme, research into natural uranium prospecting, and research into uranium enrichment are particularly important for the energy policy.