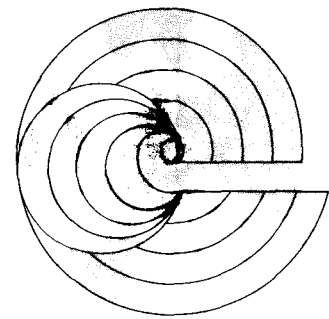


Communauté européenne



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BACKGROUND NOTE

EC MOVES TO REDUCE ITS ENERGY DEPENDENCE

Greater International Cooperation Sought

With oil stoppages in Iran and recent increases in oil prices, energy issues have reached a new level of urgency in the European Community. To reduce its extreme dependence on imported energy, it is seeking to strengthen cooperation among EC member states, as well as between the Community and other regions and international organizations.

Energy Commissioner Guido Brunner warned at a 2 March press conference that economic growth might be cut by 1 per cent this year because of oil price rises of 20 to 25 per cent. Mr. Brunner recommends renewed efforts to encourage energy-saving, development of alternative energy sources, subsidies for EC-produced resources like coal, and international cooperation. Recently, he has visited Venezuela and Ecuador, partly to strengthen EC ties with the Latin America Energy Organization (OLADE), and has held talks in Washington with US Energy Secretary James Schlesinger.

At their "summit" in Paris on 12-13 March, EC heads of government confirmed the commitment made earlier in the month by EC members and their partners (including Canada) in the International Energy Agency to reduce oil consumption by 5 per cent this year. The European leaders also accepted the goal of limiting oil imports by 1985 to last year's figures, i.e. 470 million tonnes.

The present note outlines the EC's recent moves to introduce a common energy policy.

Degree of Dependency

The Community is highly dependent on imported energy, especially crude oil and uranium. In 1976, 95 per cent of the Nine's gross oil consumption came from outside sources. This represented more than half of the EC's gross energy consumption. In comparison, the United States imports approximately 40 per cent of its crude oil requirements. This represents one-fifth of total US energy consumption, which, at 1,743.9 million tonnes of oil equivalent (t.o.e.), is almost double the EC's consumption of 916.1 million t.o.e. As for Canada net crude oil imports (i.e. minus exports to the US) represent 6.5 per cent of gross inland consumption of energy from all primary sources.

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In 1977, the EC's main oil suppliers were (*):

	Per cent	Million tonnes
Saudi Arabia	30.7	148.9
Iran	16.0	77.9
Iraq	9.8	47.8
Kuwait	6.2	30.3
Abu Dhabi	5.2	25.3
Qatar	<u>1.7</u>	<u>8.5</u>
Persian Gulf	69.6	338.7
Libya	8.1	39.3
Nigeria	6.1	29.6
Eastern Europe	4.6	21.2
Algeria	3.5	17.3
Norway	1.4	7.0
Others	6.7	31.9

The degree of dependence on non-EC countries for supplies of other energy resources ranges from 11 per cent of gas consumption to 16 per cent of coal and 75 per cent of uranium (**). Gas is purchased from Algeria, Libya, Norway and the Soviet Union. Iran is not expected to become an important supplier of gas until the 1980s. Coal imports come chiefly from Poland, South Africa, the U.S.A., Australia and the U.S.S.R. The Community's main suppliers of uranium are Canada, Namibia, Niger and South Africa.

Per capita energy consumption in the Community is 3.7 tonnes of oil equivalent (t.o.e) per year. In comparison, Canada and the United States consume over eight t.o.e. per capita, Japan consumes 3.2 t.o.e. per capita, and non-oil producing developing countries consume 0.50 t.o.e. per capita.

Policies

Since the oil crisis of 1973-74, Community policy has been to:

- i) substantially increase the efficiency of energy use and reduce the overall consumption level,
- ii) secure access to dependable sources of energy supplies, reduce the EC's dependence on energy imports and increase domestic production from all sources,
- iii) bring about a gradual transition from an oil-dominated energy economy towards a more broadly based supply pattern.

(*) Source: "Aspects of External Measures by the Community in the Energy Sector", EC Commission Document (79) 23, 6 February 1979, p.4..

(**) By way of comparison, Canada is a net exporter of uranium, gas and hydro-electricity, will soon be a net exporter of coal, and is a net importer only of oil.

Objectives

The Community has also laid down specific objectives for 1985, chief of which are:

- i) to reduce the Community's dependence on energy imports from 63 per cent (1973) to 50 per cent,
- ii) to reduce the share of oil in total consumption from 61 per cent (1973) to 50 per cent,
- iii) to reduce overall consumption by 15 per cent from the forecast made in 1973,
- iv) to increase coal consumption to 355 million tonnes, and Community coal production to 300 million tonnes,
- v) to install nuclear capacity of at least 160,000 megawatts.

According to the November 1978 Commission document, "Energy Objectives for 1990 and the Programme of the Member States" (*), some progress has been made toward the achievement of the Community's objectives. However, some shortcomings had also been noted. The report found that:

- i) energy consumption at the end of 1977 was practically at the same level as in 1973, although economic activity had increased by 7 per cent;
- ii) the proportion of oil in overall consumption had fallen to 54 per cent from 61 per cent;
- iii) dependence on imported energy had been reduced to 56 per cent;
- iv) however, coal production had continued to decline and nuclear programmes had fallen behind (so that present estimates for 1985 are 78,000 megawatts).

International Cooperation

Besides internal measures aimed at improving efficiency of energy-use and encouraging industries to convert to the use of EC energy sources, the EC has also tried to improve its energy situation by cooperation with non-member countries and international organizations.

The Community is participating with other countries in the research and development of new energy technologies. Contacts with oil-producing countries, as well as discussions in the framework of the Euro-Arab and North-South dialogues, the Organization for Economic Cooperation and Development (OECD) and the International Energy Agency (IEA), are intended to foster favourable conditions in world energy markets. The Community is also contributing to the International Nuclear Fuel Cycle Evaluation programme (which includes Canada).

Nuclear Energy

In recent years, world markets for nuclear material and equipment have been subject to increasing governmental regulation. This is due to the recognition of nuclear energy's great potential as a means for the alleviation of the world's energy problems. Secure supplies of uranium are essential for the Community, as nuclear energy is presently the most economically feasible alternative to conventional energy sources.

(*) EC Commission Document (78) 613.

For these reasons, the EC has agreements with the U.S.A., Canada, Brazil and Argentina on the supply of natural and enriched uranium. While the U.S.A and Canada have played a major role in supplying the Community with uranium and technology for the past twenty years, the supply clauses in the Euratom-Brazil and Euratom-Argentina agreements have not yet produced any appreciable results. The Community has also committed itself, in agreements with the International Atomic Energy Agency, to cooperate with the latter in its controls to prevent the proliferation of nuclear material and equipment for non-peaceful purposes.

Funds for Energy Projects

Recently the EC has created a new \$1.6 billion lending facility to provide partial funding for priority investment projects in the energy sector, among others. The first instalment will be some 500 million European units of account (about \$800 million), of which three-fifths will go to projects for energy transportation such as pipelines and grid connection, and energy conservation.

Further information on energy questions and the EC are available upon request from this office.
