

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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EUROPEAN COMMUNITY FILLS OUT ENERGY POLICY

The European Community's energy policy is again on the move, following a political agreement reached at the December 1-2 meeting in Rome of the "European Council," (EC member countries' heads of government and foreign ministers).

The EC Commission has sent a communication to the Council of Ministers for action under the guidelines drawn in Rome.. The main purposes of the communication are to

- seal member countries' solidarity in case of tight oil supply
- encourage energy saving
- favor the development of the Community's energy resources.

In its communication, the Commission prodded the Council to act on some pending energy proposals and announced new proposals. At the same time, it submitted its first periodic report on the Community's "Rational Use of Energy Program," and a report on the achievement of the Community energy policy objectives for 1985.

Solidarity During Oil Shortages

The Commission reminded the Council of two proposals for decisions pending since 1974 on

- setting a Community target for reducing primary energy consumption
- monitoring petroleum products and crude oil trade between members.

Together, the Commission said, these proposals are the minimum needed to hold member states together during oil shortages.

Energy Saving

Previously, the Council had passed resolutions on the Community action program for the rational use of energy, on a target for reducing oil consumption last year, and on energy savings targets for 1976 and 1977.

Every member country tried to save energy, according to the Commission, but not always in the same areas. In the interests of continuity, and coherence, the Commission thus made new proposals for

- heating systems in existing buildings. Office and public buildings should have automatic heat regulating systems with maximum temperature not exceeding 68 degrees Fahrenheit (20°C). In buildings used as dwellings, systems are to be installed enabling individual users to control their heat and hot water consumption. Heating systems with a capacity of more than 30,000 kilocalories per hour would have to be inspected periodically.
- improved thermal insulation of buildings. A special information campaign should be organized and Community-wide reference standards should be adopted.
- energy consumption in car traffic. To help drivers save gas, car manufacturers should meet standardized fuel use tests, give the results in advertizing, include information on fuel saving in driver's handbooks, and fit vehicles with radial tires. Drivers would have to keep their cars tuned up.
- energy consumption in urban passenger transport. Recommendations include: general improvements in transport services, opening bus-only lanes, encouraging car pools, and speeding traffic flow, by computer-controlled traffic lights, for instance.
- electrical household appliances. The main appliances would have to be labeled to show energy use according to harmonized standards.
- consumer information. Through intensive media campaigns, the public would be sensitized to the need to save energy.
- statistics. A statistical network would be set up to help evaluate each member country's energy conservation efforts.

Protection and Development of Energy Resources

The Community's target is to reduce its dependence on imported energy from its current level of more than 60 per cent to at least 50 per cent by 1985. In its first report comparing member countries' current forecasts with the 1985 targets, the Commission stressed the need for investment to increase energy production despite the many uncertainties in the energy market. In particular, the effects of imported oil price changes on prices of other energy sources and on investment in them must be considered. Thus, investments in alternative energy sources must be promoted and protected. The Commission proposed

- coal stockpiling. To protect the coal industry from a fall in demand caused by economic slowdown, 50 million units of account (UA)* would be earmarked for aid to stockpiling.

* The value of one UA used in Community coal, steel, and aid transactions varies daily and is based on a "basket" of the nine EC members' currencies. It is currently worth about \$1.17. The UA used in all other transactions is worth \$1.20635.

- support mechanism for coking coal. Since 1967, the Community has had a support mechanism for coking coal and coke. The Commission would extend this system to 1985.
- development of oil and gas reserves. The Commission reminded the Council of pending proposals for aid to technological development projects and hydro-carbon prospection projects.
- a floor price for oil imports. The Commission has suggested a floor price of \$7 a barrel, the same price recommended by the International Energy Agency. If import prices drop below this floor, an import levy would be collected to keep the price competitive with domestic energy sources.
- nuclear investment. The Commission has asked the Council to act on a previous proposal to authorize loans of UA 500 million to help finance nuclear power stations and other nuclear installations.
- uranium prospection. In the 1976 budget, UA 1 million has been allocated to encourage uranium prospection.

Future Measures

The Commission has asked the Council to hold a policy debate centering on

- strengthening measures now in force to encourage electricity companies to use coal to fire their generators
- providing Community guarantees to protect risky energy investments from losses resulting from any drop in the price of imported oil
- using the Community's right to issue bonds on international capital markets to finance energy investments.

EC and US Energy Policies -- Some Comparisons

The European Communities uses only half as much energy as the US (926 million tons oil equivalent in 1974), with a per capita consumption of 3.9 tons in 1972 compared to 8.8 tons in the United States.

For more than 60 per cent of its supplies, the Community depends on imports -- most of it oil -- while the United States imports less than 20 per cent of its energy.

Although the Communities started working toward a common energy policy in its early years, little progress has been made.

The 1951 Treaty creating the European Coal and Steel Community, and the 1957 Treaties creating the European Atomic Energy Community (Euratom) and the European Economic Community (EEC) laid only a vague basis for a comprehensive energy policy dealing with every energy source. Well before the 1973 energy crisis, however, the Community had some energy policy features, which the US Energy Policy and Conservation Act of 1975 will introduce to the United States for the first time. Since 1968, for instance, the Community has required a minimum oil security stockpile, at first enough for 65 days, now for 90 days of consumption. But despite the optimism and enthusiasm of late 1974 and despite the ambitious goals stated in the US Project Independence and the EC "New Energy Policy Strategy," neither the United States nor the Community has come up with many results. For its part, the Community

has been hampered by disagreement among member countries in the attempt to develop a common energy policy.

Now, the political agreement reached at the December 1 - 2 meeting of the European Council has given the "Nine" a new impetus toward a Community energy policy. It also has enabled the Community to participate as a whole at the Conference of International Economic Cooperation.

Table 1 EC Energy Forecasts and Goals

	Hypotheses for Average Growth 1973 - 1985		Gross Energy Consumption in 1985
	Gross Domestic Product	Energy	M.toe*
Member States' current forecasts	+3.2%	+3.0%	1388
	+3.5%	+3.25%	1431
Targets for 1985	+4.0%	+3.5%	1450 (1)
Initial forecasts (January 1973)	+4.8%	+4.8%	1710 (2)

*Millions of tons oil equivalent

- (1) Targets for 1985: 1,475 M. toe i.e. 1450 M. toe gross consumption and 25 M. toe exports
- (2) Initial forecasts: 1,800 M. toe i.e. 1660 M. toe internal consumption + 50 M. toe bunkers + 90 M. toe exports

Table 2 International Comparisons -- 1972 (in percentages)

	Share of World Energy Use	Share of World Population
Community of Nine	16.4	6.7
United States	31.0	5.5
USSR	16.2	6.5
Japan	5.4	2.8
Other countries	31.0	78.5

Source: European Communities Information; Brussels

