

EUROPEAN PARLIAMENT

Working Documents

1983 - 1984

11 January 1984

DOCUMENT 1-1162/83/ANNEX

ANNEX

to the report by Mr ROGALLA
on behalf of the Committee on Energy, Research
and Technology

o

o

o

Opinion of the Committee on Budgets
Draftsman of the opinion: Mr K SCHÖN

PE 86.262/fin./Ann.

On 21 September 1983, the Committee on Budgets appointed Mr Konrad Schön draftsman of the opinion

At its meeting of 7 December 1983 the committee considered the draft opinion and adopted it unanimously.

The following took part in the vote: Mr Lange, chairman; Mr Notenboom, vice-chairman; Mr K. Schön, draftsman of the opinion; Mr Abens, Mr Balfe, Mr Balfour, Mr Blaney (deputizing for Mr Bonde), Mrs Boserup, Mr Harris (deputizing for Mr R. Jackson), Mrs Hoff, Mr Langes, Mr Megahy (deputizing for Mr O'Mahony), Mrs Nikolaou, Mr Price and Mr Protopapadakis.

I. ROLE OF THE PROPOSAL IN THE NEW, REVISED SOLID FUELS POLICY

1. The main objectives of the Community's energy strategy are:

- reduction of dependence on imported oil,
- diversification of sources of supply,
- greater security of supply.

The solid fuels policy (hard coal, brown coal and peat) has an important part to play here.

2. The revised solid fuels policy of which this proposal forms a part, covers the following aspects:

- stimulation of consumption,
- stimulation of intra-Community trade,
- modernization of production capacity, partly through new investment and partly through closures,
- social measures in the event of closures,
- elimination of constantly increasing stocks,
- research and development into the production and use of solid fuels and into environmental side effects.

3. Taken as a whole the revised solid fuels policy will have very serious budgetary implications. In the preliminary draft budget for 1984, the Commission has entered 769.3 million ECU in commitment appropriations in the chapter on energy policy, of which 572 million ECU would be earmarked for hard coal and 400 million ECU for the measures considered here. In the draft budget, this appropriation of 400 million ECU was replaced by a token entry.

II. PREVIOUS OPINIONS

4. When the RINSCHE report on aspects and requirements of coal supplies for the European Communities was being prepared, the Committee on Budgets delivered an opinion (7.7.1981) which stressed the following aspects:

- the need to formulate an overall policy for the production and use of coal,
- rejection of the concept of maintaining unprofitable production units,
- the need to formulate social measures to compensate the employees affected by closures.

Bearing in mind that other proposals relating to the policy on coal are in preparation an analysis of this proposal shows that these requirements are being met.

III. CONTENT OF THE PROPOSAL

5. The main problem facing Community hard coal is that it is not competitive with coal imported from third countries. The aim of the measures is, therefore, to modernize and rationalize production extensively whilst maintaining existing production capacity, with the Community bearing one quarter of the cost of the investment needed. Production capacity for brown coal and peat is to be expanded in Greece and Ireland, and here, too, the Community will provide one quarter of the investment costs. Finally, in recent years, the imbalance between production and consumption has led to increased hard coal stocks. The cost and burden of maintaining these stocks weigh heavily on undertakings' finances. Successful rationalization of production will therefore depend on these stocks being reduced to a normal level.

Investment aid and subsidies for destocking will be dependent on prior approval from the Commission of the modernization and restructuring plans submitted by the undertakings.

6. The terms and conditions for investment aid to the hard coal sector are as follows:

- duration : five years (1984-88)
- a direct subsidy of up to 25% for investment costs (interest subsidies on repayable loans, which are successful elsewhere, are not considered adequate in this case),

- aid to be granted only for projects relating to economic or only marginally uneconomic mines. This is described more specifically as coalmines with an adequate production potential and where output is at least 380 kg per man/hour. For investment in new capacity, output is expected to be at least 600 kg per man/hour.

The Commission estimates that 70% of Community production would be eligible for this aid.

7. Similar terms and conditions apply for measures to expand production capacity for brown coal and peat in Greece and Ireland: a direct subsidy of up to 25% of total investment cost. The measures must also form part of long-term programmes.

8. The aid to reduce excess stocks will only be granted to undertakings already receiving Community investment aid and the undertaking must also submit a destocking programme. Aid will amount to a maximum of 10 ECU per tonne over the planned three-year period (1984-86). The aim is to reduce current stocks by 10 million tonnes a year, which would bring stocks down to a normal level of approximately 45 days' output.

9. The closure of uneconomic mines and investment to increase productivity, while capacity remains constant, will naturally involve job losses. The corollary of this proposal is, therefore, the adoption of social measures. The proposal on these measures does not fall within the scope of this opinion but it is clear that both issues are closely linked. The Commission has entered 60 million ECU for social measures in the preliminary draft budget for 1984.

IV. BUDGETARY EFFECTS

10. Two new budget headings are to be included in the general budget:

		Budget 1984				estimated costs for the duration of the measures
		Prelim. draft	draft	and final		
7024	Aid to investment for the production of solid fuels in the Community	PA	75,000,000	PA	p.m. ¹	1,500,000,000 (1984-88)
		CA	300,000,000	CA	p.m.	
7025	Operations relating to coal stocks	PA	75,000,000 ²	PA	p.m. ¹	300,000,000 (1984-86)
		CA	100,000,000 ²	CA	p.m. ¹	

¹ An overall reserve of 24.6 m ECU PA and 30 m ECU CA for new policies (Chapters 70, 73, 75, 77 and 78) appears in Chapter 100

² In Chapter 100

702	total hard coal policy	PA 259,200,000	PA 7,700,000
		CA 572,000,000	CA 9,000,000

These figures demonstrate clearly that implementation of the new solid fuels policy (of which these two measures are only a part) will have considerable financial implications.

11. According to the Commission there should be no difficulty in financing these measures, and indeed the whole range of measures relating to the coal policy, provided that own resources are increased in line with its proposal for raising VAT contributions to a maximum of 1.4% of VAT assessment basis. Under the present circumstances, however, they cannot be financed.

V. CONCLUSION

12. The whole range of measures in the revised coal policy, of which investment aid for modernization of production and subsidies to normalize stocks are only two aspects, will make considerable demands on budgetary resources for several years. However, this seems justified. Now that prices are lower, relatively speaking, the Community must be careful not to relax its vigilance with regard to dependence on imported energy. The proposed policy is also a good example of a policy where national expenditure is replaced by Community expenditure.

Greater Community involvement in the policy also reduces the risk of distortion of competition through national aid measures. Lastly, it should be remembered that the experts consulted by Parliament, Mr Albert and Professor Ball, consider that one way of achieving economic recovery should be through extensive investment in the energy sector.

13. The Committee on Budgets:

- (a) notes that because the proposed solid fuels policy is an integrated policy, a favourable opinion on this proposal necessarily determines the view which must be adopted with regard to other aspects such as social and environmental protection measures;
- (b) points out that the proposed measures should be supported because of their objectives in the context of energy and economic recovery;

- (c) considers that the proposed measures replace national measures and thus justify an increase in Community resources; under the present circumstances, however, they cannot be financed;
- (d) considers that the closure of uneconomic production capacity, given appropriate social measures, is a reasonable option in the context of an attempt to create a competitive coal sector;
- (e) approves the provisions for investment aid in the coal sector;
- (f) approves the provisions to reduce coal stocks, provided that when they are applied emphasis is placed on improving the undertaking's financial position;
- (g) considers that the expansion of production capacity for peat and brown coal is justified.

