
EUROPEAN PARLIAMENT

Working Documents

1982-1983

10 May 1982

DOCUMENT 1-204/82

REPORT

drawn up on behalf of the Committee on
Energy and Research

on the communication from the Commission
of the European Communities to the Council
(Doc. 1-1064/81 - COM(82) 31 final) on the
role of coal in a Community energy strategy

Rapporteur: Mr R. MORELAND

By letter of 23 February 1982 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the Communication from the Commission of the European Communities to the Council on the role of coal in a Community energy strategy.

The President of the European Parliament referred this Communication to the Committee on Energy and Research on 8 March 1982.

On 17 March 1982 the Committee on Energy and Research appointed Mr. Moreland rapporteur.

The Committee considered the Communication from the Commission together with the draft report at its meeting on 28 April 1982.

At that meeting the Committee decided unanimously to recommend that Parliament approve the Commission proposal without amendment.

The Committee then adopted the motion for a resolution as a whole unanimously.

Present: Mrs WALZ, chairman; Mr MORELAND, rapporteur; Mr ADAM, Mr BEAZLEY, Mr BOMBARD (deputizing for Mrs LIZIN), Mr FUCHS, Mr HERMAN (deputizing for Mr MÜLLER-HERMANN), Mr LALOR (deputizing for Mr FLANAGAN), Mr LINKOHR, Mr MEO, Mr PEDINI, Mrs PHLIX, Mr PROTOPAPADAKIS, Mr PURVIS (deputizing for Sir Peter VANNECK), Mr RINSCHKE, Mr ROGALLA, Mr SÄLZER, Mr SELIGMAN, Mr SCHMID and Mrs THEOBALD-PAOLI.

N.B. This text has not been collated

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The Committee on Energy and Research hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the communication from the Commission of the European Communities to the Council on the role for coal in a Community energy strategy

The European Parliament,

- (a) having regard to the Council Resolution of 17 September 1974 concerning a new energy policy strategy for the Community,¹
 - (b) having regard to the proposal from the Commission of the European Communities to the Council (COM(82) 31 final),
 - (c) having been consulted by the Council (Doc. 1-1064/81),
 - (d) having regard to the report of the Committee on Energy and Research (Doc. 1-204/82),
 - (e) having regard to Parliament's previous resolutions on this subject, and in particular its resolution of 19 February 1982 on aspects and requirements of coal supplies for the European Community²
1. Welcomes the recognition by the Commission of the importance of coal to the future energy needs of all Member States of the Community;
 2. Subject to reservations expressed in this resolution, believes that the Commission has produced a coherent and pragmatic approach to a Community coal strategy;
 3. Reminds the Council and the Commission that the cost of maintaining a Community indigenous coal industry in terms of production, social and environmental aids is in excess of 7,000 m EUC per annum which is at present borne primarily by four Member States rather than by the Community as a whole;
 4. Reminds the Council that representatives of the Community undertook at a summit meeting in Venice in June 1980, to undertake to expand coal production and use, to encourage long-term contracts between exporters and importers and to improve facilities for handling an increased international trade in coal;

¹ OJ No. C 153 of 9.7.1975

² OJ No. C 66 of 15.3.1982, p. 106

5. Believes the Council should support the Commission's proposals to increase utilization of coal but regrets these proposals are not related more closely by the Commission to increased production of coal from Community sources;
6. Recognizes that coal imports are a necessary complement to Community coal production but regrets that the Commission fails to give sufficient weight to the danger of the Community becoming over-dependent on coal supplies from non-Community countries and reminds the Commission and Council of the Parliament's comments on imports in its resolution of 19 February 1982;
7. Believes the Council should maintain its objective of Community annual coal production of 270 million tonnes by the end of the century as set out in its 1974 resolution;
8. Notes that the Commission believes that investment in the Community mining industry 'will have to grow in real terms if there is to be substantial progress in improving the structure and viability of the industry as a whole' (para. 41) and calls upon the Commission to propose increases in the availability of low interest Community loans for this purpose and to examine other possible financial aids to investment;
9. Welcomes the Commission's intention to propose aid for coal utilization research as well as for programmes covering new combustion technologies and use of coal waste and looks forward to receiving more specific details of programmes envisaged;
10. Considers it vital, in view of the limited resources of the ECSC budget, that financing of coal research, because of its importance for all Member States, should to a large extent be secured by funds from the general Community budget, as already proposed by Parliament in its resolution of 19 February 1982;
11. Welcomes the support expressed by the Commission for the increased use of coal through encouragement of investment in conversion of oil to coal-fired boilers in general industry and in public building and district heating and proposes that encouragement be also given to the development of coal-fired co-generation industrial schemes and should be extended eventually to other areas, for example converting gas boilers to coal and converting oil-powered shipping to coal-power;
12. Believes that agreement by the Council to merely a recommendation to Member States to convert oil-fired boilers to coal-firing will be inadequate to meet the objective of the Commission 'to remove any remaining doubts on the part of potential investors about the importance attached by the Community and of Member States to such investment' and suggests the Commission will have to make further proposals such as the provision of Community loans at low interest rates for such conversion if the recommendation is to have any significant effect;

13. Welcomes the Commission's proposal to encourage an increase in the capacity and flexibility of the coal transport system and underlines in this context the value to the Community of the overdue acceptance by the Council of the draft regulation on transport infrastructure¹ but believes encouragement should be given primarily to assist the movement of indigenous coal as well as imported coal and requests the Commission to give further details of specific infrastructure developments which would help the coal-consuming countries of the Community;
14. Urges the Commission to execute a study covering the physical, technical, environmental and financial implications of needed infrastructure developments considering the potential of wire, gas and slurry pipe transmission systems, port loading/unloading facilities (as well as road and rail), and the need for stock-yards; and invites the Commission to incorporate the cost of such a study by independent consultants in the 1983 preliminary draft budget;
15. Welcomes the concern of the Commission on price transparency but believes further steps beyond the collection of additional statistics will be necessary if a satisfactory solution is to be found to the problems associated with the lack of price transparency;
16. Notes the Commission's comments on the treatment of environmental problems related to coal production and use, agrees with the Commission that there is no reason on environmental grounds to qualify the commitment to greater coal use and also to increased production, urges that concern for environmental protection be based on substantiated evidence; calls for every effort to be made to reduce the environmental effects of coal production and utilization; in particular, calls for the most efficient technical treatment of waste gas in new coal-fired power stations and the greatest possible reduction of waste gas at existing plants;
17. Proposes that amongst the uses of the new line 661 of the 1982 budget, 661 - 'Community operations concerning the environment', should be assistance to enable the quality norms for SO₂ and suspended particulates in Council directive 80/779/EEC to be met by the affected organizations or individuals;
18. Accepts the Commission's view that a number of mines in the Community will never reach satisfactory levels of profitability and must be closed eventually, but emphasizes that as such mines contribute 40 million tonnes per annum of indigenous production, and the length of time before new mine developments can come on stream, that closures must be part of a phased plan and be related to the opening of new coal mining developments;

¹ (COM(76) 336

19. Welcomes the Commission's proposals on investments in overseas coalfields and the need for long-term import contracts and requests the Commission to give further details on the categories of investment to be considered and the conditions under which Community lending would be involved;
20. Supports the Commission's proposal to help the development of coal mining industries in ACP countries and calls on the Commission to ensure that consideration is given to this in any renegotiation of the Lomé Convention;
21. Notes the Commission's invitation to Member States to endorse the desirability of a study at Community level of stocking policy but suggests that the Council should agree to the establishment of a system of stocking aids in order to assist the coal industry of the Community in maintaining production capacity during periods of market weakness;
22. Instructs its President to forward this motion for a resolution together with explanatory statement to the Council and the Commission of the European Communities and the parliaments and governments of the Member States.

EXPLANATORY STATEMENTI. Introduction

1. The Commission communication to the Council, "The Role for Coal in Community Energy Strategy", follows a series of measures and documents in this sphere which have appeared over the past year.

2. The Commission Report on the Mandate of 30 May 1980,¹ published on 24 June 1981, spoke of the need to expand and diversify sources of energy supply and said the Commission would help to finance the necessary activities "by co-ordinating national resources and making greater use of Community instruments". It said Community solidarity should be expressed through joint machinery for responding to supply crises and through a coherent policy on prices. It said that the Commission should support priority research programmes on energy.

3. The Commission Communication to the Council 2 October 1981, "The Development of an Energy Strategy for the Community"² reiterated the need to reduce the Community dependence on oil as rapidly as possible and to take effective measures to limit possible causes of increase in the price of its supplies. It said that

'To these ends measures need to be taken both on the energy demand side (energy saving and rational use of energy) and on the supply side (diversification). In the latter field efforts must be stepped up, particularly by increasing coal consumption, pursuing vigorous nuclear programmes and by developing renewable energy sources.'

¹COM (81) 300 Fin

²COM (81) 540 Fin

4. This Communication said it was generally accepted that coal should have a more important role to play in Community energy supply.

5. In February 1982 the European Parliament debated a Report¹ drawn up by Mr. G. Rinsche on behalf of its Committee on Energy and Research on aspects and requirements of coal supplies for the European Communities. On 19 February it adopted a resolution² affirming "that coal remains the most important domestic source of energy in the Community".

6. On the same day Parliament adopted a Resolution on coking coal and coke for the iron and steel industry in the Community³, on the basis of a Report by Mr. D Rogalla on behalf of the Committee on Energy and Research. This invited the Commission to propose new sources of revenue for a restructured ECSC budget which would enable, among other things, a subsidy to be granted for all coking coal and coke consumed in the Community and for their by-products.

7. The Rinsche Resolution of 19 February 1982 made a number of recommendations to the Commission, based on a wide-ranging survey of the situation, which do not need to be recapitulated here.

8. The present report will concentrate on three areas of coal strategy which do not receive enough attention in the Commission Communication, or in respect of which the recommendations made in the Communication are not sufficiently specific.

9. These areas will be examined in the following sections:

- II. Infrastructure for the Transport and Use of Coal,
- III. Coal Strategy after Second Enlargement, and
- IV. Technology and Research.

¹Doc 1-662/81

²OJ No. C 66, 15.3.1982

³OJ No. C 66, 15.3.1982

II. Infrastructure for the Transport and Use of Coal

10. Parliament's Resolution of 19 February 1982 called for the provision of assistance to areas of the Community without indigenous coal "to enable them to make major infrastructure adjustments necessary to permit the transport and use of coal".

11. In its conclusions to its present communication, the Commission urges the Council to "recognize the useful role that Community financial instruments can play in support of investments in the infrastructure required for handling a growing trade in coal".

12. This recommendation is not specific enough, nor is there enough discussion in the Communication of specific infrastructure needs. In the introduction, the Commission states that "the Community's markets for coal must be opened up more quickly". If this end is to be achieved, then it will be essential for the Community to have full and accurate information concerning the infrastructure needs of the various Member States, and to propose co-ordinated measures on the basis of this information.

13. The Commission communication devotes only two paragraphs to infrastructure improvements needed for the handling and transport of coal imported in third countries. It does not examine infrastructure needs arising from intra-Community trade in coal produced within the Community.

14. To the extent that this inadequate examination of infrastructure needs in the Commission communication may be due to a shortage of staff in the Commission secretariat, consideration should be given by the Budgetary Authority to remedying this shortage.

15. The Commission should be asked to confirm its willingness to deploy the available financial instruments to help create the additional infrastructure needed for the expansion of intra-Community trade in coal, as well as for the appropriate level of imports from third countries. Action in this sense should take especial account of the Community's requirements following Second Enlargement.

16. Acceptance by the Council of the Commission's proposal for a regulation on transport infrastructure must be treated as a matter of urgency.¹ In particular, the provisions of this regulation could be used to facilitate the transport of coal.

¹COM (76) 336

III. Coal Strategy after Second Enlargement

17. The Commission communication is presented as a strategy document, based on estimates extending over the period to the end of the twentieth century. It would have been helpful, therefore, if it had taken account of the Second Enlargement of the Community by the accession of Greece (in 1981) and, potentially, of Spain and Portugal in or after 1984.

18. The situation of Greece is not discussed in the Communication, which excludes consideration of lignites, or soft and brown coals. Lignite accounts for all Greece's indigenous solid fuel production and is important in electricity generation. The fact that Greece produces lignite rather than hard coals, however, does not mean that it has or will have no hard-coal import needs. Quite the contrary is the case. It is important to think of Greece as a significant user of solid fuels, especially since the Government is trying to reduce the country's traditionally high level of dependence on imported oil.

19. Spain, when it joins the Community, will be the fourth largest EC coal producing country. According to the 1980 Review of "Energy Policies and Programmes of IEA Countries" by the International Energy Agency (the "1980 Review"), Spanish production of solid fuels in 1979 was 8.6 million tonnes oil equivalent, and this was expected to rise to 13.4 million by 1985.

20. At the same time, Spain, Greece and Portugal were all expected to require increased levels of coal imports in the coming years, according to the 1980 Review.

21. Among specific findings of the 1980 Review were the following:

- (i) In Greece, the 1980 Review found that "the comprehensive programme developed for switching from imported oil through accelerating exploitation of indigenous liquid and solid resources and expanding imports of coal and natural gas is important"; it recommended that Greece "pursue actively options for installing electricity generation capacity based on imported steam coal, and develop the corresponding port and handling facilities";

- (ii) In Spain, an overall acceleration of coal import plans was noted, with two new coal ports due to come into operation in 1983; there was also a speeding-up of plans to increase coal-fired electricity, with current installed capacity of 5.3 GW due to be increased by 7.5 GW by 1990;

- (iii) In Portugal the share of coal in electricity generation was projected to increase from "virtually zero" in 1979 to about 25% in 1990; its share in industrial energy use was expected to increase from 8.1% in 1979 to 22% in 1990.

22. These findings are consistent with those of a study published in 1978 by the United National Economic Commission for Europe¹, which drew attention to the growing importance of the Mediterranean countries' share of Western European solid fuel consumption, which, the study suggested, "might account for 25% of solid fuel consumption in Western Europe in 1985".

¹Coal: 1985 and Beyond - a perspective study, Coal Community of the United Nations Economic Commission for Europe, Pergamon Press, 1978)

23. Given this, the ECE study concluded that:

'Under these circumstances the elaboration of a specific programme of transfer of scientific and technological knowledge, suited to the new needs of the Mediterranean region of the ECE would seem warranted. Such a programme might include the prospection of coal reserves; the transfer of open-cast mining technology; exchange of experience on combustion of low-grade coals in power stations; preservation of the environment; modernization of the infrastructure in particular at ports; joint R&D in the further validation of indigenous coal; training of managers, engineers, scientists, etc."

IV. Technology and Research

24. In its Resolution of 19 February 1982 Parliament said that it was essential "to intensify support for research and development and in particular the further development and earliest possible use of new technology in the fields of exploitation and coal utilisation and processing, including underground gasification".
25. In its present communication, the Commission calls on the Council to "approve the principle of a Community programme of research and development in new and improved methods for the use of coal, to be financed by the Community's general budget".
26. The Commission also states that it "will submit proposals concerning the future of the Community's existing technology, and will also submit similar programmes covering new technology, including new coal combustion technologies and the use of coal waste".
27. However, the communication gives at most the barest information about the present state of the technologies involved. The main processes in question are mentioned, and the general problem of coal waste is baldly stated, but no detailed considerations are set forth which might provide evidence for or against the view that the development of new technologies offers major new opportunities for the economic exploitation of the Community's indigenous coal resources in the medium and long term.
28. Some indication is briefly given of why the Commission considers that, in the present state of knowledge, gasification appears to be more promising than liquefaction as a process for conversion of coal, but the Commission rightly suggests that a more definitive judgement would not be possible without a great deal of further work.

29. The Commission must be supported in its attempts to secure the financing of such work, especially in the light of recent decisions by the Synthetic Fuels Corporation in the United States which are expected to lead to substantial U.S. Government support for selected synthetic fuel projects.

30. It would have been helpful to have had a clearer statement of the Commission's view of the potential for fluidised bed combustion, and an indication of its assessment of the prospects for underground gasification.

V. General Observations

31. The Commission's general commitment to the future of coal as an energy source in the Community is to be welcomed.

32. In particular, the Commission is right to issue the reminder that "Community coal production offers distinct advantages over imported coal in terms of security of supply and insurance against the risk of adverse price developments on the world market".

33. The Commission has explained the financial constraints which restrict the opportunities for using the ECSC budget to finance research and development on new and improved methods of coal use. The Commission has drawn the conclusion that Community involvement in this field will necessarily imply recourse to the Community's budget, and it has said that it will make specific proposals along these lines.

34. Measures in this direction do not reduce the need, however, to seek new sources of revenue for the ECSC.

35. At the same time, the Commission must be prepared to contemplate using the full range of financial instruments available for Community activities in this sphere.
36. It should take into account the disincentive effect of recent, potentially temporary reductions in the price of oil on investment in oil-to-coal conversion, which remains strategically vital in the long term. This disincentive effect should influence the use of interest rate subsidies and loans at favourable rates of interest by the Community.
37. The Community's long-term strategy should further take into account the need to provide, not only for oil-to-coal conversion but also for natural gas-to-coal conversion, since natural gas, like oil, is a depleting resource.
38. When the Commission comes to make specific proposals on the basis of the general strategy which is now outlined, it must show that it has taken full account of the need, not merely to encourage the consumption of coal in general, but specifically that of indigenous Community coal. It is not merely a question of ensuring a market for coal producing countries of the Community. The Commission must be prepared to show that it is willing to give practical effect to the acknowledgement it has already made in principle of the importance to the Community of security of supply of what is the Community's most important indigenous energy resource.
39. Action in this sense by the Commission must be a prerequisite for the success of any future Community energy policy, which must inevitably be premised on the need to avoid a disorganised free-for-all in access to energy sources based on a narrow interpretation of the self-interest of individual countries.

40. For this reason, it would have been preferable if the Commission had given stronger evidence of its intention to rise to this challenge by proposing a stronger measure, with regard to the encouragement of investment in coal-fired combustion equipment in general industry, and of investment in the conversion or re-conversion to coal or coke of oil-fired boilers in public buildings and in district heating systems, than merely a Council Recommendation.

