

EUROPEAN PARLIAMENT

# Working Documents

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DOCUMENT 1-1200/82

## Report

drawn up on behalf of the  
Committee on Energy and Research  
on the preconditions for an effective  
energy policy in the Community

Rapporteur: Mr D. PERCHERON



By letter of 4 June 1980 the Committee on Energy and Research requested authorization to draw up a report on the preconditions for an effective energy policy in the Community.

At its meeting of 19 June 1980 the enlarged Bureau authorized the committee to report on their subject.

On 24 September 1980 the Committee on Energy and Research appointed Mr E. PISANI rapporteur.

After Mr PISANI had been appointed a Member of the Commission of the European Communities, on 25 June 1981 the Committee on Energy and Research appointed Mr D. PERCHERON rapporteur.

The committee considered the draft report at its meetings of 26 February 1981, 15 May 1981, 25 June 1982, 2 November 1982, 3 December 1982, 18 January 1983 and 26 January 1983.

On 26 January 1983 it adopted the motion for a resolution and explanatory statement nem. con. with 2 abstentions.

The following took part in the vote: Mrs Walz, chairman; Mr Gallagher, vice-chairman, Mr Ippolito, vice-chairman; Mr Linkohr (deputizing for Mr Percheron, rapporteur); Mr Adam, Mr Beazley (deputizing for Mr Moreland), Mr Calvez (deputizing for Mr Pintat), Mrs D'Anglade, Mr K. Fuchs, Mr Griffiths (deputizing for Mrs Lizin), Mr Kellett-Bowman (deputizing for Mr Seligman), Mr Markopoulos, Mr Normanton, Mr Petersen, Mrs Phlix, Mr Protopapadakis, Mr Purvis, Mr Rinsche, Mr Rogalla, Mr Sälzer, Mr Sassano, Mr Schmid, Mrs Theobald-Paoli, Sir Peter Vanneck, Mr Veronesi and Mr Wurtz.

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A

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

on the preconditions for an effective energy policy in the Community

The European Parliament,

- having regard to the report of the Committee on Energy and Research (Doc. 1-1200/82)
- A believing that the first precondition for an effective energy policy in the Community is a determination by the governments of all Member States to ensure that energy supplies are available at economic prices, with minimal risk of interruption, in order to enable social and economic growth,
- B believing that the second precondition for an effective energy policy in the Community is the agreement of the governments of all Member States to make those investments of scale in energy production, distribution, research, development and demonstration which optimise the economic benefits to the Community as a whole as well as to individual Member States,
- C noting the importance of the Community's coal reserves and the technological skills of its peoples, a third precondition must be recognition of the essential contribution which exploitation of these resources can make to the Community's indigenous energy producing capability,
- D aware that the role of oil and gas in the energy consumption of the Community, its major trading partners and other states with which the Community has a special relationship, for instance the ACP states, the fourth precondition must be preparedness to develop relationships with oil and gas suppliers which pave the way to mutually beneficial economic development,

- E conscious of the role of energy costs in the overall cost of production and services, a fifth precondition must be determination to bring about transparency in pricing energy in the Community and throughout the industrial world, particularly to large consumers, so that energy subsidies do not become a substitute for tariff barriers,
- F mindful that the world's reserves of oil and gas are finite, and small relative to their role in the overall energy economy of the world, a sixth precondition must be acknowledgement that timely investments in other methods of energy generation and conservation must be made by the Community, governments, firms and individuals,
- G considering that energy shortage could be the cause of invasions of, annexations of, and wars with neighbouring states, a seventh precondition should be free trade and availability of energy,
1. Asks that, notwithstanding the present respite on the oil price front, in view of the permanent uncertainty hanging over the stability of the oil market and in view of the latent threat to the security of its oil supplies both now and in the future, the Community and each of its Member States take cognizance of the fact that they are faced with a challenge unprecedented since the birth of Europe, the challenge of safeguarding its energy supply, that they acknowledge their manifest vulnerability, that they commit themselves to taking the necessary measures demanded by such a situation and that these measures, drawn up and approved in advance, become standard practice for all the Member States;
2. Recalls and approves the initial reactions of the European Council in the midst of the oil crisis, which envisaged:
- the establishment of common progressive quantified objectives (1975-1985) to provide guidance for national policies,
  - close coordination of the positions of the Member States of the Community,
  - a necessary degree of cooperation between consumer and producer countries,
  - a reduction in the energy consumption growth rate by means of measures to rationalize energy use and save energy,
  - development of Community production of nuclear energy and of hydrocarbon and solid fuel resources,
  - research and development.

3. Observes that, although there has undoubtedly been progress in adjusting energy demand to supply, this has been achieved mainly through national policies;
4. Stresses once more that the principal objectives of the common energy policy must be the following:
  - to reduce the dependence of the Community on energy imports,
  - to avoid a situation in which growth in the energy sector depends on economic growth;
5. Asks the Member States of the European Community to work out a common energy strategy to achieve jointly agreed objectives, a common strategy which would give the national policies a new coherence which would leave each Member State free to decide on the options and the means of attaining the common objectives and which would give the Community an increased measure of determination to achieve real effectiveness by mobilizing as a matter of priority all the resources and all the instruments of Community policy;
6. Points out that a common energy strategy must be based on a true balance between the interests of the Member States;
7. Considers that, given that the founders of Europe had made provision for coping with a possible shortage of energy, the common strategy must be based politically and symbolically on an 'extra input of solidarity', that is to say, a formal declaration of solidarity by the ten Member States in the event of a major energy crisis, to consolidate existing arrangements;
8. Hopes that this formal declaration of solidarity will be made before the European Parliament by the President-in-Office of the Council of Ministers;
9. Believes that a Community strategy requires extra publicity to boost public awareness of the Member States' common interests regarding the energy problem;
10. Recommends, therefore, that every two years a report on the Community energy situation be drawn up and published by the Commission, debated by the European Parliament and brought to the attention of members of national parliaments;

11. Calls on the Commission to review the objectives already agreed in view of the unexpectedly low growth in the primary energy sector over the last two years to state what these are, and to formulate others if it deems necessary;
12. Calls on the Commission also to adopt environmental and safety standards which correspond to the latest technological developments as an essential precondition for a common energy policy;
13. Considers that the definition and adaptation of a Community energy strategy must necessarily involve for the Community the recognition of a new priority, energy, requiring substantially increased and better coordinated financial resources, that is to say:
  - a substantial increase in the energy and research sector's share of the budget;
  - intensified coordination of funds from the EIB, NCI, ECSC and EURATOM, 50% of which already go on the energy sector,
  - the setting-up, if necessary, of a European energy bank as a subsidiary of the EIB,
  - a call for careful consideration to be given to the notion of a Community energy tax on the consumption of hydrocarbons with a view to stabilizing energy prices and providing fresh funds for energy investments and for the Committee on Energy and Research to be asked to draw up an own-initiative report to examine the effects of such a tax in terms of energy policy;
  - a detailed study of the funds needed for the implementation of an energy strategy and the desirability of linking any increase in the Community's own resources, especially the 1% of VAT, to the implementation of such a strategy;
14. Notes that all studies carried out at world and European levels come to the conclusion that coal, which supplies 25% of the world's energy and reserves of which appear inexhaustible in the medium term, can supply some of the extra energy required for moderate economic growth between now and the year 2000;
15. Asks that the Community, where coal remains the main local source of energy, take up again the objectives laid down in 1974 and reaffirmed by the European Council in Strasbourg (1979) and inject new life into the 'European Coal Community' by providing it with the means to enable it to contribute genuinely to:



- the maintenance and development of European coal production within the framework of a 'European coal plan' as part of the overall European energy plan,
- the gradual control of the Member States' coal imports - for the Community has become the world's major importer - by setting up real consultation procedures,
- the desirable and necessary participation by the Member States in mines outside Europe,
- the maximum promotion, by specific technical and financial action by the Community, of the use of coal in place of oil in the production of electricity and in industry,
- the provision of the necessary investment for the infrastructures needed for the unloading, transport, treatment and processing of coal,
- the provision of the investment required for environmental protection and industrial safety;

16. Notes the declaration of the European Council in Strasbourg that 'without the development of nuclear energy in the coming decades, no economic growth will be possible....Nuclear energy must be used under conditions guaranteeing the safety of the population';

17. Requests the Member States of the European Community, in the light of this declaration, to ensure that a vigorous boost is given to their nuclear programmes;

18. Hopes that, when the regular debate on Europe's energy situation is held, a special effort will be made, in particular, by EURATOM, to provide and disseminate information about the problems of nuclear safety;

19. Proposes that, within the framework of the Community strategy, there should be 'contracts for convergence' which would allow Member States which so wish, in liaison with the Community to expand their nuclear energy programmes and any other energy policy included among the objectives agreed to by the Member States;

20. Reaffirms the value for the Community of studying all the available possibilities for a biomass strategy; thanks to technological and biological research, such a policy should become a profitable adjunct to the CAP, by replacing the cultivation of crops currently in surplus with the production of crops intended for the production of energy; to this end, proposes that a special European gasohol programme be formulated and implemented;
21. Considers that the new priority, energy, must allow the Community within the framework, in particular, of 'contracts for convergence', to continue and step up aid - which is often crucial - for pilot projects on alternative sources, giving priority to coal gasification and liquefaction and the development of new and renewable energy sources, and continuing its research and development programmes;
22. Proposes that, to this end, the ten Member States of the European Community set up European centres for research into renewable energy, to be sited in the Member State which holds a clear lead in the type of energy in question. Four centres appended to the national centres would pool the Community's financial resources and research personnel in order to improve and streamline research into the main new energy sources (solar, geothermal, wind and tidal energy);
23. Attaches the greatest importance to cooperation on energy with the developing countries and to the joint formulation and implementation of an energy plan for the Third World, by means of investment to promote the development of the most suitable energy sources using the latest technology in the field of photovoltaic solar energy;
24. Stresses that a Community strategy on the diversification of energy sources and the rational use of energy requires a substantial investment effort, which does not appear to be forthcoming at present; also stresses that the Community's role is to point to the considerable advantages of speeding up such investment, by offering to participate with the Member States in 'contracts for progress in the field of energy';

25. Calls on the Council to identify and agree those energy investments of scale which redound to the optimum economic benefit of the Community as a whole and its Member States, so that energy policy can make its sectoral contribution to European integration and economic growth,
26. Points out that energy price and taxation policies constitute one of the principle means by which the Community can help promote an effective common energy strategy,
27. Instructs its President to forward this resolution and explanatory statement to the Commission and Council, and to the parliaments and governments of the Member States.

EXPLANATORY STATEMENTI A STATE OF MANIFEST VULNERABILITY1981-1982 : A breathing space ?

1. More than eight years after the first oil crisis, which was followed by periodic shortages and sharp price increases, 1982 seems to have begun gratifyingly for the oil-consuming countries. The upward spiral has been halted.
2. This rather novel situation affects all the EEC countries. The statistics for 1981 show an appreciable drop in consumption (down 9%) and oil imports (down 16%, a fall of 366 million tonnes).
3. The reasons for this turn-round arising from an excess of supply over demand are :
  - The economic recession, which continues to affect all the industrialized countries and involves a disproportionate fall in energy consumption;
  - A drastic reduction in American imports;
  - The central role of Saudi-Arabia within OPEC;
  - The self-imposed savings of the industrialized countries and of Europe in particular.
4. Of these four factors for calm in the oil situation, only one is a reflection of the will of the Community and its constituent countries, and that is the fact that energy is being used more rationally and that oil is being replaced by other energy sources. No one knows, however, whether the determination displayed in the aftermath of the oil crisis and a period of recession is likely to be so effective if

the desirable resumption of lasting growth takes place.

5. In using words like 'breathing space', 'respite' and 'remission', all the experts stress the point that the oil-consuming countries should not be caught off guard by this stagnation in oil prices and that the energy saving campaign remains a priority. Oil will still be the main source of primary energy used by the European Community for a long time to come. Thus the Community will still be affected by the extent of stability in the oil market and oil prices, and by the regularity and security of supply.

#### Constant uncertainty

6. The first oil shock took the consumer countries totally by surprise, a rude awakening at the end of a period of oil produced at low prices and in virtually limitless quantities by the oil companies. The second oil shock in 1979 finally convinced Europe that it would not be enough to reduce its dependence on oil imports, to discover and exploit new hydrocarbon deposits in the North Sea, and to impose self-restraint until the horizon of 1990, since a single political event in a single producer country has demonstrated the fact that these were not enough. With oil we are no longer dealing with a true market economy because the producers need our money less than we need their oil.

7. In 1990 the EEC will be consuming approximately 1,300m toe, of which it will still be importing a substantial share. Will oil imports be at least as high as they are today in volume and value terms? The value of oil will largely depend on the interest of the OPEC countries.

- Will a barrel of oil in the ground be a more profitable investment than the 30, 40 or 50 dollars 'recycled' on the world's financial markets?

- Will it have been possible to use the enormous mass of petrodollars in the interest of its holders, the developing countries and the industrialized consumer countries or will it finally upset the balance of the world monetary system ?

8. Europe therefore has no choice; it still needs oil and, if it is to reach an understanding with the producer countries, it has an interest in needing as little as possible, in the knowledge that the OPEC countries will endeavour to increase their revenue whilst reducing production.

9. While the EEC remains the world's largest importer of oil, there is likely to be a substantial growth in world energy demand, especially on the part of the developing countries. The EEC countries' efforts to reduce their oil dependence and promote enormous energy growth should be seen in the general context of a probable build-up of energy demand in which EEC energy consumption will represent less than 10% of the world total.

#### A potential threat

10. While the two oil shocks were a severe blow to the economy of the EEC Member States, founded as it was on the use of cheap energy (coal in the 19th century, and gas and more particularly oil in the 20th); while the oil market has become primarily a seller's market; while the political, economic and social objectives of the Community are today clearly far too dependent on energy prices; the Community's vital problem remains its supply of oil and the constant risk to which it is exposed.

11. From the Middle East to China, Asia is the theatre of a prolific number of overt or latent conflicts in which oil is either at stake, the main weapon, or the pretext. Each conflict begins on a small scale, but as soon as it threatens to disturb the supply routes of the industrial countries it

becomes the focus of a potential confrontation between the superpowers.

12. The bulk of Europe's oil imports comes from the Persian Gulf, an area of several million square km<sup>2</sup>. Most oil traffic passes the straits of Hormuz, which have already been declared a 'war zone' by insurance companies on two occasions. What is at stake every day in the Middle East is not only the future of a gigantic buried treasure but also the economic control of Europe.

Thus the first precondition for an effective energy policy in the Community should be for the Community and each of its Member States to realize that they are facing a challenge unprecedented since the birth of Europe, the challenge of energy supply; they must therefore declare a state of manifest vulnerability and commit themselves to taking the necessary measures demanded by such a situation.

## II TOWARDS A COMMUNITY ENERGY STRATEGY

### Objectives

13. In a few weeks OPEC overturned the energy market, facing the industrialized and developing countries with a new era of costly and scarce energy. Since then the EEC has made slow progress on the road to a common effort to extricate itself from the 'oil trap'.

However, in the midst of the crisis, the first reaction of the European Council of Ministers was sound: 'A common energy policy is urgently needed in the new circumstances prevailing on the energy market.' The Council of Ministers also confirmed its determination to introduce a Community energy policy involving

- the establishment of common quantified targets as the guidelines for national policies and to provide guidance to producers and consumers of energy;

- close coordination of the positions of the Member States to enable the Commission increasingly to express a common foreign policy standpoint on energy problems;
- the need for cooperation between consumer and producer countries in which the Community and the Member States intend to participate;
- a reduction in the energy consumption growth rate through measures to rationalize energy use and save energy;
- the development of Community nuclear energy production and of hydrocarbon and solid fuel resources;
- a research and development campaign.

14. The general objectives were gradually quantified for the period 1975-1985:

- 50%, and if possible 40%, dependence on imports (63% in 1973);
- Community imports to be maintained at 472 mt (during the 'Seven Nations Summit' in Tokyo);
- reduction to 0.8, if not 0.7, of the ratio of GDP to energy demand growth;
- 70-75% of electricity production needs to be covered by nuclear energy and solid fuel (coal);
- the development of new and renewable energy sources;
- energy prices to be fixed as a function of consumption, taking into account the cost of replacement and development of energy;
- the development of rational energy use;
- perfection of the Community system to cater for emergencies.



## An extra effort of will

14. Since these recommendations were made, some progress has been achieved. Efforts to reduce energy demand (through energy savings and rationalization) and supply (diversifying production) have been completed; almost all have been carried out as part of national policy. There have been very few specific Community measures; in fact Europe has abandoned the search for a common energy policy. Although the second oil shock revived fears of shortages and deepened the economic crisis, the ten Community countries have not really sought to overcome the differences between their energy systems and their wide range of dependence on oil and energy imports.

15. The oil crisis has undoubtedly emphasized the 'strong points' of each country : North Sea oil, Dutch gas, German coal and the French nuclear programme, but it has also confronted all those countries with the same problems: economic recession, unemployment, inflation and balance of payments deficits. All have been exposed to the same risk of a sudden break in oil supplies. For this reason it is hard to believe that in the face of increasing OPEC power and widespread difficulties the ten Community countries whose economies and interests are so closely allied and interdependent, should not adopt a common strategy to face the energy challenge, a challenge without precedent since the birth of the ECSC and the common market.

16. In adopting a common strategy to attain the objective that they have set themselves, the Member States cannot be content to add up their assets and compare their weaknesses. They must accept from the Community the extra will needed to be decisive, whether within the Community or outside it. Using these common objectives the time has come for every country to invest the Community with the means to carry out its will and interpret its strategy.

The second precondition for an effective Community energy policy is a common strategy of the ten Member States to attain the objectives which have already been jointly fixed; a common strategy endowing the national policies and efforts with a new coherence; a common strategy which will entrust the Community with the decisive extra will needed to achieve real effectiveness.

### III POLITICAL ASPECTS OF A COMMUNITY STRATEGY

#### More solidarity

17. Security and stability of energy supply constitute a vital objective for the Community. It should be borne in mind that when the founding fathers began the construction of Europe in the energy field they made provision in the ECSC Treaty to cope with a possible energy shortage.

18. By acknowledging a state of manifest vulnerability, fixing common objectives and adopting a common strategy the ten Community countries would accomplish one of the most significant acts in the construction of Europe. However, they would weaken their new-found determination if it were not based on a standpoint which many would consider natural and all would consider symbolic: a solemn declaration of solidarity in the event of a major energy crisis, to consolidate existing arrangements.

19. This 'solidarity pact' would assume its full value if it were presented to the European Parliament by the President-in-office of the Council of Ministers. Recent world events have shown how far Europe has an interest in making gestures of this sort, however elementary they may seem.

The third precondition for an effective Community energy policy is thus additional solidarity in the event of a major crisis.

More publicity

20. There is a need to go far beyond the Commission's (well produced) annual report on the national energy policies of the Ten and their favourable or adverse impact on the Community's energy objectives. This report could form part of a Community energy strategy, becoming nothing less than a 'state of the Community in the energy field' and gradually beginning to serve as an indicative energy plan for all the Community countries.

21. On the basis of this report on the state of the Community in the energy field a major debate should be held in the European Parliament at intervals to be decided (every year, or every two years, for instance).

This 'state of the Community in the energy field' should at the same time be submitted for consideration by each national parliament.

22. Like the solemn declaration of solidarity, this procedure would invest the Community strategy with the whole of Europe's political dimension; it would contribute enormously to public awareness throughout Europe of energy problems in general, as well as increasing public understanding of specific energy sources, such as nuclear power, in the context of the rational use of energy.

Thus the fourth precondition for an effective Community energy policy is more publicity, through the regular publication of a state of the Community in the energy field, reflected in simultaneous debates in the European Parliament and the national parliaments on that document.

23. If the Ten are to try to resolve the problem of energy supply, which directly conditions the political, economic and social objectives of the Community, through a Community strategy, they will have to recognize that the time has come to identify a new priority for Community policy: energy.

#### IV - A NEW PRIORITY FOR COMMUNITY POLICY: ENERGY

##### A new priority: energy - new financial resources

24. There can be no new priority and no Community energy strategy unless financial resources are considerably increased. With the 3 or 4% of the budget set aside for energy, Europe cannot hope to attain the objectives it has set itself. Yet the energy priority is an unseen presence in the regular progress of the energy sector in EIB and NCI finance projects, and more naturally in the ECSC and EURATOM, totalling almost 50%.

25. The energy sector must receive an increased share of the EEC budget and must therefore benefit from an increase in the Community's own resources. The problem of increasing the Community's own resources may be considered and settled in relation to energy strategy: either energy represents a vital issue in Europe and the Community allocates the appropriate resources, or energy is not a vital issue and there is therefore no case for considering the strategy to attain joint objectives.

On the other hand the funds (from the EIB and NCI) made available to the energy sector, if in an unplanned and uncoordinated way, may be increased, for their volume and rational use surely now justify the creation of a European energy bank as a subsidiary of the EIB.

26. Finally, some oil-consuming countries are reluctant to welcome the present fall in the price of oil, which they regard as a disturbing phenomenon, since the Community's prime objective consists in reducing the consumption of imported oil. It would therefore surely be logical to envisage a moderate Community tax on imports, if not on Community oil production, in order to reinforce the financing of the Community energy strategy.

The fifth precondition for an effective Community policy requires appropriate financial resources for a Community strategy.

If energy is to be a new priority there must be a new European Coal Community.

We need an agreement in principle that coal is the key to the future.

27. 'We pledge our countries to increase as far as possible coal use, production and trade, without damage to the environment. We will endeavour to substitute coal for oil in the industrial and electrical sectors, maintain positive attitudes toward investment for coal projects, pledge not to interrupt coal trade under long-term contracts unless required to do so by a national emergency, and maintain by measures which do not obstruct coal imports, those levels of domestic coal production which are desirable for reasons of energy, regional and social policy.'

This declaration, taken from the final communiqué of the Tokyo Summit, is a perfect illustration of the views of all those interested in energy issues: coal has the key to the future.

28. Studies undertaken at the international level, at European level and at national level conclude that coal could be the source of energy for transition to the twenty-first century, providing the additional energy needed for moderate economic growth between now and the year 2000, if real energy savings, particularly in the case of oil, can be achieved, and if all the other sources of energy are actually mobilized.

29. At present coal provides 25% of world energy and coal reserves are inexhaustible for several generations to come (three to four times higher than oil and natural gas reserves, it is estimated).

Coal may be mined, transported and used in most areas in a way compatible with modern safety, hygiene and pollution standards without a notable increase in cost.

Coal is already competitive for electricity generation and many industrial uses. Decisive progress is likely in the gasification or liquefaction of coal. Appreciable progress has already been achieved in the field of coal combustion.

The Community: an institutional basis and a theoretical will

30. Europe was built on coal and steel. Today the Commission still constitutes the High Authority in the coal sector. Yet in spite of this High Authority, in spite of an ECSC budget and ECSC loans, in spite of an ECSC advisory council, there is no real European Coal Community and there is no Community policy for coal, the main indigenous source of primary energy.

31. Since 1973, the objectives of maintaining European production and developing coal consumption have been defined, confirmed and reconfirmed. (European production to be maintained at the 1973 level of 270 million tonnes. 75% of electricity to be produced from coal and nuclear power.) 'The use of coal in power stations must be stepped up without delay; its use in industry must also be encouraged. Special attention will be given to technological programmes to devise new processes for the extraction, transport and processing of coal' - European Council, Strasbourg, 1979.

## The European Coal Community: development of production

32. Since the first oil shock coal production in the Ten has declined (245 mt in 1981 compared with 270 mt in 1973); since coal is the main source of primary energy in the Community it is essential that any Community energy strategy should regard the development of coal production as a priority and should allocate substantial aid to that end, to complement national aid in the producer countries which should be maintained.

33. It would be desirable for the Commission/High Authority to take the initiative in proposing a 'European coal plan' associating the Community and the producer Member States, not just as a combination of national prospects, but as the expression of European will in the coal sector. This 'European coal plan' would define the terms on which Community aid and guidance, in addition to national efforts, would make it possible:

- to invest in new production capacity; in this perspective the European coal plan would also consider a level of coal production higher than the total of national production and requirements. Where an agreement was reached with one or more producers the Community should be in a position to take a significant part in the financial effort required;
- to maintain Community mines in operation wherever possible. Instead of encouraging the producer countries to concentrate their efforts on nationalizing production, the Community would achieve a significant political and psychological gesture of strategic value by studying in conjunction with the countries concerned a system of aid for difficult deposits which would show clearly that it did not intend to make its main source of primary energy subject to the fluctuating laws of the world market (in this context it may be remembered that an arbitrary jump in coal prices cost the Community countries 500 million dollars in 1980);

- to provide in all the Member States for the necessary investment in future infrastructure for unloading, transporting, handling and processing coal. This study would concern the EEC regional policy and the ERDF intervention funds, benefiting from the new Community priority - energy.

#### The new European Coal Community: control of imports

34. The Europe of the Ten has become the world's leading importer of coal. Imports have increased without any overall Community plan. They will rise at least threefold in the next twenty years. For the first time, in 1980 the coal market became a sellers' market. Prices are rising. Unless an initiative is taken, uncertainty and speculation will press heavily on coal supply in the Europe of the Ten. That is why a new European Coal Community should take several decisions to assure itself of some control over its imports.

35. A 'European supply agency' combining the Community's coal importers would rapidly become an important factor for balance on the coal market. It would soon show its planning ability and its capacity to influence contracts with exporting countries. To the Commission/High Authority it would represent the means of encouraging a long-term Community strategy.

- The strategy's effectiveness would normally be safeguarded by the fact that the main world coal exporters are industrialized countries close to the Community (United States, Canada and Australia). Why should the Community not give the Commission a mandate to negotiate with the United States as the main exporter? This would constitute nothing less than a United States-Europe 'coal pipeline', presenting more advantages and guarantees than the Siberia-Europe gas pipeline so severely criticized by the American Government.



- The creation of a structure suitable for Community participation in mining outside Europe should be studied without delay.

Because the Community created its first institutional machinery to deal with coal, which remains today its main source of primary energy; because the Community has also become the world's largest coal importer, the sixth precondition for an effective Community energy policy lies in the existence of a new European Coal Community, enjoying new financial resources and progressively making use of the methods and mechanisms which will add credibility to the Community's energy strategy.

A new priority: energy - a genuine European Atomic Energy Community

36. 'Without the development of nuclear energy in the coming decades, no economic growth will be possible. Nuclear programmes must therefore be given strong fresh impetus. Nuclear energy must be used under conditions guaranteeing the safety of the population' - European Council, Strasbourg, 1979.

As in the case of coal the Ten have reached agreement in principle. As in the case of coal there is an institutional basis: Euratom. As in the case of coal there is a record of Community action. As in the case of coal the joint objectives laid down have by no means been attained (50% of the target at present in the Community - 70,000 MWE instead of the 160,000 MWE sought by the Council for 1985). As in the case of coal the Community must first consolidate the aim it set itself and which has largely succeeded, a European Community of Atomic Energy.

37. The debate (whether annual or not) on Community energy strategy should accord a privileged place to a review of the state of nuclear safety in the Community which would touch on safety aspects. Since safety is at the centre of public concern in all the common market countries, and explains all the hesitations and forebodings, the European Atomic Energy Community should aim to make this regular event an exemplary opportunity for discussion, information, explanation and proposal.

Exceptional funds should be made available to the EAEC to enable the content and result of this full debate on the state of nuclear safety in the Community to be widely disseminated.

38. While the new financial resources exist, the development of nuclear energy should also receive proper priority within a Community strategy.

The concept of a 'contract for convergence' would incorporate the possibility of each Community country committing itself to attain, in agreement with the Community, two of the objectives already jointly laid down by the Ten and defined on the same occasion. One of these two objectives would be required to concern the development of nuclear energy, while the other would deal not only with the rational use of nuclear energy but also with the promotion of new energies, the stepping-up of research and development programmes, and with any other aspect of national energy policy falling within the framework of Community recommendations and decisions.

These contracts for convergence would be the subject of preferential Community finance. They would help to situate the development of nuclear energy in a more positive context in the eyes of public opinion whilst ensuring nuclear energy took its full and rightful place.

The seventh precondition for an effective Community energy policy is thus a genuine European Atomic Energy Community with the will and the means to consolidate existing achievements, inform public opinion and propose the balanced and contractual development of nuclear energy.

A new priority: energy - a strategy for biomass

An impressive potential source of energy

39. The quantity of solar energy contained in vegetable matter represents, on a world scale, almost twice the quantity consumed today in fossil fuels. By exploiting agricultural and forestry waste, 30 to 35 mtoe could be obtained in the Community. Energy cultures could also provide 30 to 35 mtoe by the year 2000, according to suitably cautious estimates, without radical changes in cultivation techniques or the use of agricultural land. It is essential that the Community should without delay adopt a strategy for biomass as part of the common agricultural policy.

A Community need: liquid fuels at its disposal

40. The transport industry of the Europe of the Ten depends on oil products for 97% of its energy consumption. The availability of safe liquid fuel is a vital element in any strategy for energy independence. The time has now come to give energy a new priority in the common agricultural policy.

The production of bioalcohol (ethanol) from sugar-beet, maize or other cereals, the development of vegetable oil production (mainly colza) to replace a proportion of gas oil in diesel motors, and the use of cellulose (straw, wood etc.) to produce ethanol or methanol would represent a real 'insurance policy' against any prolonged interruption of our supply of oil. What kind of premium would have to be paid by the Community? It would be a minute percentage of GDP; much greater difficulty was once involved in organizing agricultural Europe so as to achieve self-sufficiency in food.

The common market is primarily an area for the organized movement and trade in workers, products and ideas. The common agricultural policy already exists. The eighth precondition for an effective Community energy policy is therefore a biomass strategy designed in particular to provide the Community with a safe supply of liquid fuel as an 'insurance policy' to counter any major energy crisis.

A new energy priority - to continue and intensify Community achievements.

41. In many sectors the Community has made remarkable achievements in spite of the limited resources at its disposal.

Community aid for pilot projects on alternative sources

42. There is a danger that the financial risks and high investment cost may delay the exploitation of alternative energy sources. The Community has conducted an exemplary and effective campaign to demonstrate the industrial and commercial viability of new techniques, by encouraging their use and penetration on the European market.

The new financial resources should also be invested in the method and machinery established (40% of the total cost - half the subsidy to be repayable if the processes developed are commercially exploited.) The world's leading trading power cannot be satisfied with the small number of projects which are currently being run.

In connection with the 'contracts for convergence' stress could be laid on:

- the gasification and liquefaction of coal. A breakthrough in gasification would fundamentally change the parameters of our energy future;
- the development of new and renewable energy sources, such as solar energy, geothermal energy, wind energy, etc.

Community aid could play a decisive part in the contribution made by new energies to the European energy equation.

#### Research and development

43. 70% of projects at the JRC are devoted to research into energy sources (with nuclear power the main interest. New forms of energy are also being considered (hydrogen production from thermo-chemical processes, nuclear fusion - JET, solar energy, etc.). This Community effort deserves better recognition and promotion in order to guarantee our future supply and create for the short and medium term the largest possible number of energy-related projects.

#### Cooperation on energy with the developing countries

44. Today a population of 4,000 million consumes 7,000 million toe (of which 80% is derived from fossil fuel sources such as oil, natural gas and coal). By the year

2000, a population of 6,500 million inhabitants will consume approximately 15,000 million toe. Of these 6,000 million, half will live in the non-oil producing developing countries which, like the other developing countries, will increase their energy consumption three- or fourfold. Shortages, tension, crises and conflicts are likely to become the order of the day on the energy front in future.

45. Apart from the Lomé agreements and preferential agreements with Mediterranean countries, the EEC and its Member States are ideally placed for cooperation with the developing countries in the energy field. The new Community priority on energy would be of direct interest to the EDF and its exemplary action would enable fresh progress to be made with thorough investigation of the Third World's (present and future) energy needs and of the technologies best suited to promote self-sufficient energy development in the non-oil producing developing countries.

This new priority would also apply to the additional financial resources needed to establish a joint Third World energy plan.

The ninth precondition for an effective Community policy is thus the continuation, with additional funds, of the real achievements of Community policy in the energy field.

## V - A NECESSARY DISCIPLINE: CONVERGENCE

### Investments

46. Any Community energy strategy based on the diversification of energy sources and a more rational use of energy will call for a considerable investment effort.