

European Communities

EUROPEAN PARLIAMENT

Working Documents

1975-1976

17 June 1975

DOCUMENT 122/75

Report

drawn up on behalf of the Committee on Energy, Research and Technology

on the communication from the Commission of the European Communities to the Council on a draft Council resolution concerning a Community policy in the hydrocarbons sector and the financial aspects of Community hydrocarbon projects

Rapporteur: Mr S. LEONARDI

PE 40.027/fin.

By letter of 3 February 1975 the Committee on Energy, Research and Technology requested authorization to draw up a report on the communication from the Commission of the European Communities to the Council on a draft Council resolution concerning a Community policy in the hydrocarbons sector and the financial aspects of Community hydrocarbon projects.

Authorization was given by the President of the European Parliament in his letter of 18 February 1975. The Committee on External Economic Relations and the Committee on Economic and Monetary Affairs were asked for their opinions.

On 31 January 1975 the Committee on Energy, Research and Technology appointed Mr S. Leonardi rapporteur.

It considered the draft report at its meetings of 21 April 1975, 21 May 1975 and 2 June 1975 and unanimously adopted the motion for a resolution and the explanatory statement on 2 June 1975.

Present: Mr Springorum, chairman; Mr Flämig, vice-chairman; Mr Leonardi, rapporteur; Mr Artzinger (deputizing for Mr Andreotti), Mr Behrendt (deputizing for Mr Rizzi), Mr Berkhouver (deputizing for Mr Pintat), Lord Bessborough, Mr Burgbacher, Mr van der Gun, Mr Giraud, Mr Hougardy, Mr Krall, Mr Lenihan (deputizing for Mr Cointat), Mr Martens, Mr W. Müller, Mr K. Nielsen, Mr Noè, Mr Normanton, Mr Petersen, Mr Schmidt (deputizing for Mr van der Hek) and Mr Vandewiele.

The opinions of the Committee on External Economic Relations and the Committee on Economic and Monetary Affairs are attached.

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

MOTION FOR A RESOLUTION

on the communications from the Commission of the European Communities to the Council on a draft resolution of the Council concerning a Community policy in the hydrocarbons sector, and on the financial aspects of Community hydrocarbon projects

The European Parliament,

- having regard to the communications from the Commission of the European Communities to the Council (COM(74) 1961 fin. and COM(74) 2018 fin.);
 - having regard to the report of the Committee on Energy, Research and Technology and the opinion of the Committee on External Economic Relations and the Committee on Economic and Monetary Affairs (Doc. 122/75);
1. Recalls its resolutions on the proposal from the Commission of the European Communities to the Council for a directive concerning measures designed to attenuate the effects of the difficulties inherent in hydrocarbon supplies (Doc. 32/73) and on the proposal from the Commission of the European Communities to the Council for a regulation on the grant of the status of joint undertaking in respect of activities within the hydrocarbon industry (Doc. 12/72);
 2. Considers that it is necessary to restrict the Community's present excessive dependence - a result of previous policy - in energy supplies, to promote research projects on opening up internal sources of energy and to make a significant effort - greater than originally envisaged - to develop energy sources on the Community's territory. The necessary research within the Community must be intensified, and parallel improvements made in technology, although it must be fully appreciated that the objective cannot and should not be self-sufficiency;
 3. Considers that every possible effort should be made to stabilize the consumption of crude oil at the present levels and to meet future increases in demand from other energy sources. As large a proportion as possible of crude oil consumption in the foreseeable future should be met from Community deposits;

4. Considers that, to cope with possible supply difficulties, the Community should possess an economic and legal basis for facilitating the movement of petroleum products within the Member States ;
5. Is of the opinion that a rational energy utilization action programme aimed at improving the efficiency of energy utilization and eliminating waste, should be implemented so as to further the objectives of economic and social development;
6. Regards as positive but inadequate the initial steps taken by the Council in the field of information in adopting four regulations concerning information on investment projects and planned and effected imports of crude oil and natural gas; in particular considers it essential that public and private companies in this sector should provide information on the various cost and price factors (FOB and CIF) affecting the crude oil and various petroleum products imported into the Community and a detailed analysis of refining and distribution costs in each Member State;
7. Is of the opinion that the Community's energy policy depends on the different capacities of the Member States and on cooperation with the producer countries and the other consumer countries, and should therefore be defined, introduced and pursued on this basis by the Council, the Commission and the Member States;
8. Trusts that in the Community's energy policy the special position of the Community will take precedence over non-Community cooperation agreements;
9. Stresses that, if we want to have a Community energy policy, the Community must speak as one voice within the International Energy Agency;
10. Feels that an exchange of information and a flexible system of concertation between the public authorities and the industrial operators would make an essential contribution to a common energy policy, if this is based on Community directives;
11. Recommends more assistance from the public authorities and more generous financing of Community projects in the hydrocarbons sector, within the framework of the proposal from the Commission to the Council (Doc. 415/74);
12. Emphasizes that the Member States should, with the aim, among others, of combating inflation and protecting consumers, exercise greater vigilance in respect of the trends in prices of products sold on internal markets and those manufactured by industry, particularly by enforcing adequate control over the operators in this sector;

13. Is of the opinion that the Community's balance of payments deficit, due among other causes to the increase of petroleum prices, can be dealt with and remedied by means of various Community and international measures respecting the basic options of the Member States and benefiting principally the weakest members, but that the major need is for greater cooperation with the oil producing countries and the less developed countries;
14. Trusts that, in view of the importance of the problem, the Commission of the European Communities will, in future provide for consultation of the Parliament;
15. Instructs its President to forward this motion for a resolution and its committee's report to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTION

1. The Committee on Energy, Research and Technology has on a number of occasions concerned itself with the policy on hydrocarbons.

In Mr HOUGARDY's report (Doc. 12/72), to which the opinion (by Mr SPRINGORUM) of the Legal Affairs Committee was attached, Parliament approved the Commission's proposal for granting the legal status of 'joint undertakings' in respect of activities within the hydrocarbon industry, adding only a provision (Article 5a) that Parliament should be kept regularly informed of decisions implementing the Commission's policy in this sector¹.

The statement of motives of Doc. 2018 refers to Council Regulation No. 3056/73 concerning support for Community projects in the hydrocarbons sector (pursuant to Article 235 of the EEC Treaty): see the NORMANTON report (Doc. 415/74).

2. The Council, however, makes no reference to joint undertakings in this sector. In legal terms, under Article 113 of the EEC Treaty, there must be a common commercial policy for adopting Community protective measures whenever this is needed to safeguard supplies. The instruments of the common commercial policy are defined by EEC Regulations Nos. 1025 and 2603 concerning imports and exports from and to third countries in implementation of Article 113 of the EEC Treaty.

3. In Document 136/74, 'Towards a new energy policy strategy for the European Community' which was adopted in broad outline by the Council of Ministers of 17 December 1974, the Commission states on page 27 that 'a policy of oil supply for the Community must rest on four pillars:

- (a) a joint attitude towards oil importing and -exporting countries;
- (b) the development of secure resources;
- (c) a Community system making it possible to take appropriate measures to deal with supply difficulties;
- (d) the organization of the proper functioning of the market'.

4. In the present document (COM(74) 1961 fin.) the Commission omits the external aspects of the problem, referring to other documents for possible solutions, and confines itself to an assurance that 'the actions proposed...are entirely compatible with its guidelines for external aspects of Community policy'.

¹ See OJ No. C 40 of 1972

5. In fact, however, it is these very external aspects (relations with the producer countries and the other consumer countries) which constitute the unresolved problem on which there is no consensus among the Community countries.

6. It is also these external aspects which are critical for any supply policy for countries heavily dependent on external supplies, such as those of the Community, which today account for some 40% of the total world flow of hydrocarbons.

7. Even if following the Commission's example, we disregard the external aspects, hoping, perhaps, for a political solution which may result from ongoing negotiations that are proceeding mostly without participation by Community bodies, the whole debate on the policy of hydrocarbon supplies lacks a frame of reference, chiefly because it is not clear how much independence of outside supplies we want to achieve, what kind of relations we want to establish with the other consumer countries and with the producer countries, and, therefore, what price we are prepared to pay for the security of our supplies.

8. Secure supplies and low prices are the basic aims of any energy policy, and hence, obviously, of a policy confined to hydrocarbons, especially when, as is the case in the EEC, these represent today, and will continue to do so for a long time, by far the most important energy source.

9. We find, however, that in recent years prices have risen sharply, while supplies have not been even adequately secured. In fact, at times the security of supplies was extremely low, or, at least, that was the impression of public opinion, although it would seem that overall supplies from the producer countries had not diminished, even during those periods when tension was at its highest.

10. The following data on prices may be useful:

Prices of OPEC oil

(1963 = 100)

	Posted price	Market price (estimate)	Real posted price ¹	Real market price (estimate) ¹
1961	100	104	100	104
1962	100	101	101	102
1963	100	100	100	100
1964	100	95	98	93
1965	100	95	97	92
1966	100	95	94	90
1967	100	95	94	90
1968	100	93	95	89
1969	100	91	92	83
1970	100	90	87	78
1971	100	95	83	79
1972	127	125	98	96
1973	192	206	128 ²	137 ²
1974	647	546	385 ²	325 ²

¹Adjusted for industrial countries' export prices in US dollars.

²Estimate

Source : International Monetary Fund, International Financial Statistics,
International Bank for Reconstruction and Development,
'Changing Energy Scene' (internal document, December 1973)

It will be seen from the table that the OPEC countries did not manage to stabilize oil prices in the 1960's. Although the real market price in 1974 was three times higher than in 1963, it should be remembered that almost throughout the preceding decade, the price had been steadily falling.

11. The following table shows data on the output of the various oil-producing countries:

Quantity produced (1,000 barrels/day)

	January 1974	December 1974	December 1974	Change w.r.t. 1974	January 1975 (estimate)	Change w.r.t. 1974
	1973					
		% +		% +		% +
Saudi Arabia	8,483	+ 11.6	8,056	- 11	8,050	- 11
Iran	6,056	+ 2.7	5,946	- 1.9	5,500	- 8.4
Kuwait	2,324	- 8.8	2,548	+ 9.6	2,200	- 5.3
Iraq	2,184	+ 1.2	1,871	- 14.3		
Abu Dhabi	1,414	+ 8.6	1,217	- 14	700	- 51
Others	1,146	- 0.5	1,268	+ 10.6		
Total Middle East	21,518	+ 2.8	20,906	- 2.8		
Libya	1,606	- 26.4	975	- 40	850	- 47
Nigeria	2,271	+ 10.6	2,061	- 9.3		
TOTAL	25,395	+ 0.7	23,942	- 5.7		

12. It is true that, as the Commission says in its report, 'the world situation in the hydrocarbon sector is very insecure', but obviously the adverse effect is particularly great on the EEC, which is almost totally dependent on imports for its hydrocarbons which represent such an important factor in its energy balance-sheet.

13. The situation is due to a number of factors, many of which are beyond the EEC's control. But it is also, at least partly, due to the lack of an EEC policy which would reflect its position as the biggest consumer of imported hydrocarbons, a position which could give it a decisive voice in a number of areas even preceding the consumption stage.

14. Today, we must see whether, drawing a lesson from the unfortunate experiences of the past, we could not try to make some progress towards a Community policy in the hydrocarbons sector, at least within the guidelines provided by the 'new energy policy strategy for the European Community' (Doc. 136/74) which lays down a set of objectives thanks to which, by 1985 the EEC's dependence on external supplies should be reduced, from 63% in 1973, to 42%.

15. A fundamental condition for attaining this target is a radical change in the relative position of oil in the overall energy balance sheet and notably the stabilization, in absolute quantitative terms, of oil consumption (655 million toe in 1985, compared with 617 million toe in 1973), in other words, a definite reduction of its share in the energy demand (from 61.4% in 1973 to 41% in 1985). To this should be added the forecast increase in domestic oil output which should reach 180 million toe in 1985, reducing the EEC's external dependence to 75% from today's 98%.

16. The Community's output of natural gas (both from land and off-shore sources) ought to be developed to reach by 1985 at least 195 million toe, and possibly 225 million toe (1973 output: 114 million toe). The share of natural gas in energy consumption, including secure imports of 95 to 115 million toe, should total around 290 - 340 million toe. This is lower than the figure of 375 million toe envisaged in the 'New strategy'.

17. In conclusion, it can be stated that by working for improved stability of hydrocarbon supply conditions throughout the world, the EEC, which is the world's biggest consumer of hydrocarbon imports, could contribute to promoting world economic and monetary equilibrium.

II. MEASURES NECESSARY TO REDUCE WASTE AND OBJECTIVES IN ENERGY SAVING

18. The precarious supply situation, and particularly the increased cost of energy resources since the autumn of 1973, had caused the European Parliament to support all Community measures for preventing waste and especially for a more rational utilization of hydrocarbons to reduce the rate of increase of imports, and reduce oil consumption in those sectors where it can be economically replaced by other energy sources.

19. Community measures and objectives for rational energy use require a considerable effort, both on the part of individual Member States and at Community level, and the choice of the most appropriate ways and means.

20. The action programme on the rational utilization of energy envisages an improvement in the efficiency of energy utilization and the gradual elimination of waste, without jeopardizing economic and social progress. Reference should be made on this to the Commission's document (COM(74) 1950 final); in this report we shall only recall the main objectives concerned with hydrocarbon consumption.

21. The object is not to economize energy in the general sense of the word, but, first and foremost, to prevent waste, that is, to eliminate expenditures of energy that are not worthwhile compared with the desired results, while improving efficiency through technical progress.

22. This applies to all forms of energy, and involves overcoming habits deriving from long years of cheap availability of the most important energy source, oil, with the consequent waste of irreplaceable natural resources and grave pollution and general ecological damage.

23. In addition, in a situation where consumption leans heavily on oil, with all this implies, our energy scheme must be changed so that energy consumption can keep up with development, while the share of oil is, at least relatively, reduced.

24. Overall objectives which must be implemented according to the conditions in individual Member States, should constitute guidelines for national policies, and at the same time major indicators for Community energy producers and consumers. Even if in some cases they go beyond purely national needs, the convergent efforts undertaken by all the Member States will prove, directly or indirectly, beneficial to the Community as a whole.

25. Medium and long-term measures for energy saving should aim at approximately 15% of the Community's consumption, or approximately 240 million toe, calculating from the amount that would have been consumed without these measures.

26. There is a need for some specific short-term Community measures, and certain specific short-term targets for rational use of energy must be fixed. New measures to improve the maintenance and functioning of existing structures could produce results as early as 1977. The target for that date is to reduce the volume of internal Community consumption by 3% compared with what was originally planned.

27. What is more, the reduction in consumption of imported oil, offset by the consumption of domestic production, would help reduce the expenditure on imports of crude oil by 12% for 1975 and 27% for 1976.

28. Although the objective of reducing consumption by 15% is a Community objective, it should be achieved without distorting the market or otherwise infringing Community principles, such as the free movement of goods or freedom of competition.

29. It should be noted, nevertheless, that on 7 February 1975 the eight Community Member States belonging to the International Energy Agency undertook to reduce, by the end of 1975, through energy conservation measures, accelerated output from alternative sources and fuel substitution, the volume of imports into I.E.A. countries by 2 million barrels per day below the level they would have reached in the absence of measures now being implemented or planned for 1975. This will mean that the level of imports in 1975 will not be higher than in 1973 and will represent a reduction in imports of approximately 6 million barrels per day compared with the level that had been estimated for 1975 before the sudden and massive price increases took place.

III. INFORMATION AND CONCERTATION

30. The Committee on Energy, Research and Technology recalls the first steps taken in this direction when the Council, in May, 1972, adopted two regulations on the notification of investment projects and planned and effected imports of crude oil and natural gas. Today a new stage must be entered in this field. The pressures in the world market, the evolution of import requirements in other industrialized countries, the possibility of increased imports of finished products, into the Community and prospects for hydrocarbon production within the Community, make it essential that all the movements of hydrocarbons within and out of the Community should be more accurately known.

31. Sufficient information, a first and indispensable condition for any action, implies at the same time adequate knowledge by the national and Community authorities of the cost of supplies of crude oil and petroleum products into the Community.

— Information is a necessary tool for joint deliberations in which all those responsible should take part and which may result in changes of policy or modification of methods.

32. To achieve the coherence which it still lacks, the Community's energy policy should therefore provide for consultation between the Commission and the Member States in which, by means of specific hearings, private entrepreneurs could also take part.

33. As to commercial policy, we feel that this cannot be treated solely in terms of tariffs or quotas. It is closely linked with the type of operators in the market, and therefore with the evolution of the position of the public enterprises and 'independent' operators relative to the big companies which have so far been dominating this sector, as well as with the policy of cooperation with the producer countries, especially as the latter will tend increasingly to market their crude oil directly.

34. In this connection we should recall the proposal for the establishment of a Community agency to supply a part at least of the Community's requirements; this is a welcome example of a Community initiative.

35. If this concertation is to fulfil all the hopes attached to it, it would be best not to define too rigidly the areas in which it should take place. Flexibility in concertation as to the methods and the areas of activity will enable agreement to be reached in a gradual and planned manner on specific measures necessary for the attainment of the Community's hydrocarbon policy objectives.

36. The Community's supplies policy should be based on cooperation with the producer countries and the other consumer countries. For this, exchange of information and flexible concertation between the public authorities and the industrial operators is needed, as well as rational utilization and development of the resources available.

37. The Community's hydrocarbon policy should be pursued in a general, economic, monetary and international political context and its guiding principle should be the free movement of oil and petroleum products in the Community to permit in adequate measure the free play of competition and ensure the requisite transparency of the market to enable the public authorities to keep track of the situation in the market and of the functioning of the petroleum industry.

38. In order to be usable, the information must obviously satisfy certain minimum conditions as to uniformity of presentation and should concern all the major aspects of the economics of hydrocarbons.

39. Regulation 1055/72 concerns imports of crude oil into the Community, while Regulation 1056/72 deals with reports and forecasts to be notified each year to the Commission on existing, used and projected installations in the hydrocarbons sector, notably oil and gas pipelines, emergency stocks and refining capacities. There are other proposals from the Commission to extend the scope of information.

40. It would be useful to know how the information system has been functioning so far and what are the Commission's conclusions as to the requirement of detailed, regular and standardized information on various aspects of costs, of the price of crude oil and of petroleum products imported into the Community, and of refining and distribution costs in each Member State.

41. There is no doubt that everything possible should be done to intensify the exploration effort using all the available resources and the most advanced techniques. Obviously, this will not be achieved simply by a liberal policy, on granting exploration permits and licences for exploitation. Such a policy would only benefit interests external to the Community, not only those of the big multinational companies already operating on the Community market, but probably also of the producer countries which would thus gain a direct control over the efforts of our countries - the principal importers of their products - to obtain a greater margin of independence.

42. The Committee on Energy, Research and Technology is of the opinion that, at the level of the individual countries, there should be more intervention by the public authorities and, at Community level, more coordination - leading in turn to greater possibilities for including in the collaboration private interests, both in and outside the Community.

43. No one should be excluded, provided it is possible to assess and control his effective contribution to the common good. In this connection, however, we wish to reserve the right to examine the proposals for joint undertaking status which the Commission proposes to submit.

44. We should like to put forward some information on hydrocarbon resources within the Community territory.

International crude oil prices have encouraged intensified drilling in the North Sea, the most important of the new production areas, and this was, in fact, the trend even before the vertiginous oil price rise at the end of 1973. Early in 1973, there were 15 drilling rigs working off the coasts of Northern and Western Europe. By the autumn of 1974, there were over 40, and another 50 had been ordered.

45. In December 1973, the confirmed oil deposits under the North Sea amounted to 14,000 million barrels. Later estimates put the volume of proven reserves at 18,000 million barrels, but according to even more recent information, it is probable that the North Sea reserves south of the 62nd parallel are some 42,000 million barrels, distributed as follows:

	Norway	United Kingdom	Other countries	Total
Confirmed reserves	5,000	13,000	2,000	20,000
Additional reserves estimated on the basis of current information	9,000	13,000		22,000
				42,000

46. These estimates disregard other, much less explored but highly promising, potential reserves under the North Sea. The Norwegian waters of the Barents Sea, north of the 62nd parallel, and areas off the French coast, notably off the coast of Brittany, seem particularly promising.

47. Improvements in exploitation techniques should significantly contribute to increasing the stocks. It is also likely that, in view of the high cost of oil, there will be further technological development.

48. The resources which could increase our stocks are located principally under the sea. Present-day techniques, which enable undersea deposits at a depth of about 1,000 metres to be explored, are likely to be developed further, and probably still more rapidly than in the past. It is generally believed that a major advance in oil technology is possible.

49. In view of the foregoing, the Committee on Energy, Research and Technology is of the opinion that public support for Community projects would be advisable with the proviso of improved information and a widened scope for intervention. The device of 'joint undertakings', a special instrument laid down by the Treaties for the implementation of Community policies should be one of the means used to this end.

50. The need for more detailed information was emphasized in Doc. 136/74 ('Towards a new policy strategy ...'), but in the document with which we are concerned here, the only reference is to further delays.

51. The Committee on Energy, Research and Technology, however, is of the opinion that this basis of information is essential for the proper functioning of the market and adequate protection of the consumer, as demonstrated by reports and investigations made by national authorities.

52. The object of information collection should certainly not be harrassment but primarily to supply the basis for satisfactory consultation between the public authorities (which according to the Commission is already adequate), and with private operators. It seems, however, worth recalling that the 'new energy policy strategy' has been accurately described not as a set of forecasts but as a set of targets, the attainment of which cannot be left to economic forces alone, but for which a price will have to be paid.

53. Information and consultation, therefore, do not seem to be enough, and should be accompanied by appropriate intervention by public bodies in the drawing up and implementation of appropriate policies on imports and processing-~~matters~~ that obviously cannot be left to the initiative of private enterprises which generally represent interests external to the Community and which until now have controlled the Community's supply position and thereby the conditions of its life and development.

IV. THE IMPORTANCE OF A PRICE POLICY FOR THE PROPER FUNCTIONING OF THE COMMON MARKET

54. The events of the end of 1973, the increases in producer prices during 1974, the decisions of the producer countries to apply continuous and even retrospective price increases, are all factors which should induce the Community Member States to take steps to obtain the most accurate information possible on the mechanism of cost and price determination in the oil companies and on the markets. It should also be remembered that the prices of crude oil seem to have entered a stage of instability and in real terms have considerably decreased, given the devaluation of the dollar, the currency in which they are calculated, and the continuous rise in the prices of products from manufacturing countries.

55. It should, however, be borne in mind that in all matters concerning the reliability and prices of supplies, economic and political relations between producer and consumer countries play a decisive role. For instance, the commitments entered into by the eight EEC countries within the framework of the International Energy Agency merit careful examination, as do the current negotiations preparatory to the Tripartite Conference.

56. Evidently, there is a price to be paid for every kind of security. Security depends to a large extent on the degree to which our needs can be met from internal resources. We should also make up our minds how much we are prepared to pay for increasing our own security. There is no doubt that one of the principal obstacles to the establishment of a common policy has been lack of sufficient clarity on this point. Although it is impossible to quote figures, it is certain that failure to develop, or insufficient effort by the Community to develop, its own internal resources has been very costly - and not only in monetary terms.

57. This is why the Committee on Energy, Research and Technology believes that the Commission's statement that 'it is important to maximize, although on the basis of sound economic criteria, the contribution made by hydrocarbons situated within the Community to the energy supply' can be interpreted as a reaffirmation of the need for the rational use of available resources, but certainly not in terms of comparison with the costs at external sources, since for the great bulk of hydrocarbons originating in the 'oil paradise' the costs are extremely low owing to particular circumstances which, as demonstrated at a recent hearing held by the Commission, cannot be expected to be reproduced elsewhere.

58. Nor, in the search for 'sound economic criteria', can comparison be made with current prices of imported oil; for whereas the present high costs of oil imports may make exploration for hydrocarbons within the EEC - in situations much less favourable than those in which most of the oil extraction in the world takes place - economical, it by no means follows that a possible decrease in world oil prices should cause either the prospecting or the exploitation of already operative installations to be written off as uneconomical.

59. If the concept of 'sound economic criteria' were to be interpreted in this sense, the Community would find itself at the mercy of decisions (whether on price increases or decreases) external to it thus depriving itself of independence of decision and of any possibility of working out a common policy in this sector. This, as we know, is one of the main subjects currently under discussion between the EEC and the USA, and one on which there are the greatest divergencies of interests, deriving from the different situations in which the countries concerned have to operate.

1. In the light of recent developments in the field of energy and their international implications, the Member States of the EEC ought straight away to adopt new measures to create the regulative and administrative framework, as well as the international framework, needed to ensure the availability of essential energy supplies. Recognizing the desirability of formulating and implementing a policy on a Community basis, the Commission has made several studies and proposals in this field, amongst them the implementation of a Community policy for oil and natural gas.

The present document, dealing with a Community supply policy for this sector, is welcomed by the committee as exhibiting an awareness of the vital importance of Community measures, and outlining useful guidelines for the Member States and industry to follow.

2. Our committee would stress however, that while the Community ought straight away to take specific action in accordance with the principles set out in the Commission document, it is for the Member States to ensure the smooth implementation of, and uniform compliance with, the various regulations and directives referred to by the Commission.

The Committee on Economic and Monetary Affairs feels that the successful pursuit of a great part of the proposed policy will depend on intelligent and lasting cooperation with Member States, non-Member States and industry. Given the new balance of market forces, industry now has a supplementary but essential role to play; the Member States ought therefore to guarantee, through reasonable price controls and free trade, the degree of internal stability necessary on markets, so that the Community could be the first to benefit from the aid supplied.

The Commission should keep a close check on developments in this area, and particularly on the effects of regulations already in force. Our committee welcomes projects such as those supporting hydrocarbon exploration but would like such aid to be granted in the light of the intrinsic worth of the projects and of their innovatory character and soundness. It recommends that the funds set aside for them are not squandered by allocating them in proportion to the economic influence of this or that Member State for political reasons or under the pressure of interests; otherwise, the seriousness of the Commission's intentions would then be laid open to doubt.

3. The price transparency called for by the Commission should be based on careful interpretation of information on price levels in the various Member States, taking into account the different patterns of consumption, and also on patterns of prices in force with a view to their control in Member States.

This would imply the need for continual cooperation with industry and rigorous supervision by the Commission. Certain aspects of price patterns have already been the subject of investigations by the Commission; this was shown, for example, by the Commission's report of 19 February 1975 entitled "The Evolution in the Community of the Conditions of Access to Crude Oil and the Price of Petroleum Products to the Consumer in 1974", (SEC(75) 757) which has made it possible to determine the margins of the principal international oil companies that operate within the Community.

The committee welcome the conclusion arrived at, namely that the prices were not excessive. A similar enquiry by the United States Senate Committee led by Mr Church reached the same conclusion for his country. This situation largely results from competition in the oil sector. However, whatever the state of competition, our committee acknowledges that prices should be fixed at a level enabling the sector adequately to finance its own operation.

4. The committee welcome the call for the eventual harmonization at Community level of taxes and duties on petroleum products so that the true effect of the cost of energy would be comparable in the various Member States. Only when this has been done will it be possible for a Community energy policy to be established on a completely rational basis.

5. Our committee agree with the Commission's proposal for monitoring exports and imports of hydrocarbons by the automatic granting of an export or import licence. As this would clearly be done by the Member States themselves, the Commission should take steps to ensure that it is supplied with this information with the minimum delay so that, if necessary, it can immediately modify its plans in the light of these figures.

Our committee, however, would point out that a common commercial policy in this sector would necessitate cooperation with Member States, non-member States and international companies. In addition, discrimination against imports on grounds of nationality should be avoided in agreements with third countries.

6. In view of the Commission's statement that the 'availability of permanent emergency stocks of a minimum level is the simplest and most effective way of coping with any supply difficulties', the committee would refer to its opinion on the Commission's proposal for a directive obliging the Member States of the EEC to maintain minimum stocks of fuel at thermal power stations. In this opinion (see Doc. 113/74 of 10 June 1974) the

committee expressed the view that the proposal that stocks should not be allowed to fall below the minimum required to provide a 50-day supply of energy represented a relatively modest requirement.

Under present circumstances, it would be wise for the Commission to take steps to step up this requirement, as well as ensuring that Member States fulfil their undertaking to increase their stocks of petroleum products from 65 to 90 days' supplies on 1 January 1975.

Our committee points out, however, that the Member States ought to make the most of the scope for reciprocity afforded by the Community directive, and financing stocks in such a way as to prevent discrimination or clashes between markets.