

# European Communities

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EUROPEAN PARLIAMENT

## Working Documents

1975-1976

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27 June 1975

DOCUMENT 147/75

### Report

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

on the proposal from the Commission of the European Communities on the  
'Mediumterm Guidelines for Coal 1975-1985'

Rapporteur : Mr F. BURGBACHER

PE 40.178/fin.



By letter of 18 December 1974 the Committee on Energy, Research and Technology requested authorization to draw up a report on the Medium-term Guidelines for Coal 1975-1985.

The President of the European Parliament authorized the committee by letter of 15 January 1975 to draw up a report on this matter.

On 16 December 1974 the Committee on Energy, Research and Technology appointed Mr Burgbacher rapporteur, subject to authorization by the President of the European Parliament to draw up a report.

At its meetings of 21 April and 11 June 1975 the committee discussed the draft report and adopted the motion for a resolution and explanatory statement unanimously with one abstention on 11 June 1975.

Present: Mr Flämig and Mr Leonardi, vice-chairmen;  
Mr Burgbacher, rapporteur; Mr Bertrand (deputizing for Mr Andreotti), Mr Giraud, Mr Van der Gun, Mr Hougardy, Mr Martens, Mr Memmel, Mr Normanton, Mr Pintat, Mr Rosati (deputizing for Mr Noe') and Mrs Walz.

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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 proposal from the Commission of the European Communities on the 'Medium-term Guidelines for Coal 1975-1985'

The European Parliament,

- having regard to the Commission's proposal on medium-term guidelines for coal 1975-1985<sup>1</sup>
  - having regard to the resolutions it has adopted in the past on this subject, and in particular,
    - on adequate medium and long-term measures for the further alleviation of the energy supply crisis in the European Community,<sup>2</sup>
    - on the proposal from the Commission to the Council for a resolution on the objectives of the Community energy policy,<sup>3</sup>
1. Reiterates its view that Community hard coal must make a far greater contribution to the security of energy supplies in the Community than hitherto, especially as nuclear energy will not be able to meet expectations as to output by 1985;
  2. Feels, therefore, that
    - (a) the required energy policy conditions should be created in good time;
    - (b) the Medium-term Guidelines for Coal 1975-1985 should be kept under constant review and be extended to form long-term guidelines for all energy activities beyond 1985, with due account taken of the following requests, so that logical long-term decisions may be taken as early as possible by the appropriate organs of the Community:
    - (c) the required economic and social policy measures must be taken in good time to provide the Community's coal industry with a basis for reliable long-term planning:

<sup>1</sup> OJ C 22, 30.1.1975, p. 1

<sup>2</sup> OJ C 40, 8.4.1974, p. 55

<sup>3</sup> OJ C 76, 7.4.1975, p. 30

(d) to fulfil the tasks it is to be set, the Community's coal industry must plan well ahead and can make investments to maintain or increase production only if assured of stable outlets in the long term at proceeds which cover costs of production;

3. Requests the Commission

- (a) to take steps as soon as possible to establish a suitable, long-term ratio of hard coal produced in the Community to that imported from third countries within the framework of a common commercial policy; in so doing, it should refer to the experience of the Member States wherever possible;
- (b) to ensure that subsidy schemes which have proved successful in the Community are extended and used as a common energy policy instrument;
- (c) also to ensure that all other measures, including stockpiling at the pithead and possibly at consumers' premises, are taken to enable the objective of constant, but substantially increased hard coal production within the Community, with assured, though fluctuating sales, to be achieved as soon as possible and to this end, to introduce reference prices - or other suitable measures as a basis of calculation:
- (d) to increase to an adequate level the funds earmarked for research and development measures in the fields of mining technology, coal processing and coal utilization in view of the tasks to be fulfilled in the future;

4. Calls on the Council, where its agreement is required by the provisions of the ECSC Treaty, to approve proposals from the Commission which correspond to these requests and to regard the fulfilment of these requests as strengthening the political position of the Community and the Member States in the world, especially as it will thus be carrying out in the most effective manner possible the instructions with respect to energy policy issued by the Heads of State or Government of the Community at their various meetings;

5. Calls finally on the Member States to suspend or at least relax any measures they have taken or intend to take to prevent the recruitment of workers from outside the Community for the coal industry, since all workers in this industry must be assured of optimum job security in the interests of security of supplies;

6. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities and to the governments of the Member States.

EXPLANATORY STATEMENTI. The role of coal in the Community's energy suppliesA The new supply strategy

1. The document under discussion rightly stresses the reasons why it is a matter of urgency for a new energy supply structure, which above all considerably reduces dependence on imported crude oil, to be established in the European Community.

As regards meeting the Community's primary energy requirements in 1985, the document repeats the objectives set out by the Commission in its document 'Towards a New Energy Policy Strategy for the Community' (COM(74)550 final) of 29 May 1974, on which the European Parliament delivered an opinion in its resolution of 10 July 1974<sup>1</sup> based on the report drawn up by Mr Pintat (Doc. 184/74).

2. In its resolution of 17 September 1974<sup>2</sup> the Council approved the main guidelines of this new supply strategy. In a second resolution of 17 December 1974<sup>3</sup>, however, it modified the Commission's projection:

- (a) The attempt is made to achieve an even greater decrease in the growth rates of primary energy consumption for the whole Community up to 1985 compared with earlier estimates, than was proposed by the Commission in its "New Strategy".
- (b) The share held by nuclear energy in meeting total requirements in 1985 is to be at least 13% and if possible 16%; this objective is below the 17% originally proposed by the Commission - on the basis of expected higher total requirements.

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<sup>1</sup> OJ C 93, 7.8.1974, p. 79

<sup>2</sup> Published in the Bulletin of the European Communities, No. 9/1974, p. 24

<sup>3</sup> Published in the Bulletin of the European Communities, No. 12/1974 p. 14

- (c) The part to be played by natural gas is, at 18 to 23%, also below the 24% proposed by the Commission in its 'New Strategy'.
- (d) The objective set for solid fuels of 250 million toe = about 357 million tce for 1985 is in line with the Commission's original proposal; the share of solid fuels in meeting the reduced overall requirements would be 17%.
- (e) The contribution required of mineral oil in 1985 is consequently 41 to 49%, as against 41% in the Commission's 'New Strategy'.

3. The modifications made by the Council to the energy supply structure originally proposed by the Commission reflect doubts as to whether it is realistic to count on so vast an increase in nuclear energy capacities and natural gas availability in the short period up to 1985 as the 'New Strategy' had done.

Such doubts also exist, however, as regards the objectives set by the Council. It is at least uncertain whether the European Community can expand its nuclear power capacities to 160-200 GWe in only 10 years. It is also doubtful whether it can afford, in addition to its imports of mineral oil, so steep a rise in the volume of imported natural gas with all the political and economic consequences which that entails. It should not be forgotten in this connection that the increased imports of natural gas would originate to a considerable extent from OPEC countries and thus be subject to the same political risks as crude oil imported from those countries. There must therefore be no delay in introducing the gasification of lignite and hard coal, initially by pressure and later with the aid of process heat from high-temperature reactors.

4. Moreover, it is doubtful whether the economic growth set as the Community's goal for the next decade can be achieved at the reduced increase in energy consumption taken as the objective by the Council in its resolution of 17 December 1974.

5. The doubtful nature of the prospects for the Community's future energy supplies is further underlined by the fact that even at the low rate of increase in energy requirements that has been assumed and even if the development of the nuclear energy and natural gas sectors is optimal, the required absolute share of mineral oil will not in fact decrease, but at least remain stable or even continue to rise.



6. If, on the other hand, only one of these conditions is not met fully or by the projected time, the Community will inevitably be faced by one of the three following alternatives:

- a shortage of energy supplies,
- a renewed increase in mineral oil imports from the Arab and African countries,
- a greater contribution by the Community's coal industry.

7. Community hard coal is, however, unlikely to play a substantially increased role unless it forms part of the long-term energy programme from the outset.

To eliminate supply bottlenecks, the Community cannot rely on obtaining major additional quantities of hard coal from the world market. Such coal would, moreover, serve a purpose only if steps were taken to create and keep in constant use appropriate coal-consuming capacities as part of the longterm overall strategy.

8. The following is thus apparent: the 250 million toe (equivalent to about 357 million tce) put forward by the Commission and Council for 1985 is a modest minimum objective. In view of the poor import prospects this is even truer when it comes to merely maintaining hard coal production in the Community at its present level of 180 million toe (about 255 million tce) until 1985.

9. Considering all the risks to which its future energy supplies are exposed, the Community should decide to change its tack with even greater determination and make common cause with all the Member States in partially and progressively restoring the hard coal mining capacities lost in the last fifteen years under the pressure of the oil flowing into their territory.

10. In its history, the hard coal industry has repeatedly demonstrated its strength and ability to raise its production to past, higher levels. It will be able to do this again if it has the support of a clear Community policy oriented in the long term towards this objective.

11. This policy should, however, apply to a period beyond 1985 if it is to serve as an adequate basis for the investment decisions required to reactivate the potential of the hard coal industry. It should also take account of future possibilities of applying new technologies for

the gasification and liquefaction of coal, the systematic development and utilization of which must be the subject of clearly defined objectives set well in advance.

12. An energy policy that is directed towards restoring the production capacities of the hard coal industry would appear generally worthwhile and necessary from the following points of view:

- (a) Hard coal is by far the most extensive source of energy in the Community. Even though conditions in the various coalfields of the Community vary, total deposits are so large that they will meet increasing hard coal requirements for many decades to come;
- (b) Within natural limits, the amount of hard coal produced in the Community and its costs and prices can be directly influenced by the economic policy of the Community and its Member States; it is free of those quantity, price and political uncertainties that accompany energy imports;
- (c) The Community's hard coal industry therefore represents a particularly important element in the security of supplies, above all to the iron and steel industry and the electricity industry, on which its sales have increasingly been concentrated.
- (d) To the extent that Community hard coal replaces imported sources of energy, it will make a direct contribution to easing the drain on foreign exchange.

B. Estimated hard coal requirements

1. Power stations

13. The figures given in the Commission's document on the trend in electricity requirements in the Community show that even if the assumed developments of nuclear energy could be achieved, 30% more electricity would have to be generated from all conventional sources of energy:

Gross electricity generation in the Community

	- in TWh -		
	<u>Total</u>	thereof:	
		<u>Nuclear energy</u>	<u>Conventional energy</u>
1974	1,066	79	987
1985	2,400	1,094	1,306

If there is to be a serious effort to achieve the Commission's stated objective of reducing power station consumption of fuel oil and natural gas, the amount of hard coal used to generate electricity by 1985 will have to be increased by considerably more than the 30 million tce referred to in the document as additional requirements.

14. This conclusion becomes all the more compelling and necessary from an energy policy point of view when it is remembered the European Parliament has long doubted that the increase in electricity generated with the aid of nuclear power to 1,094 TWh also taken as a basis in this document can actually be achieved in 1985: it would presuppose the installation and a high load level of a nuclear power capacity of 200,000 MW. This objective is also regarded by the Council of Ministers as problematical. Its resolution of 17 December 1974 merely speaks of a nuclear power station capacity in 1985 of 'at least 160,000 and, if possible, 200,000 MW' as the goal of the common energy policy. To this extent, the Council and Parliament are basically in agreement. Parliament, however, must draw the conclusions because the Council has not done so.

15. Increasing to 149 million tce the amount of hard coal used to generate electricity must accordingly be considered a minimum objective, which in all probability will not even be enough to prevent the electricity generating sector from becoming dangerously dependent on mineral oil.

Furthermore, with a view to meeting electricity requirements after 1985, provision must be made in good time for the development of a growing power station capacity based on hard coal. The development of nuclear energy, at whatever rate it may take place, is in any case subject to limits. Even if 75% of the electricity consumed in the year 2000 was generated with the aid of nuclear power, the remaining requirements could only be met by using conventional sources of energy in quantities far in excess of the objective set for 1985.

## 2. Coking plants

16. The Commission's document reveals that the Community's coking coal requirements will not decrease up to 1985, but in fact rise in comparison with 1973. The share of the iron and steel industry in total coking coal requirements will gradually increase, whereas a drop in the coke requirements of the other sectors is predicted. Whether this drop will be of the predicted magnitude depends not least on the development of prices in the mineral oil market.

17. At all events, the Community will continue to need large quantities of coking coal for many years to come. This sector particularly underlines the importance to be attached to the Community's hard coal for the supply of its own industry.

18. The future alone will show whether the expansion of steel capacities in coastal regions will result in changes in traditional coking coal supply patterns. This ultimately depends on how far the conditions for obtaining coking coal from third countries improve. Prices have risen constantly since 1970. The quantities available are at present very limited and will continue to be so in the future. The question is, therefore, whether this situation will undergo any noticeable improvement. The European coal industry will in any case be able to continue meeting a very high percentage of the Community's coking coal requirements if provision is made for this in good time in the energy policy decisions to be taken.

### 3. Other markets

19. The decrease in requirements in the other sectors will also be considerably affected by the development of the situation in the mineral oil market. It could and should be less pronounced if the substitution of fuel oil by other sources of energy is to continue.

### 4. Demand for hard coal in 1985 and after

20. The new coal gasification technologies now being developed open up for hard coal tremendous prospects of meeting a higher proportion of primary energy requirements after 1985 than in the recent past.<sup>1</sup> The Community's hard coal requirements - 304 million tce in 1985, according to the Commission's document - may consequently continue to rise in the years after 1985. However, the appropriate energy policy conditions must be created in good time. It would therefore be advisable and correct from an energy policy point of view to extrapolate the Guidelines for Coal beyond 1985 as soon as possible. On the basis then provided the Community and Member States should take the long term energy policy decisions without delay.

### C. Estimated hard coal supplies

#### 1. Community coal production

21. The objective is clear and a matter of urgency: future energy requirements should be met as far as possible from Community sources. Consequently, the stabilization of hard coal production in fields whose development in the past few years has been extremely unfavourable should not be excluded from the outset. The coalfields considered to have fairly favourable prospects should, however, include the Belgian Campine field, for example: it meets a high percentage of the coking coal requirements of the Belgian iron and steel industry and with a suitable policy, could continue to do so in the future.

<sup>1</sup> See Burgbacher report, Doc. 325/74

22. The coal industry must undoubtedly continue to do everything in its power to contain the increase in its production costs as far as possible. It will, however, be of decisive importance for the economic policy to succeed in reducing the rates of currency erosion at least to a reasonable level.

23. Labour-intensive sectors such as the mining industry are hardest hit by inflationary developments. A comparison of relative cost trends in the mining industry with those of other industries will, however, be less important than price trends. Of prime importance will be secure supplies of other sources of energy in sufficient quantities. Above all, it will become increasingly difficult to obtain the foreign currency required for imported sources of energy. The arguments in favour of the preferential use of Community hard coal will therefore continue to gain in weight.

## 2. Coal imports from non-member countries

24. As a supplement to hard coal produced in the Community, hard coal imported from third countries might in principle represent a valuable contribution to the diversification of energy supplies and in particular to the continued reduction of dependence on imported mineral oil.

25. The Commission's document rightly points out, however, that the volume of world coal trade today accounts for only a very small percentage of world coal production. It is to be expected that the countries capable of supplying the Community will first meet their own requirements so that they, too, can reduce the quantities of mineral oil they import. It is therefore unlikely that there will be a sizeable increase in the volume of world trade. Added to this, the hard coal available on the world market will probably be absorbed first and foremost by countries such as Japan which simply have to import to meet their requirements. This is particularly true of coking coal, which is available in only limited quantities throughout the world. The coking coal market will consequently continue to be characterized by shortages and high prices.

26. The development of new hard coal production capacities in countries outside the Community also depends on the investment of the high sums required. Many of the countries concerned cannot raise these funds themselves. In many cases provisional financing must be provided by potential purchasing countries in the form of long term loans at favourable interest rates. Priority must, however, be given to the investments required for coal production in the Community.

27. In addition, hard coal production is undergoing a sharp increase in cost pressure, particularly in overseas countries such as the United States. This pressure is due to the need for even high-cost deposits to be worked, to new safety and social legislation, to the inflationary increase in wages and to more stringent environmental protection regulations. Moreover, there is a clear tendency on the whole world coal market for export prices to be aligned with the rising prices of mineral oil, regardless of costs.

28. For all these reasons it cannot be assumed that the European Community, which increasingly has to compete with other areas and countries in the demand for imported coal, will be able to import appreciable quantities at favourable conditions from third countries in the foreseeable future.

## II. Elements of a coal policy for the Community

### A. Problems of market equilibrium

29. The Commission's document rightly emphasizes two factors: the coal industry must take long term decisions. It can only make the investments to ensure the long term stabilization of its production if it can count on assured markets in the long term at prices which completely cover production costs.

30. The coal industry lacks both the financial backing and, above all, the necessary flexibility of production techniques to adjust to fluctuations in sales. Such fluctuations may continue in the future to be the result of seasonal and conjunctural factors or of unpredictable movements in exchange rates.

31. Undertakings in the coal industry must therefore have a reliable and long-term planning basis in the form of suitable economic policy measures which enable them to take their decisions on investment and labour force policy and to effect all the required planning at the level of the individual undertaking and above.

32. To ensure a balance between the necessity to cover production costs in full and the requirements particularly of those consumer industries which compete with industries outside the Community specific subsidy schemes such as those introduced for coking coal through Decisions 1/67, 1/70 and 287/73 of the High Authority or the Commission have proved successful in the past. They should therefore be one of the instruments of the Community's energy policy in the future.

33. In addition, this instrument should continue to include a general system of subsidies like that introduced through Decisions 3/65 and 3/71. The Commission's document rightly states that this system must in future be as flexible as possible so that it can meet any requirements arising out of the objective of stabilization of hard coal production.

B. Short and long-term stabilization of coal sales

1. Sales guarantee

34. Measures aimed at guaranteeing sales should be extended to all sectors consuming hard coal in the Community. The practical difficulties in some sectors, such as the household, are, however, considerable.

35. Measures for stabilizing sales in the two major consuming sectors, the iron and steel industry and the electricity industry, are on the other hand possible and necessary.

As regards the iron and steel industry, Decision 287/73, which remains applicable until 1978, provides a suitable instrument for taking Community measures to assist the sale of Community coking coal. As stated above, it would appear to be a matter of urgency for the Community to have a secure supply of coking coal from Community sources in the long term, and this arrangement should therefore be extended beyond 1978.

36. It is not, however, certain that the subsidies provided for in this decision, which are financed by the Community, will always suffice to maintain the traditional patterns of supply within the Community and thus retain for Community coking coal its present share of supplies. The arrangement should therefore be supplemented as soon as possible by measures aimed at a far greater participation by the purchasing countries than hitherto in the cost of any subsidies that may be required.

37. In the electricity sector various Member States have already taken measures aimed at stabilizing and even increasing the quantity of Community hard coal used. In this context, priority should be given to efforts to ensure that in principle the consumers of electricity bear the temporarily increased cost of using coal rather than other fuels. Their interests in secure supplies are after all directly served if the quantity of Community hard coal used is maintained at a high level. National measures to this end should not be impaired by measures under the Community's energy policy, but integrated with them and possibly rounded off with supplementary Community measures.

## 2. Stockpiling

38. There have repeatedly been occasions in the past, at times of growing demand, when the Community's hard coal requirements could only be met by supplementing supplies to consumers with deliveries from large stocks of hard coal and hard coal coke. Developments in 1973 and above all 1974 were a particularly clear example of this. They once again demonstrated the need to offset the natural lack of flexibility in hard coal production with a systematic stockpiling policy.

39. In the future, too, hard coal stockpiles of a sufficient size will have a decisive part to play if production is stabilized or increases on the basis of long-term programmes. This is the only way in which an equilibrium can be created between, on the one hand, the temporary fluctuations that occur in sales and, on the other hand, the planned production and import volumes.

40. These stockpiles will thus be an important tool for the Community in achieving its energy policy objective. Their formation and maintenance are in the general interests of the Community and its coal-consuming industries. Appropriate support from public funds or tax concessions are consequently required and justified.

### C. Security of adequate coal supplies

#### 1. Community coal

41. From the mining undertaking's point of view, increasing or at least stabilizing hard coal production in the Community depends on two equally decisive factors:

- increasing and retaining the required manpower,
- financing and implementing long-term investment programmes for the maintenance and continued mechanization and rationalization of existing facilities, for their expansion and possibly for the opening of new pits.

42. The sooner a lasting climate of general confidence in the sound development in the long term of the undertakings concerned is restored, the sooner these two conditions can be fulfilled. This is to be regarded as one of the first tasks of the energy policy. With appropriate statements and measures it must eliminate the doubts about the future development of the hard coal industry that have arisen in the past few years of 'coal crisis'.

43. In the short and medium-term it is essential to ensure the existence of an adequate labour force. Where the undertakings' efforts to this end, with the full support of the



Community's labour market, are impeded by state measures aimed at preventing the recruitment of labour from outside the Community, these measures should, if necessary, be relaxed. In the long term the now high average age of the labour force must be reduced and efforts made to recruit trained supervisory and management staff in sufficient numbers.

44. The manpower problems of the mining industry can be solved. The greater the confidence of the workers in the security of their jobs, the sooner these problems can be overcome.

45. The sums which must be invested in the hard coal industry to maintain production varies according to national conditions. The sums referred to in the Commission's document are obviously only intended as a guide and in addition merely concern investments on capital account.

46. Even double the volume of investments, whether on capital account or not, would represent only a fraction of the sums needed in the whole energy sector in the coming years. This volume must, moreover, be related to the saving in foreign currency as energy imports from third countries are reduced as a result of an optimum level of hard coal production.

As part of its energy programme 'Independence' the USA intends to invest a total of \$10,000m in its coal industry by 1980.

47. No time must be lost in making up for the low level of investment activity in the coal industry in the past few years. There will be many opportunities for the public authorities to take supporting measures in order to facilitate the financing of the mining undertakings' investment programmes with grants, low interest rates or guarantees. This should, however, be accompanied by the introduction of reference prices.

48. The public authorities should also take steps to provide early and effective support for the many and varied research and development projects of the coal industry in the fields of mining technology, coal processing and coal utilization.

49. Above all, the further development of the new technologies of coal gasification and liquefaction must be pushed ahead so that they are ready for industrial application as soon as possible. There will then be no undue delay in the assumption by hard coal of a position on the overall heat market which is stable in the long term and will probably become stronger.

50. As with any new investments in the field of substitution energies, it is essential that new investments in the coal industry are backed by an assurance of profitability in the form of appropriate sales opportunities. To ensure this it was suggested that reference prices should be introduced for imported oil, but other measures might also be suitable, for example, an import duty. Since it is not yet possible to predict what the effects of any particular measure will be, any decision in favour of or against a reference price, an import duty or any other measure having an equivalent effect would be premature. The committee expects to consider this question on a later occasion.

51. Moreover, the Community also has an interest in maintaining the lead it has gained in technical knowledge, research results and know-how. The 30 to 40m u.a. per annum in additional aids for research purposes proposed in the Commission's document should therefore be regarded as a minimum, which must at all events be granted.

## 2. Coal imports

52. The national governments remain responsible for fixing the quantities of hard coal to be imported from third countries.

This has undoubtedly helped to allow imported quantities to be attuned to the domestic production of the country concerned and sales brought into line with local conditions.

53. However, there has hitherto been no effective coordination among Member States. This is needed if a suitable relationship between the volumes produced and volumes imported by the various Member States is to be created for the whole of the Community.

If the objective is to be an increase in the coal imported from third countries in the future to supplement that produced in the Community as a whole and in the individual Member States, such coordination within the framework of a Community coal import policy becomes even more indispensable.

54. Under an import policy of this kind it would be easier to take account of the special interests of individual consumers in the exploitation of certain favourable import possibilities if at the same time suitable controls over total imports and their distribution among various consuming regions and sectors were provided to ensure that the continuous sale of quantities produced in the Community was not adversely affected.

55. In drawing up its proposals for a future Community coal import policy the Commission should therefore refer to the

experience gained in individual Member States with the instruments they have long been using in this sector to supervise and align imports with domestic production.

### III Conclusions

56. On the basis of the above the following can be said:

The Community's coal policy must be regarded as a component of its long-term energy policy. In this connection there must be serious doubts as to the possibility of achieving even the reduced objective of expanding nuclear power capacity to 160 to 200 GWe. The European Parliament has stressed this on several occasions; the matter has repeatedly formed the subject of debates in Parliament.

Increased imports of mineral oil and natural gas from third countries are economically and politically unacceptable to the Community and its Member States.

Consequently, the Community must continue to pursue its coal policy purposefully.

57. The Community's coal must therefore make a far greater contribution to the Community's energy supplies than hitherto. It is unlikely to be possible to obtain larger additional quantities of hard coal on the world market. A positive Community coal policy must, however, be designed for and pursued well beyond 1985 since hard coal requirements will also continue to grow after 1985.

58. In these circumstances, the amount of hard coal used for the generation of electricity alone must be increased by 1985 by far more than 30 million tce, as otherwise this sector will become increasingly dependent, rather than less dependent, on imported mineral oil. However, account must be taken in good time of the development of a growing power station capacity based on hard coal.

59. The Community's coking coal requirements will also increase up to 1985. Here again the import possibilities are limited. The European coal industry can, however, continue to meet most of the Community's coking coal requirements. Provision must, however, be made for this in good time in the energy policy decisions to be taken.

60. The principle that future energy requirements must as far as possible be met from Community sources is undisputed. The stabilization of hard coal production in fields whose development

in the last few years has been extremely unfavourable should not therefore be excluded from the outset. An example of several such fields is Campine (Belgium).

61. There has hitherto been a lack of effective coordination between the Member States and therefore of a suitable relationship between hard coal production and imports that spans the internal frontiers of the Community. In view of the need for a Community energy policy within the framework of a Community commercial policy the Commission should take charge of this coordination. Suitable reference should be made to the experience of the Member States. Account should be taken of the interests of individual consumers in the exploitation of certain favourable import possibilities; the desired result is after all supplies at more favourable prices.

62. As the world market can supply the countries of the Community with only a limited quantity of hard coal, the development of new production capacities in third countries is dependent on major investments. Many of these third countries are unable to raise the necessary funds or cannot do so without outside help. Provisional financing must therefore be provided in many cases by the potential consumer countries in the form of long-term loans at favourable interest rates. Priority must, however, be given to investments required for coal production in the Community.

63. The realization of all these factors and elements should first and foremost result in the appropriate energy policy conditions being created in good time. Consequently, the 'Medium-term Guidelines for Coal 1975-1985' should as soon as possible be extended to cover the period after 1985 as well. The Community and Member States should then take the required long-term decisions with the least possible delay.

64. The Commission of the European Communities and the Committee on Energy, Research and Technology of the European Parliament agree that the coal industry must plan well ahead if it is to fulfil the tasks it is to be set.

It can make investments to stabilize or even increase production only if assured of stable outlets in the long term at proceeds which cover costs of production. Suitable economic policy measures must be taken to provide the coal industry with a basis for reliable long-term planning, enabling it to take decisions serving the above-mentioned

purposes. However, it neither has the financial backing nor are its production techniques flexible enough for it to adapt to fluctuations in its markets.

65. Pithead stocks are the result of a rate of production which remains constant for technical and economic reasons while demand fluctuates. This is a quite natural phenomenon in economic life. Consequently, in a systematic stockpiling policy the Community would have a basic tool for achieving its energy policy objectives. It is thus in the interests of the Community for public funds to be provided for stockpiling at the pithead and at consumers' premises.

66. The existing ECSC subsidy schemes have proved successful. They should therefore continue to figure among the instruments of the Community's policy and be generally extended in such a way that they are in line with the objective of a constant rate of hard coal production. This would be assisted by measures on the consumer side to stabilize sales, particularly in the iron and steel industry and the electricity industry, specially as the stockpiles called for above could then be kept within certain limits. Existing Community subsidy measures should therefore be continued indefinitely and extended. However, they must then be supplemented to the extent that the consumer countries contribute far more than hitherto to the cost of any subsidies that become necessary.

67. For years the coal industry has had to refrain from investing in replacements. The backlog has therefore constantly increased and must be eliminated if the coal industry is to achieve its objectives. In view of enormous investments required the public authorities must take steps to finance appropriate investment programmes by means of grants, low interest rates, guarantees and the introduction of reference prices.

68. This also applies analogously to research and development projects in the fields of mining technology, coal processing and coal utilization. The 30 to 40m u.a. per annum made available by the Community for research purposes represents the absolute minimum of what is required. These funds should be increased as the occasion arises.

69. Finally, to ensure an adequate and constant rate of hard coal production, an adequate labour force is an essential prerequisite. The Member States will not be able to avoid suspending, or at least relaxing, measures taken to prevent the recruitment of labour from outside the Community for the coal-mining sector. In the interests of security of supply the jobs of all workers in the coal industry must be guaranteed as far as possible.