

COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT

PRESS RELEASE

10243/81 (Presse 133)

734th meeting of the Council

- Energy -

Luxembourg, 27 October 1981

President: Mr Nigel LAWSON,
Secretary of State for Energy
of the United Kingdom

The Governments of the Member States and the Commission of the European Communities were represented as follows:

Belgium:

Mr Willy CLAES

Deputy Prime Minister
Minister for Economic Affairs

Denmark:

Mr Poul NIELSEN

Minister for Energy

Germany:

Mr Dieter von WURZEN

State Secretary
Federal Ministry of Economic
Affairs

Greece:

Mr Marcos ECONOMIDES

Ambassador,
Permanent Representative

France:

Mr Edmond HERVE

Minister delegate to the Ministry
of Industry with responsibility for
Energy

Ireland:

Mr Edward COLLINS

Minister of State,
Ministry of Energy

Italy:

Mr Giovanni MARCORA

Minister for Industry

Luxembourg:

Mr Josy BARTHEL

Minister for Energy

Netherlands:

Mr J.C. TERLOUW

Deputy Prime Minister,
Minister for Economic Affairs

United Kingdom:

Mr Nigel LAWSON

Secretary of State for Energy

Mr David MELLOR

Parliamentary Under-Secretary of
State,
Department of Energy

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Commission:

Viscount Etienne DAVIGNON

Vice-President

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COKING COAL AND COKE FOR THE IRON AND STEEL INDUSTRY

The Council approved ⁽¹⁾ a Decision amending the 1973 aid arrangements for coking coal and coke for the iron and steel industry of the Community.

This Decision extends the validity of the act in question until the end of 1983 by making some amendments thereto, these being that Community financing will cover a maximum of 14 million tonnes and will total a maximum of 47 MECU per year, by laying down that the sales aid applying to deliveries made to areas remote from the coalfield may not exceed 4.70 ECU per tonne in the event of delivery by sea or 2.80 ECU per tonne in other cases.

COMMUNITY PROJECTS IN THE HYDROCARBON SECTOR

The Council adopted the Decision on the granting of support for Community projects in the hydrocarbons sector (1981).

This Decision provides for the granting of Community support in the form of subsidies - repayable if the results are exploited commercially - up to a total of approximately 25.9 MECU from 1981 to 1983, to some forty technological development projects in fields such as, in particular, production systems, the recovery and transport of hydrocarbons, and environmental influence, etc.

⁽¹⁾ The French delegation having confirmed its provisional reservation.

ELECTRICITY TARIFF STRUCTURES

The Council agreed ⁽¹⁾ to a Recommendation on electricity tariff structures in the Community.

This text recommends to the Member States:

"That they take appropriate steps, if they have not already done so, to ensure that electricity tariff structures are based on the following common principles:

1. Electricity tariff structures should be drawn up and adopted so as to allow the application of a rational price policy and to reflect the costs incurred in supplying the various categories of consumer; tariff structures should be designed with the rational use of energy in mind, should avoid encouraging unjustifiable consumption and should be as clear and simple as possible.
2. The two-part tariff system which, of the various tariff options available, best reflects the cost structure of providing electricity, should be generally used. ⁽²⁾
3. Promotional tariff structures which encourage unnecessary consumption and in which the price of electricity is artificially lowered as increasing amounts of electricity are used should be discontinued.

⁽¹⁾ With the Greek delegation confirming its provisional reservation.

⁽²⁾ "The term "two-part tariff" covers tariff structures consisting of a fixed component and a component which varies with the amount of electricity used."

4. As a general rule, tariffs based on the use to which electricity is put should be avoided. However such tariffs could be applied if they do not infringe the principles stated in paragraph 1.
5. With the aim of transferring demand to off-peak periods or to allow load-shedding, provision should be made for multiple tariffs with differential rates and/or for the possibility of interruptible supplies.
6. Tariffs should not be kept artificially low, for example on social grounds or for anti-inflationary policy reasons; in such cases, separate action, where warranted, should be taken.
7. Tariffs should be formulated in such a way that it is possible to up-date prices at regular intervals;

That research be pursued and developed, in close co-operation at Community level, into the characteristics of electricity demand for different categories of consumers and their evolution in the long term, with the objective of further improving tariff structures;

That electricity prices on the market be characterized by the greatest possible degree of transparency, and that these prices and the cost to the consumer be made known to the public as far as possible."

ENERGY DEMONSTRATION PROJECTS

The Council conducted a detailed exchange of views on the Commission proposals concerning the increase of financial support for projects to exploit alternative energy sources and for demonstration projects in the field of energy saving. Following this exchange of views the Council accepted the Commission suggestion that it submit to the Council as soon as possible a compromise proposal on the use of an increase of 105 MECU in the financial ceilings.

DEVELOPMENT OF AN ENERGY STRATEGY FOR THE COMMUNITY

The Council held a wide-ranging policy debate on the Commission communication of 1 October 1981 concerning the development of an energy strategy for the Community.

The Presidency concluded that the Council had given a favourable reception to the Commission communication. The Council noted the priority areas which the Commission had identified in its paper and stated that these were issues which would also be discussed when the European Council debated Community energy matters under the Mandate of 30 May 1980.

The Energy Council agreed to keep these problems under careful review and will resume its discussions of them at its subsequent meetings.

PROBLEMS AFFECTING THE OIL REFINING INDUSTRY IN THE COMMUNITY

The Council took note (1) of the Commission's analysis of the problems affecting the oil refining industry and of the developments to be expected, notably the trend towards fewer, more complex, refineries and a consequent increase in the movement of finished products between Member States;

It recognizes that the contraction and restructuring of the industry is necessary and should be carried out by the industry itself, provided that the security of supply of the regions concerned is not put at risk. Governments should provide the appropriate fiscal, social and administrative environment for their actions.

Lastly, it noted that the Commission:

- would keep that situation under continual review with industry and governments;
- would prepare forecasts of refining capacity and of the short and medium-term balance of petroleum products;
- would report to the Council without delay of specific Community intervention in this sector should appear necessary.

(1) The Greek delegation maintained a provisional reservation on this conclusion.

NATURAL GAS

The Council commended the study on natural gas prepared by the Commission and took note of their analysis of the Community growing dependence on external supplies. In this context the Council recognised the value of exchanges of views and information.

The Council invited the Commission to make a more detailed study of the issues involved and to arrange informal exchanges of views with Member States as appropriate.

The matter will return to the Council in the light of this study after examination in the High Level Energy Group.

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CONCLUSIONS OF THE COUNCIL CONCERNING MEASURES TO LIMIT THE EFFECTS OF A LIMITED SHORTFALL IN OIL SUPPLIES

1. The Council has considered the Commission communication concerning measures to limit the effects of a limited shortfall in oil supplies.
2. The Council endorses the Commission's view that further preparation in close consultation with the other industrialized countries is necessary in order to ensure that any future limited shortfalls in oil supplies do not lead to unrealistic pressure on world prices which would seriously affect the world economy.
3. The Council is of the opinion that, although the precise nature of any future shortfall in supplies cannot be foreseen and consequently it is impossible to agree on the appropriate measures to be taken until the problem arises, it is necessary to agree on the procedures to be followed and to identify a range of measures from which a selection may be made in the light of the prevailing circumstances, with a view to ensuring Community solidarity.
4. The Council agrees in principle on the following guidelines as a basis for consultations with other industrialized countries with a view to the establishment, on a wider international basis, of procedures similar to those envisaged for the Community.

The Council will review the procedure and the range of measures to be taken in the light of the results achieved on a wider international basis.

Procedure

In the event of a limited shortfall in oil supplies likely to create serious problems for the economy of the Community or one or more of its Member States:

- the Commission, on its own initiative or at the request of a Member State, shall consult the "Oil Supply Group";

- after such consultation, the Commission may ask the Council to meet;
- the Council shall meet promptly following the Commission's request; ⁽¹⁾
- if the Commission does not act, a Member State may also ask the Council to meet;
- in the light of the circumstances the Council, acting immediately, shall decide:
 - . whether the situation is likely to create serious problems for the economy of the Community or of one or more of the Member States,
 - . what measures, if any, are to be taken.

When examining such measures, the Council shall ensure co-ordination with the other industrialized countries;

- if circumstances change, the Commission shall, on its own initiative or at the request of a Member State, propose that the measures introduced be amended or repealed;
- the application of any agreed measures shall be monitored by the Commission, in consultation with the "Oil Supply Group", which shall report to the Council;
- the Commission shall make a continuing examination of Member States' policies with regard to demand, supply and security; it shall report to the Council and, if necessary, make recommendations.

⁽¹⁾ The Council will normally meet within 5 working days.

Range of possible measures

- (a) Speeding up of information systems and in particular introduction of the questionnaire on the supply situation (Commission Decision 79/639/EEC) by country and, if necessary by company;
- (b) - taking all the necessary measures, in conjunction with the oil companies, to prevent import prices varying from normal prices
- or asking the oil companies to refrain from making abnormal purchases.
- (c) measures encouraging the adjustment of supplies in such a way as to correct imbalances which pose special problems for some Member States, and measures to encourage the oil companies to remedy specific imbalances which may occur between them;
- (d) measures to encourage economies in the use of oil;
- (e) replacement of oil by other forms of energy in the public and private sectors in order to reduce consumption;
- (f) support for a high level of domestic production;
- (g) measures aimed at the use of commercial stocks in preference to additional purchases

The Council invites the Commission to present a further report on the benefits and costs of a change in the level of obligatory stocks and on the possibilities of using obligatory stocks to ease a difficult supply situation, including the question of the real transfer of quantities between Member States.

LABELLING

After hearing a progress report by the President of the Council on the proceedings of the Working Party on Energy concerning the proposals for Council Directives on the labelling of household electrical appliances, the Council agreed to expedite its work on this subject so that it can decide on the proposals in question before the end of the year.

ENERGY PRICING - POLICY AND TRANSPARENCY

The Council conducted a detailed exchange of views on the Commission communication entitled "Energy pricing - policy and transparency" and at the close of its discussions on this item agreed to continue them at the next meeting of the Energy Council.

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Owing to lack of time, the Council agreed to defer the item "Frontier power stations" to its next meeting on energy questions.

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Page 10, add the following footnote :

CONCLUSIONS OF THE COUNCIL CONCERNING MEASURES TO LIMIT
THE EFFECTS OF A LIMITED SHORTFALL IN OIL SUPPLIES (1)

(1) The greek agreement being given ad referendum.

Bruxelles, le 28 octobre 1981
Note BIO(81)410 aux bureaux Nationaux
cc. aux Membres du Groupe du Porte-Parole

483
4/417.1

CONSEIL ENERGIE (Willy Helin)

La strategie energetique de la Communauté proposee par M. Davignon a ete unanimement approuvee par le Conseil des Ministres mardi a Luxembourg. Le raisonnement que M. Davignon a suivi est celui qu'il a expose en salle de presse le 23 septembre dernier (voir BIO(81)357 suite 1). En substance, il a rappelle que la priorite des priorites est l'investissement et que la solution au defi energetique est centrale pour l'avenir economique de la Communauté. Par ailleurs, les ministres ont adopte une declaration de caractere politique, suggeree par la Commission, et qui porte sur la solidarite effective qui devra jouer entre pays de la Communauté si une penurie limitee de petrole frappait l'un ou plusieurs d'entre eux (nous vous faisons parvenir par express le texte adopte mardi soir). M. Davignon a indique au Conseil que cette question revet une importance economique avant tout. Il s'agit pour la Communauté, a-t-il dit, d'etre capable de reagir dans une situation ou le marche petrolier se resserre et que certains Etats Membres se trouvent dans une situation differente des autres. C'est la solidarite qui doit jouer sans quoi l'Europe court le risque d'une flambee des prix petroliers purement speculative, avec toutes les consequences que l'on connait. A titre de background nous vous donnons quelques donnees recentes sur la situation de l'approvisionnement petrolier.

Evolution de la demande mondiale

La demande moyenne de petrole a continue a baisser en 1981 par rapport a 1980. On ne prevoit pour 1982 qu'une hausse tres faible.

		en millions b/j	
1979	1980	1981(est.)	1982(est.)
52,3	49,5	46,5	46,9

Production moyenne de l'OPEP

		en millions b/j	
1979	1980	1981(est.)	1982(est.)
31,6	27,6	23,3	23,7

Situation de la CEE

La consommation de produits pétroliers a accusé une nouvelle baisse par rapport à 1980, année au cours de laquelle une première réduction de l'ordre de 9% avait été enregistrée par rapport à 1979. On estime qu'en 1981, la baisse devrait être du même ordre de grandeur, voire légèrement plus sensible, aux environs de 10%.

La production intérieure de pétrole brut a poursuivi sa progression régulière. Elle devrait être de l'ordre de 100 mio t en 1981, soit une hausse de 11% environ, par rapport à 1980.

Dans le même temps, on observe une forte chute des importations nettes de pétrole qui devraient s'élever à 360 mio t environ en 1981, soit une baisse de 17% par rapport à 1980 qui avait déjà enregistré une réduction de 11% par rapport à 1979.

Le niveau des stocks détenus serait, au 1^{er} octobre, de l'ordre de 130 mio t (136 mio en 1980), équivalent à environ 126 jours de consommation (sur la base de la consommation de 1980).

Les prix à la consommation par contre ont enregistré des hausses sensibles dues aux variations du dollar qui, faut-il le rappeler, s'est valorisé en moyenne de plus de 30% depuis le début de l'année par rapport à l'ECU. Les mouvements sur les marchés spots restent relativement stables.

En matière de transparence de prix, un très large consensus du Conseil s'est fait sur le papier de la Commission déjà mardi. (Nous vous envoyons également ce papier par express). Un nouveau Conseil des Ministres en décembre reviendra sur cet aspect notamment.

En ce qui concerne le dossier gaz naturel, le Conseil a félicité la Commission pour l'étude qu'elle y a consacrée. Le Conseil a pris note en particulier de cet aspect de l'analyse de la Commission qui prouve la dépendance croissante de l'Europe vis-à-vis des importations. Pour cette raison, dit le communiqué final du Conseil, les Dix reconnaissent l'utilité d'échanges de vue et d'information entre partenaires européens. Le Conseil a demandé à la Commission de consacrer au dossier du gaz naturel une étude plus détaillée d'une part et d'organiser des échanges de vue informels avec les Etats Membres.

Amitié,

Joe Carroll, COMSUR

J. Carroll