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COMMUNITY ENERGY POLICY: PROSPECTS AND ACHIEVEMENTS

Last month, the Commission approved a report put forward by Mr. Guido Brunner describing the contribution which the Community has been making towards solving the energy problem and reducing the demand for oil imports which will cost over \$125 billion in 1980.

The report now goes to the Council and to Parliament for information. It provides the first comprehensive picture of Community achievements in the field of energy, Research and Development (R&D), as well as the Joint Research Centre (JRC) and the JET (Joint European Torus) enterprise, since the start of the present Commission in January 1977.

Mr. Brunner's report makes the point that there now exists agreement on the fundamental principles of an Energy Policy as shown by the action taken both by Member States and by the Community as such, and which was spelled out at the Venice meeting of the European Council.

The Commission does not pretend that everything should be centralized at Community level. A great part of the agreed strategy can only be put into action at national level. Where the Commission can help is in helping coordinate national efforts and where necessary helping to reinforce them by Community measures.

Much remains to be done, but Community activity is going in the right direction. The report draws attention to the Community's Energy Initiative which calls for a more ambitious approach to a solution of our oil supply problems. Even if oil should only cover 40 per cent of energy consumption in 1990 as accepted by the European Council in June, it will remain for a long time a key element in the energy balance.

Energy savings have to be encouraged by more coherent prices and taxation policies. Investments in oil substitutes and energy generally will amount to \$650 billion between now and 1990, or 2 per cent of the Community's Gross Domestic Product (GDP).

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An extra \$80 to 160 billion of investments (0.25 to 0.50 per cent GDP) will be needed in the next ten years just to maintain oil imports at their present level.

Many different ways can be used to provide the necessary finance, including through the European Investment Bank and the New Community Instrument, although the greater part of the money must be realized by the play of market forces. The Community could help in completing national programmes in various ways, for example through loans, an increase in own resources, or the introduction of a specific Community tax on energy.

Present situation

Price levels for crude oil are now twelve times higher than in 1973. Imports have fallen from 573 million tonnes to 475 million tonnes in 1979, but the oil bill has continued to rise: \$16 billion in 1973, \$80 billion in 1979, probably \$125 billion in 1980 even without further price rises. With OPEC tending to limit production, there is a risk of demand exceeding offer during the 1985-90 period.

Action undertaken in the Community to economise and reduce demand has had some success. Between 1973 and 1978 consumption remained practically stable while the GDP increased by 12 per cent, but a slight reversal of the trend last year because of the exceptionally hard winter shows that the battle to break the link between GDP growth in energy consumption (target down to 0.7 or less by 1990) will be a long one.

Energy Saving Measures

Since 1973, energy consumption has been going down by about 7 to 8 per cent a year, the equivalent of about 70 million tonnes of oil a year representing over ten billion dollars at 1979 prices.

On the basis of the Council decision of April 1979, the Commission now has \$90 million to spend on energy saving demonstration projects over four years. Of the 324 projects offered after the first call for tenders, 53 were selected costing \$35 million. The second call for tenders has produced 299 projects which are now being scrutinised. Because of this great interest, the Commission intends to request more funds from the budget before the end of the year.

A number of directives have been adopted, covering the performance of heat and hot water generators, the rational use of energy in industrial enterprises, building insulation and electrical apparatus. Among the more recent is the directive covering the labelling of certain domestic appliances to show their energy consumption.

Oil

The Community has agreed to hold net imports up to 1985 at or below 1978 levels (472 million tonnes). Procedures for monitoring trends quarterly have been established. Indications are that we shall be well below the ceiling for 1980, helped by a low level of economic activity, plus rising production from the North Sea which now meets 16 per cent of demand.

Surveillance of Oil Markets

The dangers of over heavy dependence on imported oil have been highlighted in the past 18 months by the instability and uncertainty in world markets following the revolution in Iran.

The Commission now publishes a weekly summary of consumer prices (the oil bulletin) and the Community has introduced registers covering quarterly imports of crude oil and oil products. Specific studies of the Rotterdam and Mediterranean spot markets have been made. The Commission has also been considering the implications of the growing incidence of "state to state" deals.

Emergency Measures

Community legislation obliges Member States to maintain a minimum of 90 days' stocks of oil or oil products. Two further Council Decisions in 1977 provide for further measures in the event of oil supply difficulties. Emergency measures may come into operation with a 7 per cent shortfall. The Commission has submitted a report on measures to deal with the serious "sub-crisis" which could arise from a more limited shortfall. These would include discouraging oil companies from buying at excessive prices, using stocks to even out supplies, oil sharing and consumption reduction, measures to increase hydrocarbon production in the Community.

Aid for Oil Technology and Oil Production

Community oil production reached nearly 90 million tonnes last year and natural gas 137 million tonnes. By 1990 oil production should rise to 125 million tonnes and gas production be maintained at present levels. Community aid for the development of new technology for finding and exploiting hydrocarbons has so far amounted to \$290 million covering about 170 projects involving total investments of more than \$800 million. In addition the Community is aiding preliminary exploration off Greenland.

Gas

Gas provides 18 per cent of requirements, about the same as coal. The share of gas could go on increasing to 20 per cent in 1985 but could start to decline thereafter. Currently we are 25 per cent dependent on imports which could rise to 50 per cent in 1990. The Commission has suggested guidelines to the Council for developing domestic production, diversifying imports and developing substitute gas. Suitable price and tariff policies would also help improve security of supply and encourage the rational use of gas.

Coal

Between now and the year 2000 coal consumption in the Community should nearly double to 580 million tonnes a year from the present level of 305 million tonnes. Imports should increase to 280 million tonnes from current levels of about 60 million tonnes. Production of coal in the Community should increase by 25 per cent from the present 240 million tonnes level. In view of the increasing importance of coal, the Commission has proposed a series of measures covering aid for the construction of new coal burning power stations, subsidies for intra-Community trade, and aid for financing stocks. However, these have not found the necessary support in the Council. The only support scheme in operation at Community level is for the production of coking coal. Instituted in 1967, its lifetime has been prolonged until the end of 1981.

Finance for capital investments in the coal industry is provided. European Coal and Steel Community (ECSC) loans on commercial terms totalled \$1.2 billion between 1977 and 1979. R&D programmes for mining techniques and coal upgrading received \$106 million between 1977 and 1980. The Community also supports demonstration projects for coal gasification and liquefaction.

Nuclear Power

During 1979, nuclear power produced 11 per cent of our electricity, 3.2 per cent of total energy needs: the equivalent of almost 30 million tonnes of oil. But despite the economic arguments in favour of nuclear power expansion, programmes have faced serious delays. Obstacles to development include public concerns about reactor safety and waste disposal, and supplier nations' concerns about the spread of nuclear weapons.

Hearings

The Commission organised two sessions of public hearings during 1977 and 1978 to enhance public awareness of the facts relating to nuclear power development. The whole spectrum of opinion was represented and the Hearings provided a useful forum for open debate at Community level.

Reactor Safety and Nuclear Waste Disposal

Reactor safety research is a big and increasing item in the Commission R&D budget, the JRC allocation increasing by 96 per cent in 1980-83. In February 1980, the Council adopted two resolutions embodying a plan of action running to 1992 to expand Community collaboration in the management of nuclear waste. Simultaneously the nuclear "Trilogy" strategy was adopted, including closing the fuel cycle through the reprocessing of fuels and development of the fast breeder option, which would reduce the amount of waste to be disposed of.

International Nuclear Developments

Increased concerns about possible diversions of nuclear materials and technology on the part of some suppliers, notably the United States, Canada and Australia, have been underlying efforts to reduce the proliferation risk associated with nuclear commerce. In order to assure continued supplies, the Commission concluded negotiations in January 1978 to amend the Euratom/Canada Cooperation Agreement of 1959. A Euratom/Australia cooperation agreement is now being negotiated and negotiations with respect to the Euratom/USA agreement are being prepared.

International Nuclear Fuel Cycle Evaluation (INFCE)

Set up in 1977 on the initiative of the US, the INFCE exercise ended in February 1980. The Commission participated actively on an equal footing with more than 50 nations and 4 international organisations. The conference conclusion confirmed the technical soundness of the Community's policies and underlined the necessity for increased international cooperation to minimise the risk of nuclear weapons proliferation.

Safeguards and Physical Protection of Nuclear Materials

The Commission contributes significantly to this by exercising its powers under Chapter VII of the Euratom Treaty. Progress has been made towards full implementation of the 7 non-weapon states safeguards agreement with the International Atomic Energy Agency (IAEA). Progress is also being made in the implementation of the voluntary safeguards offered by the United Kingdom and France. As a consequence of increased international safeguards obligations the Commission's team of nuclear inspectors will increase from 65 in 1977 to nearly 100 in 1980.

The Community as well as Member States are signatories to the Convention on the Physical Protection of Nuclear Materials.

Nuclear Resources

Community reserves of natural uranium account for only 3-5 per cent of world reserves. About 80 per cent of our requirement has to be imported. To reduce dependence, we have to make the most out of the resources we have, and look for more. Community supported prospecting for uranium has been successful in identifying new resources in Italy and Greenland and promising areas in Ireland and Germany. The value of resources found in the past four years exceeds the aid granted more than one hundred fold.

Euratom Loans

The Community has been active in facilitating nuclear investments through the establishment of the Euratom Loan facility in 1977. By mid-1980 some \$620 million had been lent to power station projects in Belgium, France, Germany and Italy. The balance of up to \$1.6 billion should shortly be committed and the Commission intends to propose a third tranche before the end of the year.

Electricity

Electricity plays a vital role in enabling the Community to reduce its dependence on imported oil. Directives restricting oil burning in power stations and maintaining security fuel stocks have been observed. The Commission promotes a number of demonstration projects utilising waste heat. A Council resolution of 1978 established a procedure for information exchange on power station siting. The Commission has attempted to facilitate further the solution of the problem of power stations sited near Member States' frontiers. The Commission has also proposed harmonising tariff structures.

Energy R&D

In 1979, energy R&D accounted for more than 70 per cent of the total R&D budget. Although nuclear research still occupies an important place, a broader share is now going to energy conservation and the development of oil substitutes. Funding in the second indirect action four-year programme (1979-83) has increased from \$97 million to \$113 million. Under the new JRC programme adopted in March, 1980, and totalling \$830 million, nuclear reactor safety alone receives one third, or \$250 million. Total budget spending increased by 47 per cent.

The establishment of the Joint European Torus in June 1978 puts the Community internationally into the forefront of controlled thermonuclear fusion research. The Community finances 80 per cent of JET's construction cost of \$325 million.

The Community is active in international cooperation. Nine R&D agreements have been concluded in nuclear energy, biomass solar energy and hydrogen technology.

Demonstration Projects for Alternative Energy Sources

Acting on the proposal of the Commission, the Council has allocated \$80 million for liquefaction and gasification projects, \$37 million for geothermal and \$37 million for solar energy. The first calls for tender have had such a success that the Commission has asked the Council to double the amount available for solid fuel conversion, and towards the end of the year will also ask for more for geothermal and solar energy.

External Relations

With the adoption of the 1990 objectives, the Community has taken a further step towards reducing its dependence on oil, to assure that economic growth will be non-oil based and thereby moderating world demand for oil.

Cooperation among oil-consuming nations has developed fruitfully, but it is equally important to pursue it with oil-producing countries as well as with non-oil producing LDC's. The Commission is taking an active part in the preparation of the United Nations negotiations due to start in 1981. Preparations for the continuation of discussions with the Eastern European countries are going on in the UN Economic Commission for Europe. Bilateral contacts have been established with the Organisation of Oil Exporting Countries (OPEC) and the Organisation of Arab Exporting Countries (OAPEC) as well as with some of the oil-producing states in the Gulf.

The Community recognises the urgent needs of the LDC's. Development aid in the energy field from the Community and its Member States is second only to the World Bank's. In 1979 it totalled \$800 million and will rise to \$1.15 billion in 1980. Community aid alone will rise from \$165 to \$320 million.

Under the Lome I Convention, aid to energy projects in the ACP countries totalled \$180 million and expenditure will continue under Lome II. The Commission is also developing a programme of technical assistance to developing countries.
