

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 474 final

Brussels, 17 September 1975

ENERGY SAVINGS

SHORT TERM OBJECTIVES 1976 - 1977

(Communication and draft Resolution, submitted by the Commission to the Council)

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ENERGY SAVINGS - SHORT TERM OBJECTIVES 1976 - 1977

1. Reasons for energy saving measures

The need for an energy policy relating to energy savings arises from long term economic factors, such as the limited availability of fossil energy resources in the world and the opportunity for reducing the growth in the consumption of energy as well as for reasons of protecting the environment.

To these reasons - which have already inspired the Community's action programme on the rational utilisation of energy (*) - may be added the more immediate preoccupations engaging the present situation in the energy market; the reduction of the vulnerability of the European economy vis à vis oil imports, and the limitation of the effects of further price rises in oil involving additional burdens on the balance of payments. Finally, a sustained effort for the reduction of oil consumption would make a valuable contribution to achieving the equilibrium of the market in the relations between the producers and consumers of oil.

With regard to the present state of energy savings it should be recognized that the efforts undertaken so far have not given rise to considerable results. In the evaluation of these efforts, it is necessary to make a sharp distinction between the exogenous and indigenous factors which govern the whole of the reduction of consumption:

- the development of economic activity and climatic conditions (favourable in 1974 and 1975), which act from without on demand;
- the prices and the measures (constraints and modifications in the structure of consumption), which give rise on the other hand to deliberate measures on the market and govern the real savings;

(*) Doc. COM (74) 1950 final and Resolution R/13/75 of the Council of 17th December 1974.

Translated into figures, and for the whole of energy consumption in the Community for the year 1974, this means that of the 60 Mtoe in the reduction of recorded consumption^(*) one can attribute:

- \pm 27 M toe to the price effect and to the voluntary or restrictive savings measures, that is principally to savings, and
- \pm 33 Mtoe to the slowing down in the growth of G.D.P. and to favourable climatic conditions.

With regard to the consumption of oil, the reduction of 65 Mt recorded in 1974 in relation to preliminary forecasts, may be attributed thus:

- \pm 30 Mt to savings (price effect, measures, plus substitution and
- \pm 35 Mt to G.D.P. factors and climate.

2. The measures taken in the Community in 1975

In 1975, possibilities for substitution having been realised, the price of oil products having fallen in real terms, and the savings measures being introduced only slowly, the true economies should not exceed 15 Mt^(**). Thus, the reduction in consumption of 9% in oil^(***) in relation to 1973 (52 Mt) is due in large part to the development of the economic situation and to favourable climatic conditions.

Indeed, a quick review of the measures in force or projected for the current year within the Community, leads one to conclude that the importance of their effect should be treated with reserve, despite the great number and variety of measures applied or in the course of introduction.

(*) In line with the growth of previous years, energy consumption in 1974 should have risen to 975 Mtoe instead of 915 Mtoe actually attained.

(**) See " Short Term Objectives relating to the reduction of Oil Consumption" (Doc.COM 975) 113 final, definition of objectives, para 5)

(***) Resolution of the Council relating to the establishment of a short-term objective in respect of the reduction of oil consumption, DOC.R/1349/75, 30th May 1975.

Concrete results should be obtained only gradually and involve delays in execution often going beyond a period of one year. At the present time, measures have been principally taken in the following fields:

1) Information and indirect measures

- Public Information
- Creation of advice centres
- Creation of specialised government services.

2) Financial

- Tax reductions
- Special loans or aids, notably in the field of thermal insulation

3) Dissuasion and Constraint

- Taxation of oil products) in order to change structures
- Tariffs (electricity)
- Restriction and limitation, notably in the fields of transport or of domestic heating, or public lighting

Since these measures are convergent, but do not have the same degree of diffusion and importance by country, it is virtually impossible to evaluate results in 1975.

3. Probable development in 1976 and 1977

Whereas the years 1974 and 1975 were characterised by a very marked slowing down in economic activity, an economic recovery is nevertheless expected in 1976 and 1977: a basis of an average annual rate of growth of 4% in the GDP could be used as a hypothetical basis; this corresponds to the long-term energy forecasts. The Commission realizes that this growth rate is an optimistic one, and reserves the right to review the energy savings targets if the situation warrants it. A 4% growth in economic activity would ordinarily mean an additional input of energy of roughly the same amount.

The following factors must also be taken into account:

- it is highly unlikely that the favourable climatic conditions of the last two years will be repeated in the next two; a consumption corresponding to that of the heating needs of a "normal" winter would therefore be expected;
- it is assumed that energy prices will remain relatively stable in real terms;
- the energy conservation measures introduced in 1974 and 1975 will continue to have their effect.

On this basis it is likely that internal energy consumption will increase by 40 Mtoe in 1976 compared with the previous year, and by 37 Mtoe in 1977.

Taking into account the probable additional supplies of natural gas produced in the Community (+ 10%) and primary electricity (+ 15%), it is likely that oil consumption will increase by only 10 Mt in 1976 and by 12 Mt in 1977, i.e. by about 2%.

As for net imports of energy and oil, they are likely to remain fairly stable in 1976 (560 Mtoe of which oil would be 515 Mt) and even fall in 1977 by 15 Mtoe for energy and 20 Mt for oil, taking account of indigenous production.

4. Energy-conservation objectives for 1976 and 1977.

This probable growth in energy consumption, raises the difficult question of how to work out a firm policy with regard to energy savings and how to achieve additional economies without hindering economic recovery.

Consequently, it seems necessary to ensure that the savings measures do not affect the useful consumption of energy and to concentrate on the non-useful part of energy consumption, i.e. waste and poor efficiency.

Close attention must therefore be paid to these two objectives which are moreover basic to the Community's medium and long term programmes for the rational use of energy¹⁾, and the Council's Resolution on this subject, of 17 December 1974.

What practical steps can be taken in 1976 and 1977?

1) Doc. COM(74) 1950 final "Programme for Community action on the Rational Use of Energy".

The responsible public authorities should commit themselves:

- to applying with greater effectiveness those measures already taken, especially in fields directly or indirectly under public authority control where an example should be given (such as control of heating and ambient temperatures, sensible use of lighting and of official cars etc) in administrative offices, schools, barracks, hospitals, tertiary-sector enterprises - transport, energy, and banking and insurance;
- to examining at Community level what opportunities and means for extending these measures exist (exchanges of views on the effectiveness of the measures taken, and on problems arising when they are put into effect, etc.);
- to making a greater effort in respect of informing the public by effective means and at the right time (e.g. by launching simple, easily-understood campaigns demonstrating the main areas where heating fuels can be saved);
- to publishing in companies' end-of-year-accounts energy balances which stressing any savings that have been made;
- to accelerating the work on reforming the pattern of consumption, currently being undertaken through programmes for the rational use of energy in the medium term (1985), whilst taking into account the fact that this aim can only be achieved by more intensive and wider-ranging activities (e.g. bringing forward the time limit, even if this entails introducing provisional measures at short notice pending their replacement by more detailed measures which also comprise the necessary inspection and supervision machinery).

In this connection it appears that the aim of short-term savings in energy requires more indirect/auxiliary measures from public authorities to promote consumer action. It would be particularly appropriate:

- to develop the necessary structures in national administrations; in view of what is at stake (the contribution of the rational use of energy programme for 1985 is a reduction of about 15% (240 Mtoe) and thus of the same order as the production of coal or of nuclear-based electricity), the public authorities should appropriate more in the way of resources than at present to devising, implementing and supervising these measures;

- to provide more opportunities for giving advice on questions connected with the rational use of energy (information offices and publicity campaigns related to the areas of highest consumption - heating, transport);
- to envisage, under certain conditions, financial support which could be provided within the scope of programmes in a situation of economic recovery, and to provide for the financial requirements by means of funds from taxation or by raising the tariffs on energy sources;
- to make preparations for a reference and control group to study the results of national and Community energy-conservation programmes.

It is only if the public authorities conscientiously lead this campaign for a better use of energy, giving it the place it deserves, that the "savings" obtained in 1974 and 1975; due largely to the economic situation, can be maintained in the form of real savings in 1976 and 1977.

The trend started in 1974 and 1975 should be able to be maintained, re-establishing the link with the first stage of the programme for the rational use of energy in the medium term^(*) and justifying the setting of the following savings objectives:

- in energy consumption of about 20 Mtoe (2%) in 1976 and 30 Mtoe (3%) in 1977, and
- in oil consumption 15 Mt (3%) in 1976 and 25 Mt (5%) in 1977

Compared with the figures for 1973 (see Appendix II) these objectives indicate in fact:

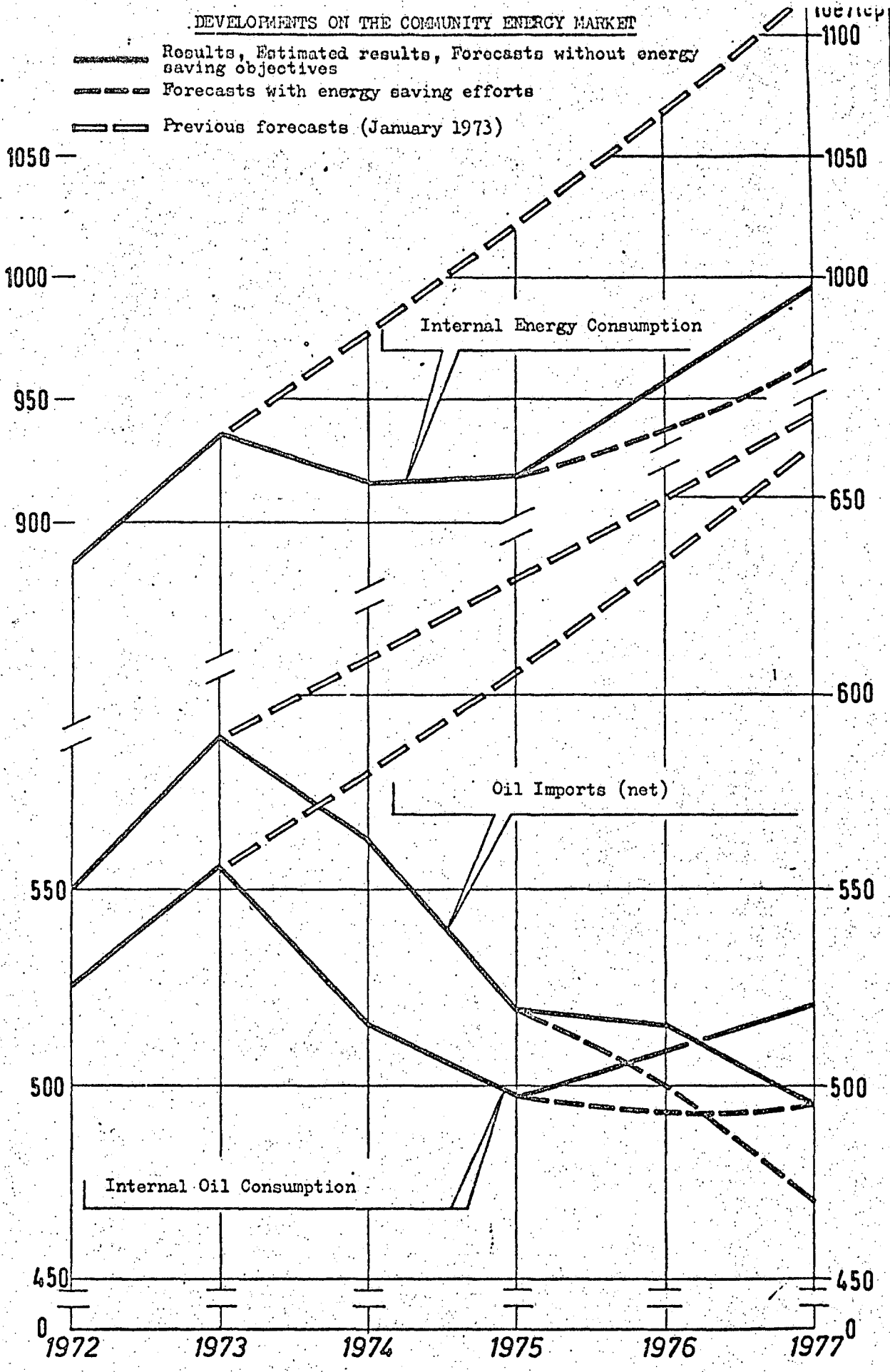
- that 1976 energy consumption should remain at the 1973 level in spite of the growth of the economy, and should be greater by 33 Mtoe in 1977;
- that for these two years oil consumption should remain some 60 Mt (1.2 Mb/d) below that of 1973;
- that net imports of oil should be reduced by about 90 Mt (1.8 M b/d) in 1976 and 120 Mt (2.4 M b/d) in 1977.

(*) 30 Mtoe, i.e. 3% of 1977 consumption -see Doc. COM(74) 1950 final "Programme for Community action in the rational use of energy".

The Commission considers that these objectives can be achieved to the extent that Member States decide to adopt, so as to attain them, the appropriate measures of which an outline description has been given above.

Therefore the Commission submits the added draft-resolution for the Councils' urgent consideration.

DEVELOPMENTS ON THE COMMUNITY ENERGY MARKET



ENERGY CONSUMPTION IN THE COMMUNITY

10⁶ toe

	Results 1973	Results 1974	Estimates 1975	Forecasts 1976		Forecasts 1977	
				Normal	with (**) actions	normal	with actions
Energy consumption	932	915	918	957	938	995	965
Oil consumption	552	515	497	508	493	520	495
Energy imports (net)	616	587	558	560	540	546	515
Oil imports (net)	590	561	519	515	500	495	470
Annual growth CDF (*)	+ 5.5	+ 1.9	+ 0.4	4.0	4.0	4.0	4.0

(*) Price and rate of change 1973

(**) With continuing efforts on energy savings (see chapter 4).

DRAFT COUNCIL RESOLUTION

on the setting of a short-term target
for the reduction of oil consumption
1976 - 1977

THE COUNCIL OF THE EUROPEAN COMMUNITIES

Having regard to the Treaty establishing the European Economic Community;

Having regard to the draft from the Commission;

Having noted the Commission communication entitled "Energy savings - short-term targets 1976-77" which sets out, inter alia, measures for reducing oil consumption;

Considering the Council Resolutions of 17 December 1974 on Community energy policy objectives for 1985 and on the Community action programme on the rational utilization of energy;

Considering the Council Resolution of 26 June 1975 on the setting of a short-term target for the reduction of oil consumption;

Whereas reduction of the rate of growth of internal energy consumption by measures for the rational and economical use of energy without jeopardizing social and economic growth objectives is one of the aims of the Community's energy policy;

Whereas energy resources must be used rationally in order to conserve them as much as possible;

Whereas by reducing oil imports the Community can alleviate the burden on balances of payments resulting from the present level of oil prices;

Whereas economic recovery in the Community in 1976 and 1977 would increase energy requirements, especially on the assumption that average annual GDP growth rate might be of some 4 %, if no additional effort to save energy is made;

Whereas it therefore appears desirable to establish a target for the reduction of oil consumption in the Community;

1. APPROVES, in the light of Member States current forecasts, and on the assumption of economic growth mentioned above, the targets set for the Community as a whole :
 - Energy consumption : 1976 consumption to stabilize slightly over the 1973 level (932 M toe); limit the growth of 1977 consumption to a maximum of 35 M toe (also by comparison with 1973);
 - Oil consumption : maintain consumption levels for both 1976 and 1977 at some 10 % below consumption in 1973;
2. REQUESTS the Member States, with a view to attaining these targets, to continue the efforts already under way in this field, to take whatever measures are suited to their individual situations, and to reinforce their actions especially in the following areas :
 - national administrations and public institutions
 - public information to increase awareness of the energy saving problem
 - advice and assistance to consumers, showing practical ways of saving energy
 - incentives such as loans, tax concession, etc.
 - monitoring of adopted measures;
3. REQUESTS the Commission to study the scope and the feasibility for extending to a Community level some of the measures foreseen or adopted in Member States, and to submit to the Council, if possible, concrete proposals before the end of the year;
4. REQUESTS the Commission to submit a report to the Council on the realization of this target and on measures taken by the Member States or by the Community.