

# European Communities

---

4417.3+

EUROPEAN PARLIAMENT

4417.52

## Working Documents

1977 - 1978

---

19 April 1977

DOCUMENT 45/77

LIBRARY

### Report

drawn up on behalf of the Committee on Energy and Research

on the proposal from the Commission of the European Communities to the Council (Doc. 535/76) for a regulation on Community financial measures to promote the use of coal for electricity generation

Rapporteur: Lord BESSBOROUGH

1.2.2

English Edition

PE 47.894/fin.



By letter of 24 January 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 235 of the EEC Treaty to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on Community financial measures to promote the use of coal for electricity generation.

The President of the European Parliament referred this proposal to the Committee on Energy and Research as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on Budgets for their opinions.

On 17 February 1977 the Committee on Energy and Research appointed Lord Bessborough rapporteur.

It considered this proposal at its meetings of 17 February 1977 , 14 March 1977 and 5 April 1977.

At its meeting of 5 April 1977 the committee unanimously adopted the motion for a resolution and explanatory statement.

Present: Mr Flämig, chairman; Lord Bessborough; rapporteur; Mr Brown, Mr Dalyell, Mr Ellis, Mr F. Hansen (deputizing for Mr Giraud), Mr Klepsch (deputizing for Mrs Walz), Mr Martens, Mr H. W. Müller, Mr K. Nielsen, Mr Radoux (deputizing for Mr Lezzi) Mr Schwabe (deputizing for Mr Adams).

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

C O N T E N T S

	<u>Page</u>
A MOTION FOR A RESOLUTION .....	5
B EXPLANATORY STATEMENT .....	8
I. Background to the Commission's Proposal .....	8
II. The Aim of the Commission's Proposal .....	9
III. The Scope of the Commission's Proposal .....	11
IV. Comments on the Commission's Proposal .....	12
Opinion of the Committee on Economic and Monetary Affairs .....	14
Opinion of the Committee on Budgets .....	16

A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities for a Council Regulation on Community financial measures to promote the use of coal for electricity generation

The European Parliament,

- having regard to the proposal from the Commission of the European Communities for a Council Regulation<sup>1</sup>,
- having been consulted by the Council (Doc. 535/76),
- having regard to the report of the Committee on Energy and Research and the Opinions of the Committee on Economic and Monetary Affairs and the Committee on Budgets (Doc. 45/77 ),
- having regard to its earlier resolutions, in particular
  - on means of securing adequate energy supplies to satisfy the Community's requirements and guarantee, promote and further improve the Community's competitiveness on the world market as a prerequisite for economic growth, full employment and a forward-looking social policy<sup>2</sup>,
  - on the proposal from the Commission of the European Communities on the Medium Term Guidelines for coal 1975-1985<sup>3</sup>,
  - on the communication from the Commission of the European Communities to the Council on Guidelines for the Electricity Sector in the Community<sup>4</sup>,
  - on the future guidelines of the Community's coal policy in the framework of the overall concept of a Community Energy Policy<sup>5</sup>,

<sup>1</sup>OJ No. C 22 of 29.1.1977, page 4

<sup>2</sup>OJ No. C 112 of 27.10.1972, page 32

<sup>3</sup>OJ No. C 179 of 6.8.1975, page 15

<sup>4</sup>OJ No. C 239 of 20.10.1975, page 20

<sup>5</sup>OJ No. C 159 of 12.7.1976, page 33

1. Stresses the importance of coal as the Community's largest indigenous source of energy;
2. Recognises the need for immediate and adequate measures to assist the European coal industry;
3. Emphasises once again the desirability of reducing the Community's dependence on imported petroleum products;
4. Believes that the present proposal could effectively encourage electricity producers to make greater use of coal during the 1980s, and accepts that electricity production be subsidised in order to achieve this aim;
5. Is pleased to note that the present proposal is intended to supplement, and not to replace, either national aids or assistance from other Community sources, and hopes that new low-interest loans, on a substantial scale, will continue to be made available to assist the Community coal industry;
6. Approves of the proposal's budgetary presentation, and particularly
  - of grants being expressed in European Units of Account,
  - of funds for this action being made available through the budget of the European Communities, coming under the budgetary powers of the European Parliament;
7. Notes with approval that high priority will generally be given to those projects involving the greatest increase in coal consumption relative to the grant;
8. Hopes that installations undertaking to burn Community coal will be treated particularly favourably, and calls on the Commission
  - to reserve 20% of the sum allocated to this action for installations undertaking to burn only Community coal,
  - to take appropriate measures to ensure that producers assisted on the understanding that they use Community coal, adhere to such a commitment;
9. Insists on the sanctions provided for in Article 6, paragraph 2, second and third indents, of the proposal for a Council Regulation, being strictly applied;
10. Welcomes the Commission's undertaking to report to the Council and the European Parliament, at regular intervals, on the execution of this Regulation;
11. Approves the proposal from the Commission and invites it to adopt the following amendment pursuant to Article 149, second paragraph, of the EEC Treaty.

Proposal for a Council Regulation on  
Community financial measures to  
promote the use of coal for  
electricity generation.

Preamble unchanged

Articles 1 - 4 unchanged

Article 5

In considering applications for grants, the Commission is to be guided, by the coal-burn plans submitted to the effect that the higher the proposed coal-burn in relation to the amount of the grant, the higher the priority of the project. However, priority is to be given to projects in regard to which the electricity undertaking is prepared to commit itself to use principally Community coal.

Article 5

In considering applications for grants, the Commission is to be guided, by the coal-burn plans submitted to the effect that the higher the proposed coal-burn in relation to the amount of the grant, the higher the priority of the project. However, priority is to be given to projects in regard to which the electricity undertaking is prepared to commit itself to use principally Community coal. One-fifth of the total sum available for grants is to be reserved for projects in regard to which the electricity undertaking is prepared to commit itself to use only Community coal.

Articles 6 - 8 unchanged

---

<sup>1</sup>For complete text see OJ No. C 22 of 29.1.1977, page 4

EXPLANATORY STATEMENTI. Background to the Commission's Proposal

1. According to the energy objectives<sup>1</sup> adopted by the Council of Ministers on 17 December 1974, solid fuels should account for 17% of the Community's total primary energy requirements in 1985. In order to achieve this figure, the Commission has calculated that electricity generation should consume around 150 m.t.c.e. in 1985 compared with some 120 m.t.c.e. in 1976. However, it now appears that, without specific measures of encouragement, coal consumption could decline to below the 1977 figures, perhaps sinking to as little as 90 m.t.c.e. by 1985, unless immediate action is taken.
2. Recent estimates indicated that, at best, the Community's nuclear capacity in 1985 will barely achieve half of the objectives set in 1974. The 1985 objective, fixed in 1974 by the Council at 160 GW, and, if possible, 200 GW, now stands at no more than 85.8 GW to be installed by the beginning of 1985<sup>2</sup>. Even if new policy measures permitting an acceleration in the installation of nuclear equipment were to be introduced, Community prospects do not exceed 101.7 GW by 1985 according to the OECD Report 'World Energy Outlook', while the Commission's own forecast is slightly more optimistic at around 125 GW, of which 35 GW are still subject to final decision.
3. It would hardly seem necessary to refer to the basic philosophy underlying this proposal, i.e. that electricity production should, as a public service, be subsidised so as to encourage the use of coal. This, however, seems to be justified in view of Europe's need to diversify its primary energy sources, while diminishing its dependence on imported hydrocarbons. In the light of these considerations it would be particularly unwise if the Community's coal reserves were not exploited more fully.
4. This Committee has consistently pressed for positive moves towards the reduction of the Community's dependence on imported oil. As coal is unquestionably the Community's most abundant indigenous source of energy, the advantages to be derived from encouraging its use are obvious. As electricity generation at present represents over 40% of the total market for Community coal, the Commission's proposals should be of benefit to the coal industry as well as contributing to the reduction of the Community's dependence on imported sources of energy.

---

<sup>1</sup>OJ No. 153 of 9.7.1975, p.2  
Pintat Report Doc. 524/74

<sup>2</sup>OECD Report 'World Energy Outlook'

5. The Committee on Energy and Research recognises the environmental problems which can result from the production and utilisation of coal. It nevertheless feels that, with careful planning, the environmental disadvantages of coal can be reduced to a minimum. Having carefully considered the objections to coal, the committee remains convinced of the need to take all possible measures to encourage the coal industry and diversify the Community's sources of primary energy.

6. While not enjoying the active support of the environmental lobby, coal-fired power stations are perhaps a little less odious than nuclear plants to environmentalists. The capital costs involved are also lower than those for nuclear stations, though higher than for oil burning installations. There may, consequently, be fewer obstacles in the way of a programme to encourage the increased use of coal than would be the case for increased use of nuclear energy.

7. Partly due to possible reductions in demand, and partly due to coal imports from third countries, Community coal producers are worried about outlets for their coal stocks. If pit-head stocks continue to grow, the mine operators will suffer serious financial consequences, the burden of which must ultimately fall on the taxpayer.

8. Although coal sales in the Community in 1976 totalled 265 million tonnes of coal equivalent, i.e. 10 million more than in the previous year, this figure was still 6.5 million tce less than in 1974. In 1976, 228 million tonnes of coal was mined within the Community (22 m.tce less than the planned target for 1985). At the end of 1976 producers' stocks of coal and coke exceeded 50 million tonnes.

9. Coal imports increased from about 30 million tonnes in 1973 to about 42 million tonnes in 1976, and are expected to total some 45.7 million tonnes in 1977.

It is thus clear that the Community's coal industry is in need of urgent assistance.

## II. The Aim of the Commission's Proposal

10. The present proposal aims at increasing coal-fired electricity generating plant capacity during the 1980s by 30 GW more than the present projections. The Commission maintains that, operated at 4,000 hours per annum, this would represent some 120 TW.h. of electricity, with an annual consumption of approximately 37 m.t.c.e. This would lead to a saving of about 26 million tonnes of oil per year.

If necessary, in case of emergency, by using the additional 30 GW to the fullest possible extent, the Community could save up to 40 million tonnes of oil a year by burning 57 m.t.c.e.

11. It should be noted, however, that these grants would be available to plants intending to burn either Community or imported coal, though priority will be given to those using coal produced in the Community. The wisdom of this might be questioned in the light of the present situation as far as coal imports are concerned, and which formed the subject of a recent communication from the Commission entitled "The Position of the Community's Coal Industry" (COM(76) 667 final of 9 December 1976).

12. At present there is little incentive for electricity producers to move from oil to coal as a primary source of energy. As coal prices are largely determined by oil prices, coal is likely to increase in price proportionally with oil, though coal may possibly be marginally cheaper. Capital costs for the construction of coal-fired power stations, however, are generally some 20% higher than for oil-fired plants, and non-fuel operating costs, including handling costs, are higher for coal than for oil. The problem is further aggravated by short-term movements in the price of oil caused by factors such as the present excess in refinery capacity and the surplus of heavy fuel oil on the market. The Commission has thus deemed it necessary to propose measures to encourage the provision of further coal-burning power stations in addition to the national aids that already are, or have been, available in Belgium, France, Germany and the UK.

13. The Commission came to the conclusion that legislation requiring electricity producers to build more coal-burning power stations would be impractical. Such a move would have to take into consideration the energy situation in each Member State, and would have profound repercussions on the energy market. A prerequisite for such legislation would be an overall agreement on an energy pricing policy embracing all fuels.

14. Instead of a mandatory obligation to burn more coal in power stations, the Commission is proposing a scheme to give financial assistance on a case-by-case basis to individual undertakings, conditional on their using coal for electricity generation.

### III. The Scope of the Commission's Proposal

15. Funds, in the form of non-repayable grants, would be made available by the Commission to induce the Community's electricity producers to put some 30 GW per year of additional coal-fired capacity into operation by the early 1980s. These grants would, in each case, cover 30% of the part of capital investment contributing directly to the installation's ability to burn coal.

16. In awarding such grants, priority will generally be given to those projects involving the greatest possible increase in coal consumption relative to the value of the grant.

17. All undertakings applying for a grant must submit coal-burning plans for the period covering the first seven years of operation of the grant-aided plant. The Commission will have the right to verify the accuracy of such information by inspection, and must be provided with all relevant technical and financial data on request. The Commission's control is further enhanced by the system of payment; 30% of the grant being paid in three instalments prior to the installation coming into service, the remainder in equal annual instalments during the first seven years of full operation, subject to adherence to the plan submitted. The first three instalments may be repayable to the Commission in the event of the installation failing to commence operations within a period to be specified in the contract.

18. Article 1 sets out the types of investment for which grants would be available. They are:

- '(i) Construction of electricity generating installations capable of operating wholly on coal as a primary fuel;
- (ii) Conversion of generating installations incapable of operating on coal, to enable them to operate wholly on coal as a primary fuel, including the provision of necessary ancilliary equipment;
- (iii) Modernization of generating installations capable of operating wholly on coal as a primary fuel, which will be 25 years or older in 1980.'

19. A certain priority would be given to installations which would use only Community coal, though installations burning imported coal would not be excluded from the scope of this proposal.

20. A total expenditure of 500 m.u.a. spread over 15 years, with a maximum annual expenditure of 50 m.u.a., is envisaged for this programme. These funds are to be made available through the budget of the European Communities, and the relevant budgetary entry will also include commitments for appropriations. The funds will thus come under the budgetary powers of the European Parliament.

21. This project would cover only 30% of the additional capital costs resulting from the installation's ability to burn coal. It is intended to supplement, and not to replace, either national aids or reinvestment of the profits derived from the sale of electricity.

22. These grants would also be complementary to the aids available under the ECSC Treaty and the General Loan facilities provided by the European Investment Bank.

23. The Commission believes that these funds would be of particular interest to electricity producers wishing to convert or modernise existing power stations, as such projects, having lower capital costs in relation to the increase in coal-burning capacity than the construction of new plants, would be favourably placed should there be competition for the allocation of funds. The Commission expects that at least 50% of the available funds would be used for the conversion or modernization of existing installations.

#### IV. Comments on the Commission's Proposal

24. This proposal has been submitted to the European Parliament because the ECSC Treaty does not provide a legal basis. Article 235 of the EEC Treaty, requiring Parliamentary consultation, is consequently being invoked.

25. Grants awarded under this programme are to be expressed in European Units of Account, which would remain unaffected by subsequent financial developments, thereby affording a certain protection to the value of grants for installations in Member States with high rates of inflation. Funds for this action are to be made available through the budget of the European Communities, thus coming under the budgetary powers of the European Parliament. The budgetary authority would, consequently, be able to exercise its right to decide the volume of appropriations to be entered each year in the budget.

26. While noting with approval that grants under this proposal could be in addition to aid available from other Community sources, the committee calls on the Commission under the terms of the ECSC Treaty, and on the European Investment Bank, to continue to provide a substantial scale of low-interest loans from Community funds to assist the European coal industry in the face of increasing pressure from third-country coal. Such loans could help, inter alia, the development of new mines and the expansion of the transport infrastructure required for carrying coal.

27. It should be noted that the system of paying grants by instalments would mean that 70% of the total grant would be paid in seven equal annual instalments after completion of the project. This would constitute an effective check on grant-aided projects, ensuring that coal-burning plans are being maintained. The committee feels that the Commission is wise in applying such safeguards in the event of possible price fluctuations between different sources of energy.

28. While priority in the award of grants is to be given to electricity producers intending to burn Community coal, plants using imported coal are not excluded from this scheme. In view of the serious increase in coal imports into the Community, the committee, while recognizing that the ability to burn the cheapest coal available increases this project's chances of success, feels that the terms of Article 5, stating that "priority is to be given to projects in regard to which the electricity undertaking is prepared to commit itself to use principally Community coal" should be strictly adhered to, and that the sanctions outlined in Article 6, second paragraph, third indent, should be applied to installations failing to carry out this commitment.

29. The committee feels that the position of Community coal could further be strengthened by reserving a proportion of the total sum earmarked for this programme for installations undertaking to burn only Community coal. Thus most of the grant, e.g. 400 m.u.a., would be allocated to installations submitting coal burn plans involving either Community or imported coal, in open competition, while the remaining 100 m.u.a. would be reserved for installations exclusively using Community coal.

30. The Committee is particularly pleased to note that the Commission intends to report at regular intervals on the execution of this Regulation, and that such reports will be communicated to the Council and to the European Parliament.

31. Amended as suggested in Paragraph 29 above, the Commission's proposal would appear to be fully in line with this committee's consistent attitude in favour of positive action to encourage the Community's coal industry.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from Mr W. ZEYER, draftsman of the opinion, to Mrs H. WALZ, chairman of the Committee on Energy and Research

4 April 1977

Dear Mrs Walz

At its meeting of 1 April 1977 the Committee on Economic and Monetary Affairs considered the proposal for a regulation on Community financial measures to promote the use of coal for electricity generation (Doc. 535/76).

It approved the principle of the Community financial measures set out in this regulation and also the arrangements for implementing those measures. It delivered the following opinion on the matter:

1. The Commission proposal accords with the long-term Community energy policy strategy decided upon by the Council in 1974, which aims at reducing dependence on imported oil as far as possible.
2. The Community's dependence on imported oil is to be reduced by making the greatest possible use of nuclear energy and by using coal.
3. The development of nuclear energy is faced with ever-increasing difficulties, with the result that there will be an energy gap in the 80s. Coal could, at least partly, bridge this gap.
4. The promotion by the Community of the construction of coal-fired power stations is therefore welcomed.
5. The use of coal in power stations can be increased by the kind of promotion that is planned.
6. In accordance with the medium-term guidelines for coal laid down by the Commission in 1975, domestic production of coal in the long term is to be maintained at an annual level of at least 250 million tonnes TCE.
7. There seems to be a risk at present that this target will not be reached. The position of the coalmining industry in the Community has been seriously damaged in recent years by rising coal imports.
8. It is therefore a source of satisfaction that projects, in which mainly Community coal is used, are being given priority.

9. The obligation on the power station to use certain minimum quantities of coal during the first 7 years of full operation can help to improve the position with regard to sales of coal.
10. The Committee on Economic and Monetary Affairs agrees with the Commission that the intended promotion by the Community of the use of coal in power stations must not replace national efforts, but must rather supplement and support them.
11. Finally the Committee on Economic and Monetary Affairs reserves the right for the future, particularly on the basis of the Commission's regular reports on the implementation of this regulation (Article 8), to verify for itself compliance with the provisions of the Treaty relating to the various conditions for granting Community subsidies.

This letter is to be regarded as the opinion of the Committee on Economic and Monetary Affairs, which was adopted on 1 April 1977 unanimously with four abstentions<sup>1</sup>.

Yours sincerely,

(sgd) W. ZEYER

Draftsman

---

<sup>1</sup> Present: Mr Glinne, chairman; Mr Notenboom, vice-chairman; Mr Zeyer, draftsman; Mr Alber (deputizing for Mr De Keersmaecker), Lord Ardwick, Lord Bruce of Donington, Mr Haase, Mr Maigaard (deputizing for Mr Bordu), Mr Ripamonti, Mr Spinelli, Mr Würtz (deputizing for Mr Prescott) and Mr Zagari

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman : Mr F. HANSEN

On 16 March 1977 the Committee on Budgets appointed Mr Hansen draftsman.

At its meeting of 31 March 1977 the committee considered the draft opinion and adopted it unanimously.

Present: Mr Aigner, first vice-chairman and acting chairman;  
Mr F. Hansen, draftsman; Mr Van Aerssen, Mr Alber, Mr Albertini, Lord Bessborough, Lord Bruce of Donington, Mr Caillavet, Mr Dalyell, Mr Hansen, Mr Kofoed, Mr Maigaard, Mr Martens, Mr Mascagri, Mr Notenboom, Mr Ripamonti, Mr Schreiber, Mr Shaw, Mr Spinelli, Mr Vitale and Mr Würtz.

1. Although the Commission's proposal is of vital importance for the Community's energy policy, this is not the aspect which should determine the position adopted by the Committee on Budgets on the Commission's text nor indeed the fact that this proposal is likely to have considerable repercussions on the Community's balance of trade.

The committee's task is to assess whether Community appropriations are used judiciously and it must emphasize in this connection that the principle behind the proposed action, involving expenditure of 500 m e.u.a. spread over 15 years, is extremely appropriate at the present time.

2. This measure in fact aims at encouraging electricity producers in the Community to increase their coal-burning capacity to enable them to conform with the energy objectives laid down by the Council in its resolution of 17 September 1974<sup>1</sup>. To achieve this, the Commission proposes a programme of Community aid covering 30% of investments made in coal-fired electricity generating plant.

#### Financial aspects of the proposal

3. The Community aid, covering 30% of the total proposed investment, will be granted on the basis of an application submitted by the undertakings together with a coal-burn plan. The aid will be paid to undertakings (public or private) at the rate of 30% during construction and afterwards at 10% per year for the first seven years of operation.

4. This proposal, unlike the majority of the Community's financing measures, provides for direct Community financing; i.e. intervention by Member States or national administrations is not envisaged either in the applications, the granting of the aid, or in carrying out controls; in other words the Commission has sole responsibility for drawing up the implementing provisions. It should be remembered that in most cases the intervention of national administrations in such Community financing - which is frequently essential particularly when a large number of projects is involved - causes the delays and unequal conditions of application which Parliament has frequently had occasion to deplore.

5. The aid is to be fixed both in the form of a sum expressed in e.u.a., which will remain unaffected by subsequent financial developments, and in the form of a percentage (30%) of the estimated additional investment. If the estimates should prove inaccurate as work proceeds, the amount of the aid could, therefore, be adjusted to ensure that the percentage paid by the Community remains constant.

---

<sup>1</sup> OJ No. C 153, July 1975, pp. 2 to 4

This formula has the further advantage of discouraging undertakings from submitting exaggerated estimates while at the same time giving them a certain degree of security as regards the amount of the aid to be expected.

6. The aim of the proposed aid is to encourage undertakings to use coal rather than other fuels. To achieve this the Commission proposes aid:

- (a) covering 30% of the additional investment incurred by coal-fired installations.

However, neither in the financial statement nor in the explanatory memorandum does the Commission give its reasons for believing that this will be sufficient incentive. Undertakings will still have to bear 70% of the additional investment;

- (b) reinforcing and encouraging but in no case replacing national effort. The Commission does not indicate clearly in paragraph 3.8. of the explanatory memorandum to what extent this national effort may induce undertakings to pay 70% of the additional investment;

- (c) affecting first and foremost those projects which, in relation to the size of the grant, will produce most electricity from coal. Once again the information provided by the Commission is inadequate for an immediate assessment of the benefit to be derived from the expenditure, which it proposes to charge to the Community's budget. It is perhaps of secondary importance to compare the proposed volume of expenditure with the anticipated effect on the Community's balance of trade and its overall energy-supply situation, but the task of the Committee on Budgets is precisely to make such assessments;

- (d) integrated into an overall plan involving the other financial instruments available to the Communities. These other measures are at present no more than proposals and there is no statistical information on them either;

- (e) granted solely for projects to be begun after the adoption of this regulation.

#### Budgetary aspects

7. The form of the proposal respects in every detail the prerogatives of the budgetary authority, particularly as regards the volume of appropriations to be entered, their position in the budget and the budgetary technique to be applied.

8. In accordance with the wish frequently expressed by Parliament, the proposal does not fix the overall cost of the action but states that the expenditure is to be effected within the limits of the budget appropriations. The budgetary authority can, therefore, exercise its right to decide the volume of appropriations to be entered in the budget on the basis of the Commission's estimate in the preliminary draft budget or in the financial statement. The present financial statement contains an approximate total estimate: expenditure should not exceed 500 m e.u.a. to be spread over 12 to 15 years with an annual expenditure of between 30 and 50 m e.u.a. As already mentioned, this estimate requires more precise justification.

9. During the budget procedure for the 1978 financial year, the budgetary authority will have to reach a decision on the creation of a new budget heading for this measure.

10. It will also have to decide which budgetary technique to apply to this measure. In view of its multi-annual nature, your rapporteur recommends the use of commitment appropriations as defined by Parliament in its report on the amendment to the Financial Regulation.

It should also be noted that the Commission intends to enter all non-repayable expenditure on this action in the Community's general budget. There could thus be a budget subdivision covering both the aid itself and interest subsidies on ECSC and EIB loans. This would enable the budgetary authority to preserve an overall picture of these appropriations.

11. Finally, both appropriations and expenditure will be expressed in e.u.a. and may be immediately incorporated into the new system which is to enter into force in 1978. This will facilitate clearer and more equitable budget management.

#### Control of the use of the appropriations

12. The proposal provides for a system of prior controls in that the granting of aid, spread over a relatively long period, is subject to the specifications contained in the application for aid. If these specifications are not followed or are only partially followed, the instalments may, therefore, be reduced or cancelled or may even have to be repaid.

13. The report provided for in Article 8 of the proposed regulation, establishes the necessary conditions for an effective retrospective external control and will facilitate the task of Parliament and its control subcommittee in this field. At a later date this report could perhaps deal with the use of all the financial instruments involved in this measure.

## Conclusions

14. The Committee on Budgets considers that this is an exemplary proposal as regards budgetary and financial technique, in view of:

- the exclusively Community nature of the chosen system of financing,
- its scrupulous respect for the prerogatives of the budgetary authority,
- the provisions for prior and retrospective checks on projects,
- the use of the e.u.a. for budgetary management and accounting,
- the proposed integration of this action into a coordinated plan involving several of the Community's financial instruments, and the grouping together of their expenditure in the general budget,
- the complementary nature of this action vis-à-vis national efforts.

15. It further considers that beginning with the 1978 financial year, a budget heading should be introduced for this action. It should be formulated in such a way as to enable the appropriations intended to back up this proposal to be contained within the same budget subdivision. Since this action is multi-annual, a decision should be taken during the budgetary procedure to apply to it the technique of commitment appropriations.

16. However, the Committee on Budgets feels that the financial statement does not contain adequate information for an assessment of:

- the benefit to be derived from the proposed expenditure,
- the effectiveness of the incentive offered.

However, it can deliver a favourable opinion in view of the supplementary information provided orally by the Commission during the discussion.



