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Report

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

on the proposal from the Commission of the European Communities to the Council (Doc. 175-c) for a regulation establishing a common system for imports of hydrocarbons from third countries

Rapporteur: Mr Jean de BROGLIE

PE 31.836/fin.

By letter of 2 November 1972 the President of the Council of the European Communities requested the European Parliament, in an instance in which consultation of the Parliament is not obligatory, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation establishing a common system applicable to imports of hydrocarbons from third countries.

On 13 November 1972 the President of the European Parliament referred this proposal to the Committee on Energy, Research and Atomic Problems as the committee responsible and to the Economic Affairs Committee, the Committee for Finance and Budgets, the Transport Committee and the Committee on External Economic Relations for their opinions.

On 24 November 1972 the Committee on Energy, Research and Atomic Problems appointed Mr de Broglie rapporteur. The Committee considered this proposal at its meetings of 4 December 1972, 26 January and 17 April 1973.

At its meeting of 17 April 1973 the Committee on Energy, Research and Technology adopted the motion for a resolution and explanatory statement unanimously, with one abstention.

The following were present: Mr SPRINGORUM, Chairman; Mr BOUSCH, Vice-Chairman; Mr BANGEMANN (deputizing for Mr KRALL), the Earl of BESSBOROUGH, Mr BOS, Mr BRO, Mr COVELLI, Mr FLAMIG, Mr GLESENER, Mr GIRAUD, Mr HOUGARDY, Mr JAKOBSEN, Mr LEONARDI, Mr MEMMEL, Mr MURSCH (deputizing for Mrs WALZ), Mr NOE and Mr VETRONE.

The opinions of the Committee on Economic and Monetary Affairs, the Committee on Budgets, the Committee on Regional Policy and Transport and the Committee on External Economic Relations will be published separately.

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The Committee on Energy, Research and Technology 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 to the Council for a regulation establishing a common system applicable to imports of hydrocarbons from third countries

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹;
 - having been consulted by the Council in an instance in which such consultation is not obligatory (Doc. 175/72, c),
 - having regard to the report of the Committee on Energy, Research and Technology and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Budgets, the Committee on Regional Policy and Transport and the Committee on External Economic Relations (Doc. 37/73),
1. Notes the Commission's proposal for a regulation, which could play a positive part in the achievement of a common energy policy, the need for which was emphasized at the recent Conference of Heads of State or Government in Paris in October 1972;
 2. Considers that implementation of a common import policy in the hydrocarbons sector could help to lessen the risks incurred by the Community with regard to its supplies of petroleum products owing to its dependence on third countries;
 3. Approves the Commission's proposal to include hydrocarbons in the regulation on the establishment of a common system applicable to imports from third countries, which provides for a liberalized system together with supervisory and/or safeguard measures;
 4. Is of the opinion that it is legitimate, as the Commission suggests, to provide for recourse to such measures of supervision and/or safeguard if the supply of petroleum products seems threatened;

¹OJ No. C 134, 27 December 1972, p.21

5. Invites the Council to adopt the Commission's proposal quickly so that it can take effect by 1 January 1974 at the latest;
6. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. NEED FOR A COMMON POLICY ON THE IMPORT OF HYDROCARBONS

1. Both in the Community and in the world, the energy market will, as the Commission notes in its memorandum on the necessary progress of the common energy policy, be subject to more uncertainties during the next ten or fifteen years than in the past.

The Community, which draws only a small proportion of the energy it consumes from its own territory, is therefore in danger of finding increasing difficulty in ensuring a regular and stable supply at the lowest possible prices during this period.

2. The implementation of a common energy policy could nevertheless contribute quite appreciably to diminishing the Member States' dependence and reducing the uncertainties, in particular by introducing 'compensation for the risks resulting from the high degree of dependence of Member States on imports and from insufficient diversification of channels of supply' (First approach to a common energy policy - 18 December 1968, sec. 5) within the Community.

In this respect the formulation and definition of a common policy on imports seems to be an important feature of a policy on the supply of hydrocarbons.

3. The importance of this point has not escaped the Commission, which submitted a proposal to the Council in 1970 for a regulation on notification of hydrocarbon import programmes to the Commission.

The European Parliament was consulted on this document at the time (see report prepared by Mr Hougardy on behalf of the Committee on Energy, Research and Atomic Problems: Doc. 50/70). On 18 May 1972, after long discussions, the Council finally adopted a proposal for a regulation of this nature after making a number of amendments (EEC Regulation No. 1055/72: see OJ No. L 120, 25 May 1972). The text, which came into force in June 1972, lays down that Member States are to provide the Commission with certain information on imports of crude petroleum (quantity and origin of imports):

- by undertaking, not later than 30 September and 31 March each year, for imports during the previous six calendar months;
- total, by 31 December each year, for imports planned for the following year for all undertakings of the Member State in question.

4. The regulation just referred to should enable the Commission to assess Community supplies and to organise exchanges of views with Member States on this basis.

However, this step alone would not be enough to give the supply policy, in the words of the Commission, 'the efficacy and coherence it still lacks at Community level' if this policy were not also supported by commercial policy instruments. Hence the Commission's proposal for a regulation establishing a common system of imports for hydrocarbons from third countries.

5. What is, in fact, the situation in this sector at present? There is no common system for hydrocarbon imports, which are effected according to the provisions in force in the various member countries. This gap may seem all the more paradoxical (considering that hydrocarbon imports constitute a high proportion - about 20 per cent - of the total imports of the Community) in view of the fact that since May 1970 it has been covered by a regulation (EEC Council Regulation No. 1025/70 of 25 May 1970), establishing a common system applicable to imports from third countries. This regulation lays down for the products listed in an annex a liberalized system which can be suspended at any time, if circumstances demand, by the implementation of safeguard measures agreed by a qualified majority of the Council on a proposal from the Commission. Moreover, imports of a product or products for which the market is developing in such a way that it threatens to harm Community producers may, by the same method, be subjected to supervisory procedures.

This liberalized system - modified by the possibility of a temporary implementation of safeguard measures - applies to the great majority of products imported into the Community. In some more restricted cases, however, the Community can impose quantitative quotas on imports from third countries.

II. OBJECT AND SCOPE OF THE PROPOSED REGULATION

6. The Commission proposes - this is the object of the text laid before our Committee on Energy - to apply the first of the two systems described below to the products listed in the annex to the proposed regulation: these are products used exclusively for energy purposes (products for chemical use are considered in General Regulation 1025/70) and processed from crude petroleum.

It is intended that these products should be included in the list in Annex I to EEC Regulation No. 1025/70.

7. However, as regards the application of Regulation 1025/70 to these products the general system will be subject to a number of modifications, which are listed in Article 2 of the proposed regulation.

These special provisions are as follows:

- the information and consultation procedure laid down in title II of Regulation 1025/70, and the joint supervisory procedure set out in this regulation, shall be applied with due regard to the information available to the Commission by virtue of EEC Regulation No. 1055/72, already referred to above;
- the supervisory and safeguard measures laid down in Regulation 1025/70 may be taken for these products if such action is justified in the interests of security of Community supplies, as well as for the reasons stated in these provisions.

8. These special clauses on hydrocarbons are explained, according to the information supplied by the appropriate departments of the Commission, by the fact that mere application of Regulation 1025/70 did not seem suited to a category of products of which the Community currently produces only about 5 per cent of the total requirements of Member States. The safeguard measures laid down in Regulation 1025/70 apply in fact (see Article 10) 'to the case where a product has been imported into the Community in such increased quantities and/or under such conditions that the interests of Community producers of similar products are or tend to be seriously jeopardized'. It is quite obvious that such a clause could not be applied as it stands to a category of products of which 95 per cent have to be imported.

9. In what cases could one consider that Community supplies might be threatened? Here we have a criterion in which commercial and political aspects are closely intermingled and which the Commission will have to determine, either on its own initiative or at the request of a Member State. The most typical instance of the application of this measure would seem to be one in which a producer country endangered the security of supplies of the whole Community or of some of its members.

10. Our committee raises no objection in principle to the special provisions laid down in Article 2 of the proposed regulation which seem clearly justified in view of the special nature of trade in hydrocarbons (this carries greater political implications than trade in any other major raw material: the strictly commercial aspects cannot be separated from the political arguments) and of the almost total dependence of the Community on third countries in this sector.

11. We should like to take up one final point: the date on which the proposed regulation comes into force. The Commission set 1 January 1974 as the date. When asked to give reasons for this choice it claimed that it was impossible to amend the present system, subject as it is to the diversity of legal situations in the Member States, at an earlier date. This interval would be needed, in particular, to enable France to amend its present import system, which has not been liberalized (import licenses are granted to importers of petroleum products for a specified period). While the proposed regulation was under discussion several members of the Committee on Energy, Research and Technology expressed the wish that the date be brought forward either to 1 July 1973 or with retroactive effect to 1 January 1973. The reasons put forward by the Commission representatives in opposition to this proposal seemed pertinent to your rapporteur who regards the date set as reasonable, especially since importers will have to be informed sufficiently far in advance of any amendments to the system of hydrocarbon imports brought about by the implementation of the proposed regulation. The period of time in question also seems necessary in order to enable the new Member States to adapt themselves to the new demands of Community policy in this sector.

III. CONCLUSIONS

12. In conclusion, the Committee on Energy, Research and Technology has no objection in principle to the proposed regulation submitted to the Committee on Energy for consideration. Despite its limited objectives, it should help to reinforce the security of Community hydrocarbon supplies. In this context, it accords perfectly with the policy upheld by the Committee on Energy in the report by Mr Burgbacher (Doc. 141/72) on 'the possibilities of ensuring adequate supplies of energy for the Community at all times, in order to guarantee, promote and develop the Community's competitiveness on the world market - a condition of economic growth, full employment and a progressive social policy'.

This is why we hope that the proposal will be approved as it stands by the Council in the immediate future, and that it can therefore come into operation on the date proposed by the Commission.

