

# European Communities

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EUROPEAN PARLIAMENT

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### Report

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

on the communication from the Commission of the European Communities to the Council (Doc. 168/73) on initial implementation of the Guidelines and Priorities for a Community Energy Policy

Rapporteur : Mr T. NORMANTON



By letter of 25 September 1973 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the communication from the Commission of the European Communities to the Council on initial implementation of the 'Guidelines and Priorities for a Community Energy Policy'.

On 9 October 1973 the President of the European Parliament forwarded this communication to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on External Economic Relations for its opinion.

The Committee on Energy, Research and Technology appointed Mr NORMANTON rapporteur on 22 October 1973.

It discussed the communication at its meetings of 25 September, 22 October and 5 November 1973 and unanimously adopted the motion for a resolution and explanatory statement at the latter meeting.

The following were present: Mr Springorum, chairman; Mr Bousch and Mr Flämig, vice-chairmen; Mr Normanton, rapporteur; Lord Bessborough, Mr de Broglie, Mr Glesener, Mr Giraud, Mr Hougardy, Mr Lagorce, Mr Lautenschlager, Mr Marras (deputizing for Mr Leonardi), Mr Memmel, Mr Noè, Mr Petersen, Mr van der Sanden, Mr Verhaegen and Mrs Walz.

The opinion of the Committee on External Economic Relations is attached.

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The Committee on Energy, Research and Technology 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 communication from the Commission to the Council on  
initial implementation of the 'Guidelines and Priorities  
for a Community Energy Policy'

The European Parliament,

- having regard to the communication from the Commission on initial implementation of the guidelines and priorities for a Community energy policy (COM (73) 1320);
  - having been consulted by the Council (Doc. 168/73);
  - having regard to the final declaration of the Conference of Heads of State or Government of the countries of the enlarged Community held in Paris on 19/21 October 1972;
  - having regard to the critical situation for the Community's energy supply created by the continued political instability in the Middle East and currently accentuated by the Arab-Israeli conflict;
  - referring to its previous resolutions on energy policy in particular those 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>1</sup>
    - the communications from the Commission to the Council on
      - (a) the progress necessary in Community energy policy, and
      - (b) energy policy: problems and resources 1975/85<sup>2</sup>
  - having regard to the report of the Committee on Energy, Research and Technology and the opinion of the Committee on External Economic Relations (Doc. 220/73);
1. Believes that the prosperity and security of the whole free world depends on the availability of adequate and reliable supplies of energy on satisfactory economic terms;

<sup>1</sup> OJ C 112, 27 October 1972, p.32

<sup>2</sup> OJ C 37, 4 June 1973, p.19

2. Reaffirms its longstanding demands for the preparation of a common energy policy by the Commission and the Council with detailed proposals for its implementation and a precise time-table for its application;
3. Expresses its deep concern that during the next 10 to 20 years oil is to provide the mainstay of the world's energy supplies;
4. Draws attention to the fact that because of the size of known reserves and the lead time for finding and developing new oil and other energy resources, the world's growing needs can only be supplied by huge increases of oil imports from the Middle East;
5. Considers that the Community's continued dependence upon supplies of oil from the present sources poses a real and rising threat to the Community's economy and its future expansion;

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6. Expresses its growing anxiety at the political, financial and monetary consequences to the Community arising out of the phenomenal increase in the size of funds accruing to the producing countries and incapable of being absorbed in their internal economies;
7. In the light of the present situation, calls upon the Council and the Member States to introduce the common energy policy on a basis of mutual cooperation between all Member States and in accordance with Article 34 of the EEC Treaty, to devote particular attention to those Member States whose energy supplies are insecure and to consider taking economic counter-measures against third countries;
8. Draws the attention of the Commission and the Council to the growing evidence of the interdependence of industrial, monetary, commercial and foreign policies of the Community, with special relevance to securing reliable and regular energy supplies for the future;
9. Considers that it is absolutely essential to take steps to establish cooperation with other consumer countries particularly the developing countries, as well as with producer and supplier countries;
10. Notes and welcomes the offer of the USA to include energy policy in a new Atlantic Declaration and urges the Commission and the Council to follow up the offer energetically;
11. Considers, however, that an energy policy for the oil importing countries cannot be limited to the Atlantic group of nations;

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12. Approves the principle of setting up a Hydrocarbon Supply Committee as suggested by the Commission, but requests the Commission to take into consideration the modification concerning the responsibilities of the Supply Committee proposed by the Committee on Energy, Research and Technology;

13. Approves the Commission's proposals to extend the obligation to notify imports of crude oil and natural gas to include imports of other petroleum products as well as exports of crude oil, natural gas and other petroleum products;
14. Approves the Commission's proposals that trade in petroleum products between the Community and third countries should be brought under the common import and export procedures;
15. Approves the Commission's proposals that the surveillance measures in the common import and export regulations should be put into effect for both imports and exports of hydrocarbons;
16. Calls on the Commission to organize the petroleum market in such a way that the European market does not become less interesting to the oil suppliers than those of the USA and Japan;
17. Considers that these specific proposals of the Commission can only be regarded as a first step, and is of the opinion that the establishment of an effective Community energy supply policy would require new powers for the Community institutions, pursuant to Article 235 of the EEC Treaty;
18. Requests the Commission to keep under constant revision the directives on stockpiling, rationing and equitable sharing of import availabilities between all Member States in case of an overall or specific country emergency;
19. Requests the Commission to give urgent consideration to the way in which the application of the Rules of Competition (Article 85 in the EEC Treaty) affect the ability of the Community to establish an effective energy policy, particularly in the field of supply and distribution of oil;
20. Urges the Commission to prepare proposals for Directives and Regulations for the promotion of greater efficiency in the distribution and use of oil and gas, for example by improving thermal insulation against wastage of fuel;
21. Calls for the establishment of a consultative body, similar to the CREST in the field of research and technology, with competence to cover all aspects of energy, including research, production, distribution and use;
22. Considers the proposals from the Commission to the Council for a regulation on comprehensive information over a certain period on all movements on the Community's petroleum market adequate for the present situation but urges the Commission to report to Parliament on the effects of the regulation as soon as it expires;
23. Instructs its President to forward this Resolution and the report of its responsible Committee to the Council and the Commission of the European Communities.

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Proposal for a Council Regulation (EEC) relating to the  
laying-down of a common consultation procedure on Community  
hydrocarbon supplies

Preamble, Considerations, and Articles 1 to 4 unchanged

Article 4 a

1. In the light of the consultations referred to in Article 4 above the Committee shall put forward such proposals as it considers appropriate for the maintenance of a secure and stable supply of hydrocarbons on terms satisfactory to the Community.
2. The Committee shall submit a comprehensive report to the Commission each year on its work in the previous year. This report shall be forwarded to the Council and Parliament.

Articles 5 to 8 unchanged.

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<sup>1</sup> For the complete text, see OJ No. C 92, 31 October 1973, p.18



EXPLANATORY STATEMENTI. Introduction

1. The Committee on Energy, Research and Technology has repeatedly insisted on the necessity of a common energy policy. Most recently the European Parliament, at its sitting of 3 July 1973, adopted a resolution proposed by the committee's chairman, Mr SPRINGORUM, which stated in paragraph 5<sup>1</sup> :

- '(a) in view of general political developments, there is no longer any alternative to a Community energy policy and consequently to the provision of the necessary powers, pursuant initially to Article 235 and subsequently to Article 236 of the EEC Treaty,
- (b) the situation will become more difficult the longer the Member States pursue separate energy policies, instead of acting through the Community institutions, since this will affect and even jeopardize attainment of the aims of the Treaty.'

At the same time, the European Parliament, in paragraph 6 of the same resolution, urged 'the Commission not to abdicate its responsibility to take initiatives in the area of energy policy.' The development subsequent to that day has highlighted the relevance and significance of the resolution and the vital need for action by the whole of the Community.

2. A key element in a common energy policy is the guarantee of regular and adequate oil supplies but the importance of other sources of energy such as coal and nuclear energy should not be underestimated. Thus it was with great satisfaction that the committee gave its consideration to the Commission's communication to the Council on initial implementation of the 'Guidelines and priorities for a Community energy policy' including proposals for the first instruments for the organization of a Community oil market.<sup>2</sup>

The Committee on Energy, Research and Technology regards the Commission's communication and the concrete proposals it contains as a positive

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<sup>1</sup> OJ No. C 62, 31 July 1973, pages 14, 15.

<sup>2</sup> COM (73) 1320, 25 July 1973 (Doc.168/73)'

reply to the abovementioned request made by the European Parliament. The committee would, however, begin by pointing yet again to a fundamental weakness namely the fact that the Commission submits the individual proposals without laying down an overall plan for the development of a Community energy policy. It is particularly necessary in this context to establish priorities for the various measures, to make provision for the powers which it will be necessary to confer upon the Community institutions and to draw up a programme of action for putting the common policy into effect according to a definite timetable. Diagnosis of the problems coupled with the declarations of good intent are totally irrelevant unless joined to a clear programme of action to implement this policy.

No provision is made for such a coordinated programme of action either in the communication on 'The progress necessary in Community energy policy'<sup>1</sup> or in 'Guidelines and priorities for a Community energy policy'.<sup>2</sup> The Commission's documents contain numerous proposals for individual measures but no integrated energy policy programme. The committee has already made this point in Mr GIRAUD's report.<sup>3</sup>

Indeed, the Commission could also find in Mr GIRAUD's report inspiration for an overall plan for the stage-by-stage implementation of the various measures of a common energy policy.

## II. The Community's dependence on oil

3. There is no getting away from the fact that a particularly important and increasingly urgent problem for Community energy policy is to ensure continuity of oil supplies to the Member States of the Community.

The importance of oil in Community energy consumption emerges clearly from the fact that approximately 65% of total energy requirements are currently met by oil. There will be no change in this situation in the near future and therefore the Commission estimates that in 1985 oil will still cover 65% of Community energy requirements.<sup>4</sup> These figures apply to the Six. The proportion of oil in the energy requirements of the Nine are slightly lower, since oil plays a somewhat less important part in England's energy supply. The trend of development, though, will be the same.

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<sup>1</sup> COM (72) 1200, 4 October 1972

<sup>2</sup> SEC (73) 1481, 19 April 1973

<sup>3</sup> DOC 36/73, p.11

<sup>4</sup> Prospects for consumption of energy resources in the Community 1975-1980-1985, SEC (72) 3283 final, p.59

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4. The overall energy requirements of the Community can be expected to double between 1970 and 1985. Where oil is concerned, overall consumption in the Community in 1970 represented approximately 560 million metric tons of crude oil. This is expected to increase to 750 million metric tons in 1975, 900-950 million in 1980, and in 1985 there is likely to be a demand for 11-1200 million tons of crude oil.<sup>1</sup> At present approximately 95% of this crude oil has to be imported from countries outside the Community.

It is to be expected that, with the exploitation of the North Sea deposits, the Member States' own oil production will assume greater importance in future. This is, of course, difficult to estimate especially since new discoveries are being made all the time, but the Commission calculates that by 1975 North Sea oil production will amount to approximately 50 million metric tons and 100-150 million metric tons by 1980. Despite the significant increase in Community oil production, it must nevertheless be expected that in 1980 it will still be necessary to import approximately 85% of the oil consumed in the Community.

5. All in all, this means that even if there is an increase in the Community's self-sufficiency in the crude oil sector, the Community will still be obliged to meet its oil requirements in very large measure with imports from third countries and, in absolute figures, Community demand for oil imports will, of course, increase much more.

Therefore, in the foreseeable future, the Community's oil supplies will be completely dependent on the state of the world market. Assessment of world oil market trends is rendered problematic by a number of uncertain factors.

6. In the last few years the oil market has undergone considerable changes. The overproduction and favourable prices of the '60s have been succeeded by demand pressures which, in conjunction with the tense situation in the freight market, have brought about heavy price increases.

A distinctive feature of the new situation on the oil market is the USA's growing demand for imports and its inadequate refinery capacity. Consequently, the USA has also begun to buy a certain amount of refined petroleum products in Europe, which has made the situation on the European market still tighter.

These new conditions on the oil market have been accompanied by an increasing tendency for the producing countries to present a common front against the oil companies. The agreements concluded in Teheran and Tripoli in 1971 between the oil companies and the producing countries

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<sup>1</sup> The Community oil sector, medium-term forecast and guidelines, SEC (72) 3173 final. (The figures shown include Norway).

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represent the first instance of truly joint negotiations between the two parties.

7. As long as oil takes such a prominent place in the Community energy supply, it must be in the Community's interest to spread the source of supplies - both geographically and politically - over as many suppliers as possible, so that the Community's dependence on individual states or sectors or political groupings is reduced to the minimum. However, there are two special difficulties standing in the way of an effective spread of demand over several oil suppliers.

First, because of its enormous oil reserves - 56% of existing 'secure' oil reserves are to be found in the Middle East - the Middle East will become increasingly dominant in the next 10 or 15 years as the leading oil producer.

Second, all the important oil-exporting countries are members of OPEC, which covers approximately 50% of world oil production and approximately 90% of world oil exports. As already stated, these countries are taking increasing advantage of the powerful position that oil has given them. In this context the threat to continuity of the supplies arising from the Israeli-Arabian conflict illustrates the point being made and highlights the importance of rapidly reaching agreement on a Community action. This situation furnishes another example of the impossibility to differentiate between the traditional Community policy and foreign policy.

8. This powerful position is partly a result of the fact that none of the three major oil consumers (USA, EEC and Japan) will be selfsupporting in the future. Japan is even more dependent than Europe, i.e. almost completely, on external oil supplies, and the USA expects roughly one-third of its 1980 oil requirements to be met by imports.

### III. Requirements of a Community energy policy

9. The Committee considers it is urgently necessary for the three major consumers, if they do not wish to damage one another's interests, to try and coordinate their oil supply policy. Furthermore the common front presented by the exporting countries makes it increasingly necessary for the consumer countries to work together.

It is therefore clear that one of the Community's major tasks will be to establish good and stable relations both between the consumer countries themselves and between the consumer countries and the exporting countries.

The Committee on Energy, Research and Technology has already stated this as a matter of the highest priority in a survey of a number of activities in the field of energy policy (see Mr BURGBACHER's report (Doc. 141/72) and Mr GIRAUD's report (Doc. 36/73)).

10. In view of the uncertain supply situation the Community must ensure that the situation on the oil market is followed closely so as to have an overall view at all times of developments in oil supply conditions. This is the only way of ensuring that steps can be taken to meet a possible shortage as early as possible. Therefore the committee has already given its approval to the obligation to notify the Commission of the importation of certain hydrocarbons (Mr HOUGARDY) (Doc. 50/70) and to a common imports procedure for hydrocarbons from third countries (Mr De BROGLIE) (Doc. 37/73)

11. In the longer term the Community cannot continue to be predominantly dependent on imported oil, in fact some sectors are absolutely dependent on it. Therefore every effort must be made to spread the sourcing of the supplies so that the Community's dependence on other individual states or areas will be reduced. This is one of the main objectives of the common energy policy, and the committee has frequently stressed the necessity of initiatives in this sector (see, for example, the above-mentioned reports by Mr BURGBACHER and Mr GIRAUD).

12. Whereas the Committee expresses its grave concern at the dependence of the Community on the supplies of oil from politically unreliable areas of the world, considerable doubt is now raised as to the wisdom of extending this dependence on energy supplies from third countries to other sources of energy such as nuclear energy and natural gas. Instead of this urgent steps should be taken by the Commission to secure that Community should be able to meet the bulk of its demand for nuclear energy and natural gas from Community sources.

13. In recent years it has become increasingly noticeable that proposals of establishing additional energy plants, particularly nuclear have been delayed or defeated by groups of people committed to the conservation of the environment without any regard to the growing requirements for increased energy supplies. Whilst welcoming publicity for the environment generally the Committee considers it essential for a balance to be struck between those two conflicting forces with special regard to the urgency of the growing needs to implement energy policies.

14. Through the long period of the run down of the coal industry in the Community of Six the Committee on Energy, Research and Technology constantly warned the Commission on the economic consequences. The enlargement of the Community provides an opportunity to the Commission to formulate an appropriate and overdue policy for exploiting the energy potential of the still significant large coal industry.

15. Therefore, even though oil occupies a prominent place in the Community energy supply, it must be stressed that an oil supply policy is not in itself enough. It is important that this should form part of an overall

energy policy covering the production, distribution and use of all primary energy sources as well as the research on and the development of new sources.

The Commission has held out the prospect that before the end of 1973 it will put forward definite proposals for speeding up the exploitation of atomic energy and on the future role of coal in the Community energy supply as well as proposals on the environmental problems concerning the implementation of a common energy policy and for a more rational use of energy. But, nevertheless the Committee on Energy Research and Technology wants to stress the urgent need for formulating these policies and for the presentation of concrete proposals to the Council of Ministers and the European Parliament.

#### IV. Relations with third countries

16. In its communication the Commission outlines its intentions in respect of Community relations with other energy-importing countries (mainly the United States and Japan) and the energy-exporting countries. Unfortunately, however, the Commission's proposals contain very few details and no suggestions as to what specific moves should be made or what powers will be necessary for results to be achieved. The committee can only agree with the Commission that the development of cooperation with third countries 'requires a common philosophy at the Community level', and therefore urges the Commission to define its intentions as quickly as possible and to consider in what sectors the Commission can make use of the powers it already possesses, and in what sectors the Commission must ask for new and wider powers.

17. Unless a common energy policy is formulated quickly, all the good intentions to organize and develop relations between the Community and other energy-importing countries and between the Community and the energy-exporting countries will stand for nought. Without a common energy policy, the Commission can quite well attempt to develop a mutual information system with third countries on the subject of energy market trends. But these introductory discussions cannot result in concrete proposals for measures before the Community has established firm guidelines for its own energy policy. The committee has already expressed this view in point 96 of the GIRAUD report.

18. In its communication the Commission gives three examples of cooperation between the energy-importing countries viz. (1) prevention of 'over bidding' on world markets, (2) cooperation on emergency measures and (3) cooperation on research and development programmes in the energy sector. However, the Commission says nothing about actually starting special negotiations on these points. It would appear that the Commission considers the regular contacts with the governments of the USA and Japan and the cooperation within the O.E.C.D.'s oil committee to be sufficient. This we roundly reject as totally inadequate.

19. Especially concerning the relationship to the USA it has to be noticed that Mr Kissinger's invitation for the drawing up of a new Atlantic Declaration explicitly mentioned the cooperation in the energy sector. This has so far been met by the positive attitude of the Member States' foreign ministers in their preliminary discussions in Copenhagen in September. In this situation the Committee urges the Commission to put forward concrete proposals for the exploitation of the good will to international cooperation in the energy field. These proposals should be forwarded to the Parliament before entering in real negotiations so that the Parliament not only is consulted after termination of the negotiations.

At the end of October and the beginning of November a delegation from the European Parliament will visit North America. It is earnestly hoped that as an outcome of this the European Parliament will establish a broader basis for information about developments in North America and this continent's growing impact upon the future development in the whole energy sector.

20. The Committee stresses the most urgent need for coordination plans and action by the Community together with the USA and Japan. Inevitably, a newly established Atlantic-Japanese energy policy and measures designed to achieve optimum energy security for the free world would lead to a much greater involvement of governments in what had previously been considered to be industry affairs, with all that this may imply. But the Committee sees no realistic alternatives, and the time for action is now, if not yesterday.

At the meeting between the delegations of the European Parliament and the United States' Congress of 29 October 1973, this major item led to the following resolution:

'As major energy consumers the United States and the European Community should work together with all energy producers and importers to develop a worldwide energy policy to ensure that all nations have dependable access to adequate supplies of energy.

The United States and the European Community should develop together an energy policy which has the aim of establishing close cooperation in the event of crises and of avoiding competitive price out-bidding for energy imports.

The United States and the European Community should join in intensified research, development and information exchange of energy programmes, especially for the gasification and liquefaction of coal, and the mining of coal resources.

The United States and the European Community should undertake intensive energy conservation programmes, through legislation where practical and necessary.'

21. The Committee on Energy, Research and Technology is agreed that one of the objectives of cooperation between the Community USA and Japan must be to ensure that the three major consumers of oil do not overbid one another on the world energy market, which is increasingly characterized by diminished oil surpluses. The committee therefore urges the Commission, in its own interests, to define as soon as possible what is to be understood by 'overbidding policy' and to state in detail what measures it will be expedient to take in given cases. On this basis the Commission should seek authorization as soon as possible to enter into negotiations with the USA and Japan with a view to achieving results in this area.

22. The Committee strongly holds the view that emergency measures to deal with actual oil shortages anywhere in the Community should take the advantage of cooperation between the Community and non-Community countries, as happens within the OECD, for example. On this point too, the committee urges the Commission to make clear what measures it has in mind and what powers may be required for the implementation of these measures.

23. The Committee agrees that it is important to establish cooperation in research and development in the energy policy sector with other energy-importing countries, and hopes that it will soon be possible for the Commission to submit definite proposals in this area on the basis of the survey of research and development programmes in the energy sector currently being prepared, and with reference to the 'Outline Research Programme on Energy'<sup>1</sup> which has just been submitted in another connection.

24. As to cooperation with the energy-exporting countries the Committee on Energy, Research and Technology again urges the Commission to define its intentions and submit more specific proposals. e.g. in the form of a framework regulation laying down common principals for the guaranteeing of future preferential trade agreements and generalized preferences relating to petroleum products as suggested in paragraph 37 of the GIRAUD report. The committee would also draw attention to previous obser-

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<sup>1</sup>COM (73) 1230/final



vations on this matter in paras. 55-56 of the BURGBACHER report and para. 41 of the GIRAUD report. It must again be stressed, however, that cooperation with the energy-exporting countries must to a large extent be developed on the basis of a common energy policy.

25. The Commission suggests the setting up of a 'Hydrocarbons Supply Committee' to discuss aspects of energy policy in the Member States' policy towards the energy-exporting countries. The proposed Committee has no competence to discuss energy problems in general or all the aspects of the energy policies of the Member States in particular nor to make recommendations for Community policies.

The Committee on Energy, Research and Technology therefore fears that unless the Commission puts forward more specific proposals to guarantee the proposed Committee's coordinating powers, and unless the Council decides as soon as possible what its position is to be on the common energy policy, the proposed committee and its coordination of Member States' policy towards the energy-exporting countries will not get beyond the discussion stage.

26. The Committee on Energy, Research and Technology urges the Commission to take steps as soon as possible to establish the proposed contacts with the energy-exporting countries, on the one hand in order to exchange information and on the other to examine in introductory talks a possible basis for the development of relations between the Community and these countries so as to provide greater security for the Community's oil supply and also to give the energy-exporting countries the possibility of more diversified trade relations with the Community. The Commission may derive inspiration in this matter from the observations made by Mr GIRAUD in paras. 37, 41, 96, 97 of his report and by Mr BURGBACHER in paras. 55 and 56 of his report.

#### IV. Organization of a Community oil market

27. Unlike the proposals for the development of relations with third countries, the Commission's proposals for the organization of a Community oil market have taken definite shape as proposals for Council regulations and decisions. In all, the Commission has put forward six separate proposals intended to form a basis for a common supply policy. The proposals relate to:

- (a) the provision of adequate information regarding both imports and exports of hydrocarbons (two proposals),

- (b) the coordination of Member States' hydrocarbons supply policy by a committee to be set up for that purpose (one proposal),
- (c) the establishment of a common hydrocarbon imports and exports procedure (three proposals).

These proposals extend and supplement the notification procedure previously introduced in respect of crude oil and natural gas imports (Regulation (EEC) No. 1055/72)<sup>1</sup> and the Commission's proposal for a regulation on a common hydrocarbon imports procedure (COM (72) 1203/fin. See also the report by Mr de BROGLIE mentioned earlier).<sup>2</sup>

28. By means of these proposals, the Commission has endeavoured to establish the first basis of a common supply policy without actually asking for any new powers. The central theme in the Commission's proposals is that the oil sector should be brought under the Community import and export regulations, imports from third countries being provided for in Regulation (EEC) 1025 (70) and exports to third countries in Regulation (EEC) 2603/69. The Commission believes that the instruments of the common commercial policy can form a basis for the development of a common energy policy. This is only capable of achievement if they are at the same time supplemented - as is in fact proposed - by a reciprocal information and consultation procedure, between the public authorities themselves on the one hand and between the public authorities on the oil companies within the Community on the other.

29. The Committee on Energy, Research and Technology would not deny that it could in the first instance be worthwhile to try to establish the initial basis for a common supply policy in the energy sector by establishing a common organization of the market for hydrocarbons; but the committee does not believe that the Commission can, in the shorter or the longer term, avoid putting forward proposals that ask for new powers for the Community's institution in accordance with Article 235 of the EEC treaty, if a truly common energy policy is to be established within the Community.

(a) Information

30. In the energy sector there is at the moment an obligation to notify any planned investment projects of Community interest (Regulation (EEC) No. 1056/72)<sup>3</sup> and also an obligation to notify actual and expected imports of crude oil and natural gas (Regulation (EEC) 1055/72 in respect of CCT heading numbers 27.09 and 27.11 B).

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<sup>1</sup> OJ No. L 120, p.3

<sup>2</sup> This proposal has not yet been approved by the Council.

<sup>3</sup> OJ No. L 120, p. 7.

The Commission now proposes that the latter regulation (No. 1055/72) be extended to include other petroleum products, namely CCT heading numbers 27.10 and 27.11 A, so that the obligation of notification now applies to imports of all petroleum products.

Furthermore, the Commission is putting forward proposals for regulation on exactly corresponding lines for hydrocarbon exports. This means that all persons or companies that export or intend exporting at least 100,000 tons of crude oil per annum or a corresponding quantity of natural gas or 10,000 tons of other petroleum products, are required each half-year, and are required each year (as at 15 December) to provide information about expected exports in the following year. The committee is in principle agreed that it is important for the Community to have at its disposal as much information as possible about imports and exports of hydrocarbons and can approve the proposals in their present shape. Finally, the committee hopes that the Council will approve these proposals from the Commission more quickly than the proposal for Regulation 1055/72; in that case the Council came to its final decision a whole two years after the proposal had been put forward.

#### (b) Coordination

31. As a first attempt at coordinating the Community countries' hydrocarbons supply policy, the Commission suggests the setting-up of a permanent Hydrocarbons Supply Committee; it would comprise representatives from each Member State and be chaired by the Commission. One of its tasks would be to discuss the supply situation on the basis of the definite information referred to above which the Commission would receive on investment projects and on imports and exports of hydrocarbons. Furthermore, the supply committee would be given wide scope for its discussions. The Commission proposes that the committee should discuss the total supply situation in general both in the long and the short term as also the energy policy aspects of initiatives undertaken by Member States vis-a-vis the oil-exporting countries, but does not give any precise guidelines for the committee's work in these areas.

32. The supply committee will also be authorized to discuss various matters concerning companies that supply the Community with hydrocarbons, e.g. their technical and economic capabilities, progress made in their trade negotiations with exporting countries and the consequences of these negotiations for the Community's supplies. The committee will also discuss measures envisaged by the companies to meet any shortages that may occur or any interruption of their supplies.

33. As a basis for these discussions, the supply committee will be authorized, under certain circumstances to call in representatives of the companies that contribute to the Community's hydrocarbons supplies. Under the proposed regulations, these companies are obliged to supply all information required on the above mentioned points and if they fail to do so fines may be imposed upon them.

34. The committee has the impression that the informational basis for the work of the proposed Hydrocarbons Supply Committee can be very extensive. Used properly, this committee can no doubt be a useful tool for establishing closer cooperation between companies and the public authorities at Community level. It is, however, striking that the powers of the Hydrocarbons Supply Committee relate exclusively to the collection of information from companies; nowhere is there any indication how, in practical terms, the companies and the Member States should combine to coordinate their supply policies.

35. The Committee on Energy, Research and Technology can in principle approve the establishment of the proposed Hydrocarbons Supply Committee but wishes at the same time that it should be specified that the supply committee is authorized to discuss and put forward proposals on Community measures necessary to maintain a secure and stable oil supply at satisfactory prices, and that the committee should submit a report each year on its work. Further, the Committee on Energy, Research and Technology would request the Commission to prepare a timetable for the coordination of the Community countries' oil supply policies.

(c) Community import and export regulations for hydrocarbons

36. The Commission proposed on an earlier occasion that hydrocarbon imports should be brought under the general regulation establishing a common procedure for imports from third countries (Regulation (EEC) 1025/70)<sup>1</sup>. On the basis of Mr de BROGLIE's report (Doc. 37/73), the European Parliament recommended at its sitting of 8 May 1973 that this proposal be put into effect. The Commission is now proposing that exports,

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<sup>1</sup>OJ No. L 124, p. 6.

too, of crude oil and other petroleum products, which to date have remained outside the scope of the common export rules established by Council Regulation (EEC 2603/69)<sup>1</sup>, should now be covered by those rules.

37. The common import and export rules establish in principle free trade for the products they cover, but lay down at the same time an information procedure and make it possible for surveillance and protective measures to be taken by the Commission and the Council if developments on the market warrant them.

The Commission believes that, to ensure supplies where hydrocarbons imports and exports are concerned, surveillance measures should be put into effect and it therefore submits at the same time two proposals for legal instruments that will place trade movements of hydrocarbons between the EEC and third countries under surveillance. Under these proposals, imports and exports are made contingent upon the production of an import or export document giving a description of the goods and stating their CCT heading number, country of origin, purchasing country, price and quantity and their expected date of delivery. The Commission proposes, however, that, where hydrocarbons are concerned, the information procedure envisaged under the common import and export rules should be taken care of by the measures already proposed concerning the obligation to notify details of trade in hydrocarbons (see para. 20). The Commission also proposes that the advisory committee, provided for in the common import and export rules to examine the commercial situation as regards the products in question, be the same as the consultative committee already proposed for a more general coordination of Member States' oil supply policies (see paras. 21-24).

38. The Committee for Energy, Research and Technology is agreed that it is necessary to follow closely developments on the oil market and can therefore agree that trade in hydrocarbons be brought under the common import and export rules and at the same time be placed under surveillance.

As mentioned earlier, the USA, Europe and Japan will, in the coming years, have to meet a considerable part of their increased energy needs with oil supplies from third countries. It is therefore important that, when administering the market rules for hydrocarbons, the Commission should bear in mind that the European market must not appear less attractive than the two other large markets: the USA and Japan. Not least should

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<sup>1</sup> OJ No. L 324, p. 25

the fact be kept in mind that the Japanese in the international economic field have accumulated economic resources which enable them to pursue energy investment and purchasing policies out of all proportion to the capabilities of the USA and the EEC.

39. The Committee notes the Commission's commitment to the 'free play of effective, healthy competition' but questions how this can be achieved in a supplier's market, where full competition for available supplies can only result in bidding up the prices to the detriment of the consumer and the Community as a whole. This raises the question whether and how some changes might have to be made to the interpretation of the rules of competition in the Treaty of Rome, if a truly effective coordination of the energy supply and distribution system within the Community is to be achieved.

40. The Committee must point out, however, that the surveillance procedure in the import rules is mainly concerned with limiting imports of a given product when circumstances so require. By implementing the surveillance procedure, the Commission is certainly enabled to follow closely current supplies to the Community. This in itself is important but it does not actually give the Commission the means to deal with the most probable crisis situation on the oil market namely that caused by an oil shortage or a temporary stoppage in oil supplies.

41. Certainly, the Council has, on the Commission's proposal, already passed a directive (No. 73/238/EEC) on emergency measures in the case of supply difficulties (see also Mr HOUGARDY's report Doc. 32/73), but even in this connection application of the proposed commercial measures can only be seen as a first step towards establishing the common supply policy. The Committee on Energy, Research and Technology believes that the Commission must produce proposals that will further develop the measures proposed here.

## VI. Conclusions

42. Against the background of the Commission's proposals, the Committee on Energy, Research and Technology would once again stress the urgent need to develop a common energy policy where the application of individual measures and the transfer of necessary powers, are part of a concerted and well-directed strategy following a definite timetable.

43. The Committee is fully agreed that, in view of the Community's dependence on oil supplies from third countries, it is absolutely essential to take steps to establish cooperation with other consumer countries (principally the USA and Japan) and with producer and supplier countries.

44. The Committee sees advantage in the continuation of the dialogue

with non-Community countries such as through the OECD, but believes that these should be complementary to Community measures.

45. It is, however, the Committee's firm belief that, in the absence of a Community energy policy, all the Commission's good intentions to coordinate and develop relations between the Community and other energy-importing countries and between the Community and the energy-exporting countries will stand for nought.

46. The Committee approves the principle of setting up a Hydrocarbons Supply Committee, but believes that it should be given greater competence to formulate proposals for Community policies in the hydrocarbon field, taking fully into account all aspects of the energy supply situation.

The Committee on Energy, Research and Technology considers it to be not unreasonable that the information scheduled under Article 4, should be made available by the oil companies so long as the confidentiality of it is respected by the Hydrocarbon Supply Committee and the Commission, where this is specifically requested by the parties concerned.

47. The Committee on Energy, Research and Technology proposes that two new Articles, 4a and 4b be inserted in the Commission's proposal for a common consultation procedure (Annex III in the Commission's communication), reading as follows:

New Article: 4 a:

1. In the light of the consultations referred to in Article 4 above the Committee shall keep under continuous review such proposals as they consider appropriate for the maintenance of a secure and stable supply of hydrocarbons on terms satisfactory to the Community.
2. The Committee shall submit a comprehensive report to the Commission each year on its work in the previous year. This report shall be forwarded to the Council and Parliament.

New Article 4 b:

The information required in pursuance of Article 4 above together with the discussions arising out of it, shall be covered by the normal rules of commercial secrecy.

48. The Committee on Energy, Research and Technology is furthermore agreed that trade in petroleum products between the Community and third countries should be brought under the common import and export procedures and that, at the same time, the surveillance measures for

which they provide should be put into effect for both imports and exports. The committee can also agree that the obligation introduced earlier to notify imports of crude oil and natural gas should be extended to include imports of other petroleum products and exports of crude oil, natural gas and other petroleum products. The committee would, however, suggest to the Commission that these procedures be administered in such a way that the European market does not become less interesting than those of the USA and Japan to the companies and countries supplying oil.

49. The committee believes, however, that these measures, with which the Commission seeks to establish a basis for a common supply policy without asking for new powers can only be regarded as a first step. It is the committee's opinion that, if an effective common energy supply policy is to be instituted in the Community, the Commission cannot, in the longer or the shorter term, avoid putting forward proposals that ask for new powers pursuant to Article 235 of the EEC Treaty.

50. The Committee believes that at least some essential developments of the Community energy capacity have been unreasonably inhibited by some extremist demands from conservationists. The Committee hopes that the Commission in its future proposals would strike a better balance between these two conflicting interests.

51. Moreover, the Committee strongly expresses its belief in the urgent need to prepare and promulgate measures designed for the promotion of greater efficiency and economy in the distribution and use of hydrocarbons, and considers this to be as equally important as the security of the supplies themselves.

52. Finally, the Committee on Energy Research and Technology has increasingly been conscious of the diversity and complexity of the whole field of energy production. The Committee therefore believes that the Commission should give urgent consideration to the establishment of a consultative body with a competence covering the whole field of energy production, distribution and consumption as well as the coordination of all agencies, public and private, in this sector. Such a consultative body would have a role in the field of energy similar to CREST (the Scientific and Technical Research Committee) in the field of research and technology.



The Committee on External Economic Relations appointed Mr K. P. SCHULZ draftsman for the opinion on 28 September 1973.

It discussed and unanimously adopted the draft opinion at its meeting on 25 October 1973.

The following were present: Mr de la MALENE, Chairman; Mr BOANO, Vice-Chairman; Mr SCHULZ, draftsman of the opinion; Sir Tufton BEAMISH, Mr SANDRI, Mr SCHOLTEN, Mr THIRY.

1. The energy crisis has been a highly topical problem for some time now. The rapid growth in the demand for hydrocarbons by the industrialized countries, the recent emergence of the United States as a net importer in this market, the increasing demands of the petroleum-producing States (grouped together in the OPEC), have underlined the potential dangers of Community overdependence on other countries for its energy supplies.

An energy shortage - for whatever reasons - would soon lead to a breakdown in economic activity in the nine Member States and have serious repercussions on the daily life of their peoples.

2. In these circumstances it will be appreciated that there is an urgent need to implement a genuine Community energy policy; this is the only way to ensure reliable and guaranteed energy supplies at a price which, if not cheap - cheap energy supplies now seem to be a thing of the past - is the least unfavourable. Unfortunately there is virtually no policy of this kind at present. Nor is there any mention of one in the ECSC or the EEC Treaties. Since 1959 - the date the inter-executive working party was set up to coordinate energy policies and to prepare practical proposals in this sector - there have been various moves in this direction but because the Member States lacked political determination they rarely progressed beyond the stage of good intentions and pious hopes. The aims and basic principles of a common energy policy, defined for the first time in the Protocol of Agreement of 21 April 1964, were repeated by the Commission and defined more closely four years later in its initial guideline for a Community energy policy. Of the forty or so proposals set out in this document, the Council adopted, after much debate, only two regulations on the notification of investment projects of Community interest in the petroleum, natural gas and electricity sectors, and the notification to the Commission of hydrocarbon import programmes, together with a directive requiring Member States to maintain a minimum stock of crude oil and refined products. More recently, in May 1973, the Council also recorded its agreement to a regulation for the support of Community schemes in the hydrocarbon sector, and a directive on measures designed to mitigate the effects of difficulties in supplying crude oil and petroleum products.

3. The 1971 crisis, which ended with the Teheran and Tripoli agreements with the Middle East oil-producing countries and Libya, showed the problem in a different and more urgent light. Following this crisis, the Commission sent a further communication to the Council on the progress required to establish a Community energy policy, discussed by the European Parliament at its part-session in May 1973, which proposed that a common energy market should be developed through the harmonization of regulations, that the Community stockpiling policy should be expanded, financial benefits granted to joint undertakings, and a common import policy laid down in respect of third countries. More recently, in April 1973, the Commission set out its intentions in its

document 'Guidelines and Priorities for a Community Energy Policy'. The dramatic events in the Middle East in the last few days have further stressed, if there was any need to do so, the urgent need for a genuine Community energy policy.

4. This need was also emphasized by the Heads of State or Government at the Paris Summit where the establishment of a Community energy policy ensuring reliable and lasting supplies for the Community in satisfactory economic conditions was proclaimed a matter of urgency.

5. At its meeting of 22 and 23 May 1973 the Council concentrated exclusively, for the first time, on problems relating to energy policy. Following a detailed discussion of the present energy situation and future outlook in the Community, it decided that the policy guidelines and priorities proposed by the Commission were an appropriate basis for discussion of Community measures to ensure a reliable energy supply for the Community, and noted with satisfaction the Commission's intention to submit concrete proposals on Community energy policy by 31 December 1973.

6. The six proposals for regulations and decisions contained in Doc. 168/73 are the Commission's first response to the Council's request. They set up the first instruments for the organization of the Community petroleum market, based on adequate notification to the Commission (Annexes I and II), closer consultation between the Member States and the companies concerned (Annex III) and the establishment of common rules for hydrocarbon imports and exports (Annexes IV, V and VI).

The Commission, however, believes that the organization of the Community petrol market, as described in the communication on initial implementation of guidelines and priorities, should not be considered separately, but in conjunction with the development of the Community's relations with energy importing and exporting countries.

Naturally enough, however, the concrete proposals relate only to the first of these three aspects, since the Community cannot conceivably develop its links with third countries when it has not yet succeeded in coordinating the energy policies of its nine Member States.

7. The Committee on External Economic Relations can only welcome the first two proposals for regulations in Annexes I and II to Doc. 168/73.

As mentioned above, the Council has already adopted - on 25 May 1972 - a regulation (No. 1055/72) on the notification to the Commission of hydrocarbon imports (see OJ No. L 120, 25 May 1972). This applies, however, only to imports of crude oil and natural gas, and does not include petroleum products. The proposal for a regulation in Annex I extends this requirement to the latter (petroleum oils and oils obtained

from bituminous minerals, other than crude, petroleum gases and other gaseous hydrocarbons. The procedure for the submission of information is the same as that laid down in regulation 1055/72.

The proposal in Annex II extends the requirement to notify the Commission to exports of crude oil, petroleum products and natural gas to third countries.

8. The Committee on External Economic Relations approves these two Commission proposals, which are designed not to limit the opportunities for import and export by Community undertakings but to ensure that the Community is notified of the origin and terms of their supplies or exports. This information is essential if the Commission is to keep track of the supply and export of petroleum products, and to ensure that the observed trends are in line with the objectives laid down for Community energy policy.

At a time when the oil-producing countries (in the East, North Africa and the Persian Gulf) are trying to expand their exports of refined products, and the United States is seeking available sources for the refined products it lacks, the Commission still does not have this information, apart from the details of hydrocarbon imports.

9. It is open to doubt, however, whether undertakings will be able to forecast their imports or exports of petroleum products sufficiently accurately one year in advance, and hence, whether the information received can be easily utilized. Imports and exports of petroleum products are often decided on at the last moment in accordance with market fluctuations ('spot cargoes').

Our committee considers that, in order to rationalize Community energy policy - which is not concerned only with hydrocarbons - it would be advisable to extend the requirement to notify the Commission of imports and exports to other sources of energy on the basis of the procedure laid down in proposal for a regulation No. 1055/72.

10. The proposal for a regulation in Annex III relates to the introduction of a Community procedure for consultation between Member States and the Commission on all aspects of the Community's hydrocarbon supply policy. The proposal provides for the creation of a Hydrocarbons Supply Committee, composed of representatives of each Member State and having as its chairman a representative of the Commission. It also provides for the possibility of the Committee hearing the companies which contribute to the Community's hydrocarbon supplies. Consultations may cover the eight points listed in Article 4 of the draft. Should the companies invited to

appear fail to supply the required information or provide incorrect information, the penalties laid down in Article 6 may be applied. The Court of Justice has full jurisdiction to judge appeals brought against the Commission's decision.

11. The Committee on External Economic Relations approves the proposal for a regulation in Annex III, which fills a major gap in the coordination of Member States' energy policies. We are aware that regular meetings take place between the Commission and those in charge of energy supplies in the nine Member States, apparently to their mutual satisfaction. During these discussions, information is exchanged on various aspects of national supply policies and the possibilities for coordination in this sector. These meetings are, however, informal and do not bind the Member States in any way. The Commission's proposal to put these consultations on a more regular and official footing is therefore an important step forward.

12. The essential merit of the proposal, however, is that it gives the Committee access to first-hand information - in the eight areas mentioned in Article 4 of the proposal - from the companies which contribute to the Community's hydrocarbon supplies, and allows it to fine undertakings which refuse to supply the necessary information. This is an extremely important point. All too often in the past the Commission and Member States were completely excluded from negotiations between the major oil companies and the producing countries. They learned of the results of these negotiations only from information published in the press. This was a serious drawback. The powers conferred on the Committee will now enable it, if it so wishes, to receive regular information on the progress of trade negotiations with companies which supply the Community with hydrocarbons and on the price of oil products on the consumer markets. Moreover, its powers of enforcement undoubtedly constitute an interventionist measure, and our committee considers that a degree of interventionism is essential if a real Community energy policy is to be established.

13. Certain members of our committee fear that, because of its composition, the Hydrocarbons Supply Committee may be unduly influenced by Member States and that, although its chairman will be a representative of the Commission, it may not be able to ensure that the interests of the Community prevail if they conflict with those of a particular Member State.

The Commission representatives have assured us that this fear is unfounded and that the Commission's powers are sufficient to give it a controlling influence over the Committee's proceedings. The Committee on External Economic Relations hopes that this optimism will be borne out by experience. Unless Member States agree to relinquish some of their powers

of decision in this area to Community organs, the Community energy policy will never progress beyond the very unsatisfactory stage it has reached at present.

14. The purpose of the proposals for a decision or regulation in Annexes IV, V and VI is to establish common regulations on the import and export of hydrocarbons throughout the Community, which is an essential juridical objective in view of Article 113 of the EEC Treaty.

In October 1972 the Commission submitted to the Council a proposal for a regulation extending, within certain limits, the Council regulation of 25 May 1970, which laid down common rules for imports from third countries, to hydrocarbon imports. The European Parliament delivered a favourable opinion on this proposal (see de Broglie report, No. 37/73, and the opinion of the Committee on External Economic Relations, drawn up by Mr Lange).

The Council has not yet, however, adopted this proposal, which is supposed to enter into force on 1 January 1974.

In its proposal in Annex IV the Commission proposes that Council Regulation No. 2603/69 of 20 December 1969, establishing common rules applicable to exports, should be extended to hydrocarbon exports.

In Annexes V and VI it is proposed that, when the common rules enter into force, hydrocarbon imports and exports should be subject to the control procedure provided for in the regulations establishing common rules for imports and exports from third countries on the understanding that, in order to avoid cumbersome administrative procedures, the information available to Member States for control purposes shall be transmitted to the Commission only at its express request.

15. Our committee approves these three proposals, considering it a paradoxical situation that there are still no common rules on the import and export of hydrocarbons, when these products play an important part in the Community's imports and (to a far lesser extent) in its total exports.

The definition of common rules will enable the Community, as Mr Lange pointed out in his opinion, to reconsider and revise the exceptional arrangements contained in the present association and trade agreements. The need for a control system is undeniable in view of the importance of hydrocarbon supplies to the Community and the sensitive nature of these products, particularly from the political point of view. In the opinion of the committee, however, the establishment of Community regulations on hydrocarbon imports and exports requires that the Commission ensure that exceptional arrangements still applied in the Member States are ended at an early date

## Conclusions

16. Our committee approves, subject to the above conditions, the six proposals for regulations and decisions contained in Document 168/73. However it considers that these proposals are only a first step towards a genuine common energy policy. This, as we have demonstrated, is still lacking. In this sector, the Treaties confine the Community's terms of reference to trade negotiations. The first requirement, then, is for closer consultation between oil companies, Member States and the Commission, the purpose being to improve supplies to the Community and subsequently, through revision of the Treaties or the implementation of Article 235 of the Treaty of Rome, to give the Commission effective powers of enforcement. The Commission alone can uphold Community interests whenever they clash, as they sometimes do, with those of individual Member States.

17. Given the Commission's rights in the information sector, closer consultation between Member States and the establishment of common rules on the import and export of hydrocarbons - a Community oil market organization is the cornerstone of Community energy policy. Until this market has been organized the Community will not be able to engage in any serious negotiations with other importing countries and with energy exporting countries.

18. This does not however preclude immediate steps to specify the aims of the relations to be established with these two groups of countries and how they are to be conducted. Without going into too much detail on these matters, which will be discussed when concrete proposals have been submitted, our committee considers that there is genuine scope for collaboration and cooperation between the Community and certain energy exporting countries which have stated their readiness to cooperate with the Community. This cooperation could extend to long-term undertakings to supply crude oil in return for Community assistance in the economic and technological development of the exporting country. The subject of relations with the other major energy importing countries has come to the fore as a result of the speech by Mr Kissinger, the American Secretary of State, on a new Atlantic Charter (in which he expressed the view that energy policy was one sector in which the Atlantic Alliance should be revived and extended to Japan), President Nixon's message on energy on 18 April 1973 stressing the need for international cooperation in the energy sector, and the Japanese proposals for cooperation with the Community in North-Sea oil-prospecting.

Our committee considers that there is real scope for cooperation with these countries and that in the long term this should generate so strong a spirit of mutual confidence that none of the parties would seek to impose its will on the others.

19. Beyond these initial modest steps, the Committee on External Economic Relations calls upon the Commission of the European Communities to push ahead with the Community energy policy and to develop its own ideas, showing originality and independence (qualities in which it has sometimes seemed to be lacking in the last few years) in regard to the views of Member States.

20. In addition, although this question is somewhat beyond its terms of reference, our committee emphasizes the importance it attaches (and recent events bear it out) to the development of current research on 'non-conventional' sources of energy as the only way to end the Community's over-dependence in the energy sector. It hopes that the Commission's promises in this matter will be kept and that the Commission will soon issue its 'Outline Research Programme on Energy', which is being prepared at the moment (see Communication on initial implementation of guidelines and priorities, p.3).

21. As cooperation with both importing and exporting countries develops, the Member States and the Commission will inevitably take over the administration of the energy policy to an increasing extent, and at the same time the paramount powers of the oil companies will diminish. Community organs will therefore have wide opportunities for increasing participation in defining the aims and means of energy policy. The tragic events of the past few days in the Middle East will undoubtedly accentuate this trend. These prospects make it even clearer how modest the proposals are that the Commission has submitted for our opinion.

22. However, the Committee welcomes the fact that these proposals have at least been drawn up; they are an essential starting point for the future development of Community energy policy. We therefore approve them and hope that they will be promptly adopted by the Council at its meeting in the second half of November 1973.