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Report

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

on the communication and proposals from the Commission of the European Communities to the Council entitled 'towards a new energy policy strategy for the European Community' (Doc. 136/74)

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C O N T E N T S

	<u>Page</u>
A MOTION FOR A RESOLUTION	5
B EXPLANATORY STATEMENT	8
I. Introduction	8
II. Hypotheses.....	10
Examination of objectives	10
Reduction of dependence on traditional supplier countries	10
Resources.....	11
Implications for necessary and indispensable financial investments	14
III. Proposals for legislative acts	15
IV. Conclusions	17

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 and proposals from the Commission to the Council entitled 'towards a new energy policy strategy for the European Community'.

The European Parliament,

- having regard to the communication and proposals from the Commission of the European Communities to the Council entitled 'towards a new energy policy strategy for the European Community' (COM(74) 550 final),
 - having been consulted by the Council (Doc. 136/74),
 - having regard to the report of the Committee on Energy, Research and Technology (Doc. 184/74),
 - having regard to its earlier resolutions on energy policy, in particular those of
 - 13 December 1973 on the immediate measures needed to alleviate the energy supply crisis in the European Community,¹
 - 14 March 1974 on appropriate medium and long-term measures for the further alleviation of the energy supply crisis in the European Community,²
1. Welcomes the communication and the proposals of the Commission as an important contribution to fresh Community progress towards a common energy policy;
 2. Notes that there is substantial agreement between this communication and the resolutions of the European Parliament on the appropriate immediate, medium- and long-term measures needed to alleviate the energy supply crisis in the European Community;
 3. Considers that every effort should be made to develop Community energy sources and that if necessary appropriate measures, including long-term investment, and comprising the development of domestic energy sources, should be encouraged and supported;

¹ OJ No. C2, 9 January 1974, p. 46

² OJ No. C40, 8 April 1974, p. 55

4. Urges the Commission to submit as soon as possible the promised detailed communication on the investment aspects of the strategy and invites the Commission to give special attention in this communication to the financing requirements for such investments and possible ways and means of covering these requirements;
5. Points out that the measures proposed can be totally successful only if they are backed by a suitable foreign trade strategy, and therefore calls upon the Commission to submit proposals to this end;
6. Shares the Commission's view that this strategy should not be regarded as final and unalterable, and therefore calls upon it to revise the strategy if necessary in the light of newly-obtained knowledge and of changing political, economic and social conditions, and to submit further proposals for the implementation of all other measures needed to achieve the stated objectives;
7. Requests the Commission to make further proposals on a harmonized price policy for all energy producers and energy-producing materials as a contribution to the realization of the objectives of the common energy policy; this policy must be flexible enough to be adapted rapidly to changing circumstances and must preclude distortion of competition;
8. Calls on the Commission to see that, in the framework of a new energy policy strategy, energy still remains as far as possible subject to normal market competition and that there should only be state intervention in as far as is necessary for ensuring energy supplies;
9. Emphasizes the advantages of setting up a Community body with legal identity and financial independence to cooperate in the implementation of the tasks laid down in the projected new strategy and asks the Commission for a more detailed description of the kind of body it has in mind;
10. Points out that the aims of the programme can only be achieved if the Community has the requisite resources to provide both the necessary stimulus and the necessary protection;
11. Subject to these conditions, approves the communication and proposals from the Commission, and requests the Commission to report annually to Parliament on the implementation of the objectives defined in the new strategy;

12. Appeals to the Council and Member States to adopt in the interests of the Community and of all Member States, the ambitious but by no means utopian aims set by the Commission;
13. Instructs its President to forward this resolution and the report of its committee to the Commission and Council of the European Communities and to the Governments of the Member States.

EXPLANATORY STATEMENTI. Introduction

1. The idea of a common energy policy dates from the time of the Messina Conference in 1956, which led to the creation of the Treaties of Rome. The Foreign Ministers of the Six instructed the then High Authority to draw up proposals for a common energy policy. In view of the rapidly deteriorating situation in the coal mining industry in October 1957 a protocol was concluded between the Council of Ministers and the High Authority on ways and means of coordinating energy policy. Coal was taken as a starting point because it was still the most important source of energy. The situation is now different. Despite the numerous calls from the European Parliament and attempts by the Commission, and despite the decisions of two Summit Conferences, there is still no common European energy policy worthy of the name.

2. In spite of the critical situation which once more confronts the European Community it is at last possible to embark upon the Community energy policy hopefully. This is primarily due to pressure from outside. The energy crisis of 1973 proved the vulnerability of a system of energy supply based on oil, most of which is imported.

Despite all the measures which have been taken both by the Community as such and by the Member States, to protect Community coal production, compelling economic factors, against the background of world competition, have led Member States to seek cheap, abundant sources of energy, this being moreover pursuant to the 1964 EEC Protocol on energy policy which was approved by Parliament.

3. The Summit Conference of 14 and 15 December 1973 in Copenhagen was to show that energy policy had become a political factor in the widest sense. However, this Summit Conference brought solidarity of common concern, but not the solidarity of common action. Yet it reflected a European awareness that for better or worse, the energy supplies of the European Community had become and would remain dependent on the policies of a small number of countries. It was becoming increasingly urgent to take the necessary action.

4. The Community, as shown on page 11 of the document under consideration, has become dependent on imports for 63% of its energy. If the original forecasts, which in any case denoted a change of policy, are adhered to, the figure for 1985 will be almost the same, i.e. 64%. Now, however, the Commission aims to reduce this degree of dependence to 42% by 1985, and to further diversify our energy imports which will, however, continue to be considerable. For the time being, barring the unlikely possibility of

further diversify our energy imports which will, however, continue to be considerable. For the time being, barring the unlikely possibility of revolutionary inventions, there can be no question of self-sufficiency in matters of energy, despite the hoped-for improvements.

5. It should be noted that this strategy is very largely in accordance with the European Parliament's resolutions of 13 December 1973 and 14 March 1974 on the appropriate immediate medium- and long-term measures needed to alleviate the energy supply crisis in the European Community. However, that would only give cause for optimism if Parliament, in accordance with the basic principles of national sovereignty, were the legislative body of the Community. That is not yet the case. However, the committee cannot disguise its satisfaction that the ideas expressed in this document comply to a great extent with its demands.

6. The Commission leaves no-one in doubt that its estimated figures do not precisely reflect actual requirements. Instead, they are objectives to be aimed at, taking the real situation into account. They can only be aimed at, however, if account is taken of the possibilities as they appear today. A certain amount of caution is called for in estimating energy supply and demand over the next 11 years given, on the one hand, the lack of certainty about prices, and, on the other, the possible effect on consumption of measures directed against energy wastage and measures to ensure more rational energy utilization.

Provision should therefore be made for regular revision of objectives and implementation measures on the basis of these various parameters.

7. The committee therefore welcomes the Commission's proposal to review these goals regularly. As the Commission states in paragraph I B 4, they are closely related to other policies. Particular reference must therefore also be made to the need to review them regularly in view of developments in other areas.

II. Hypotheses

8. The document presented by the Commission proposes the re-evaluation of measures to be taken under a common energy policy, in the light of the present energy situation and medium-term prospects. There are two guiding principles underlying the EEC policy:

- restraint of consumption
- reduction of Community dependence on traditional supplier countries, particularly through reorganization of supply conditions.

Examination of objectives

9. The Commission assumes that, in principle, Community consumption could be reduced by 10% in relation to the original forecasts for 1985.

The problem now is whether this objective is attainable. Without going into details, and considering the results of studies made in various different areas (space heating, fuel utilization in industry, various economy measures and providing information for the public) this objective would seem to be realistic.

10. On the hypothesis that the GNP continues to rise at a rate of 4.5%, the average growth rate of consumption, as the Commission emphasizes could be reduced by one point per annum between 1973 and 1985 by carrying out a policy of rationalization of energy consumption, and as a result of rising prices; in this way a reduction of 10% could be achieved over the period under consideration.

Reduction of dependence on traditional supplier countries

11. The Commission's stated objective of giving electricity generated by nuclear power an ever greater role complies with the opinion expressed on several occasions by the various European bodies (European Parliament, Economic and Social Committee).

It would therefore seem quite realistic to establish the rate of increase in the utilization of electricity at the level proposed by the Commission. This target depends, however, on a number of factors affecting energy supplies:

- the growth in the potential demand for natural gas mainly from North Sea deposits;
- increase in European petroleum production: North Sea production which could reach approx. 180 to 250 million tons by 1980/1982;
- development of other productive deposits outside Europe, e.g. Alaska and Indonesia, which would mean less world dependence on traditional oil suppliers;

- improvement of competitiveness of coal mined in the Community;
- development of a potentially larger demand for imported coal
- utilization of under-sea resources.

Resources

Electricity

12. If we take the objective to be the reduction of the share of oil in energy requirements to 41%, a figure which must be retained for political reasons, it should not be forgotten that certain conditions must be fulfilled if nuclear power is to cover 17% of requirements by 1985 and 50% by the year 2000. The committee does not believe that this will be possible without a very deep study of the problem.

At present, a nuclear power station takes 2 years to design and 6 years to build. Europe's electricity requirements cannot be met without a large-scale nuclear power station construction programme, as conventional power stations use too much fuel and practically all sources of hydraulic power in Europe have been tapped.

13. However, a number of problems, such as major environmental problems, will have to be solved rapidly. Once the nuclear power stations started to operate there would be the problem of the diversity and security of uranium sources. Factories would also have to be built in Europe to produce fuel and, in particular, for the separation of uranium isotopes. We must not throw off our dependence on oil-producing countries only to become dependent on enriched uranium producers. The problem of storage of radio-active waste will also have to be solved at the European level. There is also the problem of producing hydrogen to ensure that nuclear reactors can be used to full capacity round the clock throughout the year. Hydrogen will have to serve as an energy accumulator.

14. Thought should also be given to the fate of nuclear power stations which have ceased to be operational (their average effective life is 20 years). These questions will have to be solved by the year 2000.

The problem of breeders will also have to be given further thought. There are legitimate grounds for concern about large-scale use of plutonium. At present studies of the breeding problem seem to be marking time and are not being brought to a rapid conclusion. It could be asked whether, by the end of the century, the breeder stage will have to be by-passed in favour of direct transition to the fusion stage. Further studies are required on this point.

Coal

15. The question which arises here is whether it is in fact possible to attain the objective, which is for 41% of requirements to be covered by oil, less than 16% by solid fuels and the rest by nuclear power, natural gas and hydro-electric power. Even if solid fuels only provide 16% of overall requirements one can easily calculate that the proportion of imports forecast does not tally with reality. After the hearing of experts held by this committee on 29/30 April 1974, the results of which are contained in the report by Mr Leonardi (Doc.185/74), Europe should not expect to be able to import considerable quantities of coal from third countries. Domestic coal production will have to exceed the Commission's estimates. Otherwise it is most improbable that even the modest aims set out in the Commission's document will be achieved.

16. In these conditions it should be asked whether the coal production target should not be reconsidered, given certain basic requirements. This is the reason why the Commission expressly agrees to the measures listed in Chapter III.I:

- concentration of production and financial support from the public authorities;
- support for rationalization measures in existing mines and to open up new production capacities;
- prices and employment policy;
- financial support from the Community for research projects.

The Commission also advocates the subsidiary measures mentioned in the same chapter on condition that they should aim at maximum increases in coal production and increased outlets (on the basis of both present and future potential). Your committee therefore awaits with keen interest the communication which the Commission is to draw up on the problems of the coal industry and proposed guidelines for a solution.

Your committee believes that coal can once again become a long-term auxiliary source of energy if other sources do not live up to expectations.

Petroleum

17. The cutting-back of the increase in demand for petroleum is subject to the free choice of the consumer in as far as opportunities exist for saving energy in general and alternative sources of energy are found to liquid hydrocarbons. A relative reduction in the demand for petroleum can only be achieved if ways are found of using other forms of energy for the same purposes.

For example, it will only be possible to dispense with petroleum products for road transport when engines powered by different forms of energy (e.g. hydrogen) (with a comparable performance) are available and the necessary distribution network and supplies have been built up.

18. The Commission's proposals in this respect seem to be realistic.

Market transparency will follow as a matter of course as prices are dictated increasingly by the producing countries. The role of the multinational petroleum companies is gradually diminishing. They are becoming purchasers rather than sellers and this will help states to control their activities.

19. The idea of Community projects (cf. page 28 of the Commission document) is particularly interesting in that it will stimulate European energy research and consequently independence.

Three years ago a regulation to this effect was approved by the Economic and Social Committee, approved by the Parliament and adopted by the Council. It covered financial and fiscal support to aid research and large-scale transport undertakings and the building-up of reserves without creating distortion or favouritism.

It is to be regretted that this regulation has not been enforced in its entirety as approved by the Parliament and that its effect has been limited.

We hope that the present proposal will be followed up by practical implementation.

Natural gas

20. The committee shares the Commission's view that natural gas will play an important part in the future. Not only domestic production, but also imports are involved.

The imports set as an objective by the Commission should be spread out so that none of the supplying countries can impose political pressure on the Community, leading to the sacrifice of important interests. This is not clearly stated in the Commission's document. What is needed here is a foreign trade strategy. Under this strategy, relations with the exporting countries should be such that the Community and its Member States would be solely and unilaterally dependent on them, but that the parties would be interdependent. If dependence cannot be avoided, it should be shared.

21. As regards domestic production of natural gas, the Commission apparently cut back its original objectives during its discussions. We do not know whether present and future suppliers within the Community, or supplying countries linked with the Community by a free trade agreement, are willing and able to supply the necessary quantities of natural gas. It will therefore be difficult to substantiate this objective. It is hoped that Community projects relating to gas, like the 'Community petroleum projects' will be actively pursued in view of the validity of the three 'aspects of policy' set out on page 35.

Other sources of energy

22. The Commission's document lays down objectives for 1985 and it is quite clear that only the types of energy examined will substantially help Europe's energy situation. But it should not be forgotten that decisions on energy are dogged by inertia and that their effects are only felt in the very long term. The projected exploitation of geothermal energy by the end of the century requires that study should start as from now (the same applies to solar energy and total energy from the recuperation of hot water). To prepare for the future, substantial allocations must be made forthwith for research which is to bear fruit after 1985.

Implications for necessary and indispensable financial investments

23. Your committee has never given cause to doubt its belief that security of supply is always more important than low prices. No energy is as expensive as that which is needed and which cannot be obtained. The committee regards arguments to the contrary as fallacious. It must therefore insist that the Commission make proposals in the near future to encourage appropriate long-term investment to be supported by the Member States and the Community.

This investment is necessary not only for the viability of the undertakings concerned; we should consider what has already been stated, that an adequate supply of energy is the source of all our production of goods and services, and is therefore necessary to maintain the standard of living of each and every one of us.

24. Concern for adequate energy supplies should not lead us to overlook the problem of secure employment. Those who are employed work not only for our standard of living, but also for the manufacture of goods and services for us to export in return for the international payments which we need to balance our economic system and to import energy. Energy investment within the Community is, therefore, also infrastructure investment. Unless we undertake it sooner or later we shall have to pay at least

the same amount for imported energy from third countries which allow only part of such payments to return to their countries of origin.

25. The committee is in full agreement with the Commission when it states that some time is necessary for these investment measures. The committee also agrees with the statement that any shortage of energy which has to be covered by energy sources with a high risk factor must correspond to the 'elasticity' of demand. If the use of energy is regarded, at least in theory, as a whole, then domestic energy must suffice to meet normal requirements. Occasional peak requirements should be covered by imports. Although at present that is only an objective, it is sufficient to justify increased investment within the Community.

26. The vital role of Community energy sources also means that appropriate guarantees must be given. Only then will long-term investments bear fruit, in terms of interest and repayment. The only limit is the natural viability of the plants which are built.

III. Proposals for legislative acts

27. The Commission encloses four annexes with its communication. They comprise proposals for three legislative acts and a draft communication on the rational use of energy.

28. The proposal for a Council Directive on limiting the use of natural gas in power stations and the proposal for a Council Directive on limiting the use of petroleum products in power stations contain nothing which the committee would wish to criticize.

The proposals contained in them are in accordance with what Parliament called for in the resolutions mentioned at the beginning of this document. The committee can therefore only subscribe to the EEC proposals, whilst regretting the fact that it was not given sufficient time to examine the proposed provisions thoroughly.

29. With reference to the proposal on the limitation of the use of petroleum products in power stations, the committee approves the idea that power stations, if they are still to be built with petroleum in mind, should be able to operate on two different fuels. It is all the more ready to agree to the actual text of the directive because it considers that the alterations of the price structure in the petroleum sector and the price relations between petroleum products and other sources of energy will lead to diversification in the sale of petroleum products.

It is true that petroleum consumption will be concentrated increasingly on products for specific purposes such as diesel oil, kerosene for transport, agriculture, etc. and naphthas for the petrochemical industry; production of fuels will correspond to the minimum required for the production of other products. It will certainly be necessary to work out Community regulations in this respect.

30. The proposal for a Council Regulation concerning the common rules for imports and exports of hydrocarbons is also to be welcomed. A supplies plan should be drawn up in accordance with energy supply targets. It should be worked out on the basis of forecasts submitted a year previously by the undertakings. The committee agrees with the details given in the explanatory memorandum and hopes that the Council regulation will enter into force much more rapidly than those which have preceded it on similar subjects.

31. The implementation of the communication regarding the rational use of energy could be instrumental for the success of the energy policy. Naturally the communication, which is no more than four pages long, can only give a summary indication of the problems. It is important that in addition to information services, there should be direct action by public authorities, as stated in paragraph 4. There is nothing in the detailed list which is contrary to the wishes of the committee. For it to succeed, however, a will to change habits and consumption will be necessary. A public relations campaign by the Member States, supported by the Commission, must be undertaken to make it clear to every citizen that there is no other way of dealing with the energy problem.

32. In addition to the individual points concerning the implementation of Community policies (paragraph 5 of Annex IV), there should therefore also be a call to this effect. The committee awaits with interest the individual proposals for the implementation of the policy, and will make known its position on the practical measures to be taken.

It should also be noted that in view of the major importance of the Commission's document 'Towards a new energy policy strategy for the European Community', there must be further proposals of a more significant nature than the present four, the objectives of which are quite disproportionate.

IV. Conclusions

33. The committee welcomes the communication and proposals of the Commission as a vital contribution to a future common energy policy. It considers, however, that the attainment of the objectives requires in the first instance the utilization of all Community sources of energy.

34. The Commission rightly states that the organization of available energy sources and the development of new energy sources requires considerable efforts. The measures proposed by the Commission to bring this about should apply in particular to those national sources of energy of which adequate supplies are available in the form of raw materials. For general economic reasons it would be better to invest more money in domestic energy production than to use it to increase imports. The money used flows back into economic circulation in the Community, which money used to pay for imports is tending to do less and less.

35. For that reason, the directive on a common arrangement for imports and exports of hydrocarbons should not stand alone. It should only be the first instrument of a foreign trade strategy which must aim to prevent our dependence on our trading partners becoming unilateral. It must be stressed that your committee calls for such a trade policy only in the interests of safeguarding energy supplies. The committee emphasizes, however, that this opinion is based on the infrastructural importance of energy requirements for the Community's economy.

36. If the Council approves this new energy policy strategy, as we hope it will, the Commission should make appropriate proposals for harmonization in the field of foreign trade as soon as possible.

This is the indispensable corollary to an energy policy strategy.

