

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(74) 1962 final

Brussels, 27 november 1974

PROPOSED COUNCIL REGULATION (EEC)

Concerning support to common projects
for hydrocarbon exploration

(submitted to the Council by the Commission)

STATEMENT OF REASONS

1. In its Resolution of 17 September 1974 on the new strategy for energy policy for the Community (Doc R/2391(ENER 45) of 19.9.74) the Council affirmed its political will to prepare and bring about a Community energy policy. It has adopted a series of guidelines concerning energy supply. The recourse to Community hydrocarbons figures largely in these guidelines in order to strengthen the security of its energy supply.
2. The Community has already, in this context, a first operational instrument established by Council Regulation (EEC) No 3056/73 of 9 November 1973 on support for Community projects in the hydrocarbons sector¹. Conforming to the proposals of this Regulation, which foresees Community support for technological development and transport activities in the hydrocarbons field, the Commission has already sent to the Council a proposal on the first group of 23 projects presented by companies established largely in the Member States (Doc COM(74) 890 final of 26.7.1974).
3. Following the changes on the world oil market, the development of new undersea resources assumes particular interest to the Community. The support provided to the Community projects already allows the acceleration of the development of the necessary techniques, but financial participation must also be envisaged for certain operations which industry, because of the risks involved, cannot undertake alone.
4. The investments necessary for the development of these new resources will be considerable and essentially the financial burden will fall on the oil industry. The financial support which the Community foresees may only be of a complementary nature, and to this end, it is proposed that Community participation be limited to one quarter of the sums involved, and only apply to exploration operations presenting a prime interest to the Community and bearing on the particular risks which, at the present time, relate to sea-water at depths greater than 100 m., or where climatic or meteorological conditions are particularly difficult (North of the 60th parallel).

5. To make this Community support totally efficient, it should be placed in the framework of a multiannual exploration programme, within which all the operations supported by the Community are integrated. The companies participating in the achievement of this programme shall agree to exchange the information on the results obtained and cooperate in the technical plan to guarantee an optimal development of the areas opened by this programme.

6. Finally, Community intervention shall cease when any deposits are discovered and judged exploitable and it will then be up to the companies to be solely responsible for the investment costs of production. In this eventuality, the sums loaned by the Community will be wholly repayed, with interest.

PROPOSED REGULATION (EEC) OF THE COUNCIL

concerning the support for Community projects for hydrocarbon exploration.

The Council of the European Communities,

Having regard to the Treaty instituting the European Economic Community and particularly Article 235,

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

whereas the establishment of a Community energy policy is one of the objectives assigned to the Community; whereas the Council by its Resolution of 17 September 1974 on the new energy policy strategy for the Community, affirmed its political will to elaborate and set in motion a Community energy policy;

whereas the encouragement of exploration projects ^{having} a fundamental interest for the security of hydrocarbon supply of the Community constitutes one means of achieving this policy;

whereas the hydrocarbon supply difficulties caused by the international situation demand that, complementary to technological development activities directly linked to the functions of exploration, exploitation, stocks and transport in the hydrocarbon fields which are already the object of Community support in conformity with Council Regulation (EEC) No 3056 of 9 November 1973¹, specific efforts should be undertaken in the hydrocarbon exploration itself;

¹OJ No L 312/1 of 13 November 1973

whereas it is for the oil industry to assume in the first place the financing of such activities; whereas because of the high risks and the considerable investment implied, the Community should nevertheless contemplate the possibility of giving them some financing support;

whereas support for a given project would be repayable in the event of the commercial success of the project;

whereas, for this support to be most efficacious, it should be within the framework of a three-year programme of exploration in which all the operations supported by the Community should be gathered together;

whereas the enterprises participating in this programme should agree to exchange information on the results they obtain and to cooperate on the technical level so as to guarantee optimum development in the regions covered by the exploration programme;

whereas the granting by the Community of these advantages would conform to the requirements of the Treaty concerning competition;

whereas by reason of the necessity of limiting such support to what is strictly indispensable the Community should have at its disposal all those means which will allow it to weigh the advantages which will result from such projects and their conformity with the objectives of the common energy policy;

whereas the support should not exceed 25% of the forecast cost of the project for the period in which the support is granted; whereas the geographical zones within which these activities will take place will be well defined;

whereas the importance of the support which might be granted to projects should be a function of their contribution to the Community supply and of the risks inherent in difficulties of a technical, climatic or meteorological order;

whereas the specifically international nature of the structure and the activities of firms working in the hydrocarbon sector justify direct communication to the Commission of proposals for Community projects;

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whereas the powers for action required for the development of this regime were not foreseen by the Treaty;

HAS ADOPTED THE PRESENT REGULATION:

Article 1

The Community, under the conditions foreseen in the Articles hereunder, may give its support, where essential, for the achievement of hydrocarbon exploration projects which present a prime interest for the security of its hydrocarbons supply.

Projects eligible to benefit from the Community support must be based in the geographic areas defined in the annex to the present Regulation and take the form of cooperation between several Community companies.

Article 2

All projects must concern hydrocarbon exploration activities which contain the following tasks:

- exploration drilling of strata;
- a maximum of two test bores to determine the importance and profitability of the deposit.

Seismic prospecting may not benefit from Community support except in the cases where there had been preliminary examinations which had given promising results.

Article 3

The responsibility for each of the projects must devolve upon a natural or a legal person constituted in accordance with the laws in force in the Member States of the Community.

If the creation of a legal entity to undertake a project involves additional costs for the participating firms, such a project may be carried out by simple cooperation between natural or legal persons. In this case, these persons shall be jointly and severally liable for the obligations resulting from Community support.

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Article 4

The support granted to a project may take the form of Community financing of this project as part of the appropriations made for this purpose in the general Community budget, taking into account any other Community financial intervention from which this project may benefit, especially by the European Investment Bank, by a subsidy repayable in the event of the commercial success of the project. A commercial success is considered to be the discovery of a deposit the size and quality of which present sufficient guarantees of profitability.

The support may not exceed 25% of the cost of the project envisaged for the period during which the support is granted.

Article 5

1. Each project shall be submitted for examination to the Commission, who will consult the Member States.
2. The Commission shall forward to the Council, together with its reasoned opinion, a report on the scheme as a whole.

This report shall give:

- a detailed description of the project and most particularly the drilling programme;
- indications of the probable presence of hydrocarbons in the area of exploration as well as the results of the geophysical studies;
- the nature and extent of the risks involved in the project and its estimated profitability;
- the cost of the project and the financial methods for carrying it out;
- all other factors which justify the importance of the support proposed by the Commission for this project;
- the importance of the project for the security of the Community's hydrocarbons supply.

- the financial situation and the technical capacity of those responsible for the project.
- the measures of support forecast or anticipated by the Member countries for the achievement of the project
- the possible support from the European Investment Bank.

3. The Council can ask the Commission for such additional information as it judges necessary.

Article 6

1. The Council will decide unanimously on the proposal by the Commission on a three year programme of exploration chosen from among the projects presented under Article 5 and will allocate financial support to different projects according to their anticipated contribution to the supply of the Community and the inherent risks from difficulties of a technical, climatic or meteorological kind linked with their achievement.
2. The companies which benefit from Community support within the framework of the exploration programme envisaged in the preceding paragraph should bind themselves to exchange information on the results that they obtain and to co-operate on the technical level in order to guarantee an optimum development in the regions covered by these programmes. Details of the exchange of information and co-operation will be defined by the Commission.
3. The Commission will arrange the necessary consultation procedures with the companies participating in the programme.

Article 7

The advantages accorded by the Community should not modify conditions of competition in a way that is incompatible with the requirements of the Treaty.

Article 8

Those responsible for carrying out a project which is receiving Community support will report annually to the Commission on the progress of the work in hand and on the expenses incurred in its execution.

The Commission's representatives will have access at any time to technical and financial documents relating to the project.

Article 9

Information received through the application of the present regulation will be treated confidentially.

Article 10

The Commission will report annually to the European Parliament and to the Council on the programme of exploration and on the progress made on each project.

Article 11

The present regulation shall come into force on the day following that in which it appears in the Official Journal of the European Communities. The present regulation shall be binding in its entirety and directly applicable in all Member States.

Done in Bruxelles,

ANNEXE

The Community projects for exploration of hydrocarbons which can benefit from Community support must be carried out in the territorial waters of Member States or in adjacent zones not subject to sovereignty, where the depth of water exceeds 100 m or without limitation of depth beyond the 60°N parallel and between 20°E and 70°W.