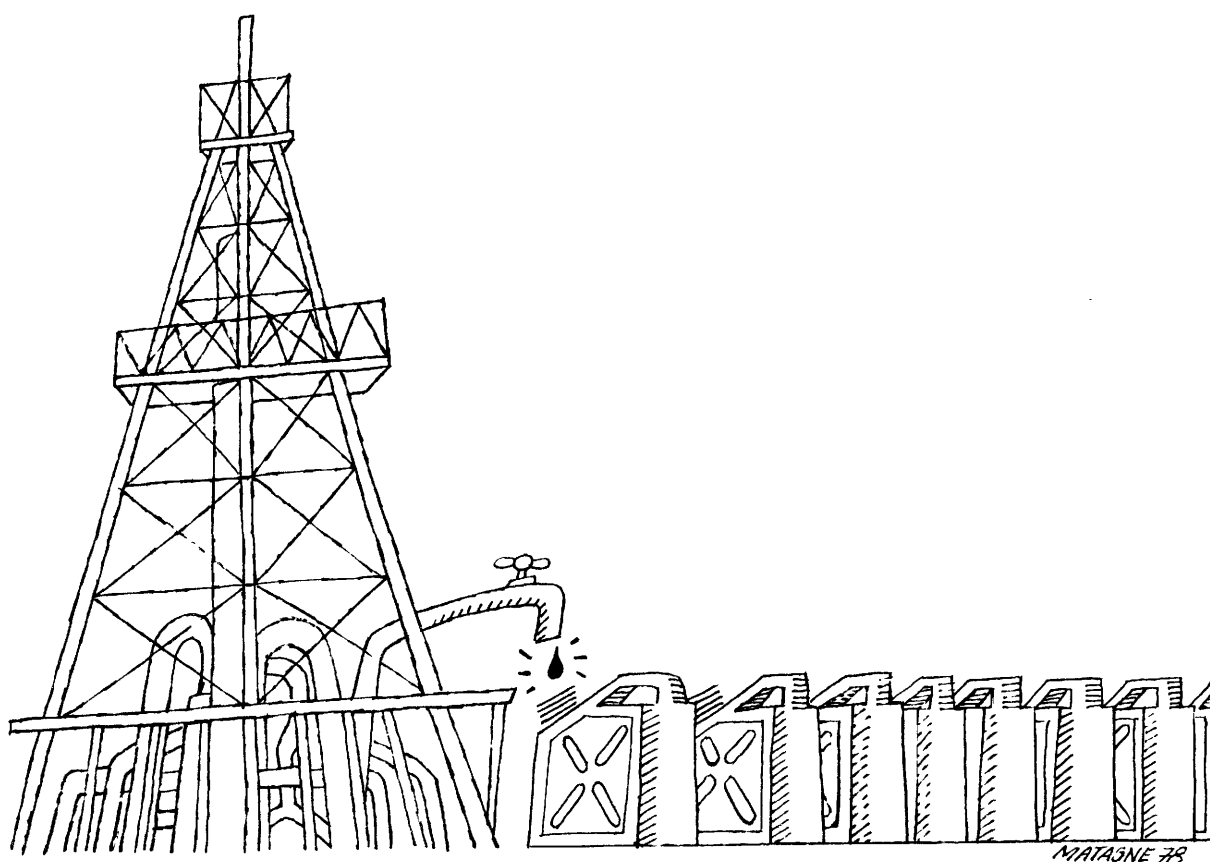


Brussels, 5 December 1978

N° 43/78



Oil in 1990 - will there be enough?

X/639/78 - E

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IN THIS ISSUE

- ++ Social council, help for teenagers (p. 3)
- ++ The limits of recycling (p. 3)
- ++ Energy shortages in 1990? (p. 3)
- ++ Consumer prices up in October (p. 3)
- ++ Unemployment 1971-77 (p. 4)
- ++ Social situation in 1977 (p. 4)
- ++ City centres : offices or deserts (p. 4)
- ++ Steel : demand remains low (p. 5)
- ++ Second consumer action programme (p. 5)
- ++ Aid for energy savings and alternative energies (p. 6)
- ++ Car safety (p. 6)

++ SOCIAL COUNCIL, HELP FOR TEENAGERS

Some two million young people in the European Community were hit by unemployment in 1977 - five times as many as in 1969. The Community has now decided to make a positive contribution to reducing youth unemployment. In 1979 some 72 million European units of account will be allocated to help 100 000 young people out of work.

Annex 1 discusses how the aid system will work.

++ THE LIMITS OF RECYCLING

Over one a half billion tonnes of waste are produced each year in the Community. Some of this can be recycled, recuperated and reused which could help reduce both wastage and pollution.

Annex 2 discusses the various types of waste and the forms of recycling being examined by the European Commission.

++ ENERGY SHORTAGES IN 1990?

World demand for oil stood at 2.75 billion tonnes in 1977. In 1990 it is to be expected to rise to around 5 billion tonnes. To meet this demand, the contribution from OPEC countries needs to be increased to 2.1 to 2.75 billion tonnes in 1990, but it could quite possibly only reach 1.9 billion tonnes.

The measures which the Community needs to take to reduce its dependence on imported oil and avoid potential shortages are outlined in Annex 3.

++ CONSUMER PRICES UP IN OCTOBER

In October, the consumer price index rose 0.5% for the whole Community compared with the preceding month (the price rises in France have been estimated).

The increase was highest in Denmark (+1.9%) following a change in VAT levels which rose from 18% to 20.25% as of October 1st. The consumer price index increased considerably in Italy by 1.1%. Lowest increases were recorded in Luxembourg (+0.6%), the United Kingdom and the Netherlands (+0.4%) and Belgium (+0.2%). No change was recorded in Germany.

++ UNEMPLOYMENT 1971-77

In Community countries the number of registered unemployed (men and women) as a percentage of the civil working population has changed as follows:

	<u>1971</u>	<u>1975</u>	<u>1977</u>
Germany	0.7%	4.2%	4.0%
France	1.6	3.9	4.9
Italy	5.1	5.3	6.4
Netherlands	1.3	4.1	4.3
Belgium	2.2	5.3	7.8
Luxembourg	0.0	0.2	0.6
United Kingdom	3.2	3.8	5.7
Ireland	5.6	8.8	9.7
Denmark	1.2	4.6	5.8
Europe of the Nine	2.5	4.4	5.3

These figures are taken from a survey undertaken by the Community's Statistical Office and published under the title "1971-77, Employment and Unemployment" (ref : CA-24-78-710-6A-C) which is available from Community bookshops listed on the last page of Euroforum, priced £8.50.

++ SOCIAL SITUATION IN 1977

A "Report on the development of the social situation in the Communities in 1977" has just been published by the European Commission (ref : CB-24-77-293-E-C) and is available from Community bookshops priced £3.60.

++ CITY CENTRES : OFFICES OR DESERTS

In issue N° 40/78, Euroforum devoted an annex to a study on "The Environmental Problems of City Centres". The English version of this study is published by Martinus Nijhoff, Leiden, Netherlands.

++ STEEL : DEMAND REMAINS LOW

In some Community countries, economic and industrial activity has picked up in some sectors, mostly in consumer goods, cars, tourism, electrical equipment and part of the construction industry. Mechanical construction has also picked up slightly. By contrast, manufacturing of utility vehicles and shipbuilding has shown little improvement and demand for steel in the Community has not increased.

The real consumption of crude steel in the Community stood at 34.59 million tonnes in the first quarter 1974. By the first quarter 1978 it had dropped to 29 million and, according to estimates, stood at 27 million tonnes in the third quarter of this year. A slight upturn is expected at the beginning of 1979 to bring consumption back to 29 million tonnes. The number of workers (manual workers and employees) in the steel industry has dropped from 752 000 in December 1975 to 675 000 in September 1978.

Community aid for redundancies

The European Commission has approved a new programme of financial aid for workers hit by closure or cutbacks in the steel industry and **coking plants** in the United Kingdom, Belgium and Germany. The aid is as follows:

United Kingdom	:	3 630 750	EUA	or	£2 438 400
Belgium	:	86 750	EUA	or	BF 3 500 000
Germany	:	662 383	EUA	or	DM 1 610 000

++ SECOND CONSUMER ACTION PROGRAMME

The second consumer action programme is currently being drawn up by the services of the European Commission. Its basic approach will be:

- to continue work on the protection of consumer interests begun in the first programme;

- to develop action in the field of prices and take into account the role of services in consumer policy;
- to increase consumer participation in decisions affecting them, and to develop a dialogue between producers and distributors on the one hand and consumers on the other.

++ AID FOR ENERGY SAVINGS AND ALTERNATIVE ENERGIES

Last May, the Council of Ministers gave the green light to the Commission's proposal for financial aid to demonstration projects on energy savings and projects on new energy sources. Shortly after this, the European Commission asked for tenders from industry in the Nine.

The Commission has just chosen the first series of projects to benefit from Community financial aid. In the energy savings field 16 projects will receive support totalling 5.7 million EUA (1 EUA = + 1.3 dollars). Thirty alternative energy projects have been selected : 14 on solar energy (to receive a total of over 3 million EUA), 12 on geothermal energy (8 million EUA), 4 on liquefaction and gasification of coal (16 million EUA).

A very lively interest was shown in the tender and the Commission received a total of 326 proposals for energy savings, 135 for solar energy, 36 for geothermal energy, 12 for liquefaction and gasification of coal.

Given the high number of applications, the Commission has proposed to the Council that a total of 120 million EUA be allocated over a four year period for energy savings. Such a large sum could help support major projects such as district heating and the combined production of heat and electricity. As for alternative energies, the Commission proposes a total sum of 180 million EUA over five years limited to the sectors currently being considered. But it also envisages granting some 50 million EUA for other fields : wind power and wave power, exploitation of non conventional gas resources.

This proposal from the Commission will be examined at the next Energy Council, December 21st.

++ CAR SAFETY

To improve car safety against accidents, the European Commission is currently preparing a joint study programme in the field of biomechanics.

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SOCIAL COUNCIL : HELP FOR TEENAGERS

From now on the Community will be financially helping young unemployed people to find jobs. This was the main decision taken by the Nine's Social Affairs Ministers who met in Brussels November 27th. Mr. Vredeling, Vice-President of the European Commission was pleased with the decision: "This is the first time in history that the Community has taken direct responsibility for the problem of out of work teenagers."

In 1977 more than 2 million young people were unemployed in the Community - five times as many as in 1969. The level of unemployment amongst teenagers is three times the overall average. For those between 20 and 25 years it is double the average. In 1977, 37.4% of the total unemployed were under 25 years whilst they only accounted for 17% of the Community's workforce.

Against this background, the European Commission proposed last April that the European Social Fund accord two forms of subsidies to provide them with jobs:

- premiums for companies who find jobs for young workers;
- subsidies for national programmes to employ young people in socially useful jobs (see Euroforum N° 14/78).

In July this proposal was discussed for the first time by the Nine's Social Affairs Ministers and met with the agreement of all except France. The French Minister for Labour was reticent about aid for public service jobs since they risked, he maintained, encouraging an artificial creation of jobs which would disappear when the public aid ended.

At the latest Council meeting, France registered its agreement following a few modifications to the proposals. In 1979 some 72 million European units of account (1 EUA = + 1.3 dollars) will be allocated to help 100 000 young people in Europe. A premium of 30 EUA (+ £26.) per week/ per person over one year will be given to employers who take on people under 25 years old. The cost will be shared 50-50 between the European Community and the country concerned. These employers may be private companies, associations, or local/regional public organisations providing jobs to meet public needs (in the field of health, help to senior citizens, education, culture, social services, environment, etc.)

The only restrictions are that the aid will not be available for jobs created directly by the State nor to new jobs which

are simply a normal increase in public administration staff. On the other hand, the jobs created must be stable so as to give the young people job experience and give them proper access to the world of work.

This is the first stage in a battle to reduce youth unemployment but naturally enough most of the effort has to be made by the Nine themselves if a real improvement in the situation is to be brought about.

This decision by the Social Affairs Ministers was taken whilst young people were demonstrating outside the European Commission's headquarters. The demonstrators had conducted a long protest march from Naples to Brussels, 1 500 kilometers, taking them 107 days, to complain about the youth unemployment situation.

Social security equality

The Ministers also unanimously adopted a directive proposed by the European Commission on equal treatment over social security. This was the third directive dealing with equality between men and women (see Euroforum N° 39/78). It concerns all the social security systems dealing with illness, infirmity, old age, work accidents and unemployment. Community countries will have a period of maximum 6 years to ensure their social security provisions adhere to this principle.

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THE LIMITS OF RECYCLING

Over one and a half billion tonnes of waste is produced in the European Community each year and the Nine has set itself the task of dealing with it. The waste management policy has three approaches:

- to produce less wastes;
- to recycle and reuse wastes where possible;
- to eliminate the dangers from certain non recuperable wastes.

Effective waste management is increasingly necessary in Europe to reduce wastage and pollution. It can also bring about considerable economic and ecological benefits. The various actions to be taken in this field will doubtless be discussed at the Council of Ministers meeting on December 18th.

What can be recycled?

Industrial waste

Strictly speaking industrial wastes comprise waste from manufacturing and the chemical industry which amount to some 100-130 million tonnes per year. They are partly composed of recuperable materials : metals, paper, rubber, plastics, textiles, glass, chemicals.

Mining wastes

Wastes from the extractive industries (mining wastes, pulverised fuel ash) amount to 200 million tonnes per year of which 50 million are already reused to help construct roads, ramparts, etc.

Agricultural wastes

Farming produces some 950 million tonnes of waste per year if animal wastes are included.

Sewage

Around 40-50 million tonnes of sewage waste is produced each year in the Community. By 1985 it should increase to 200 million tonnes as long as new sewage works come into service in towns and on industrial sites.

Urban wastes

The term urban wastes covers household wastes, rubbish collected off the streets, from markets, wastes from offices and shops etc. All together urban waste totals 90 million tonnes per year of which 74 million tonnes is household waste. The annual content of the European rubbish bin comprises:

- 22 million tonnes of paper and board;
- 20 million tonnes of organic materials (food wastes) which are partially recuperable in the form of compost;
- 16 million tonnes of fine wastes (paper, food, glass, fabrics, dust etc.);
- 6 million tonnes of glass (containers in particular);
- more than 4 million tonnes of metals (aluminium tins, some iron debris);
- 3 million tonnes of plastics (packaging mostly);
- 2 million tonnes of textiles (old clothes, furniture fabrics, etc.)

Recycling

The potential total value of non-recuperable materials produced each year in the Community is probably higher than 10 billion European units of account (1 EUA = + 1.3 dollars). Recycling produces import-savings for raw materials and energy of the order of 5 to 7 billion EUA.

The different forms of recuperation and recycling currently envisaged in the Community are:

- the recycling of non-ferrous metals;
- the recycling of high quality papers;
- the reuse of glass containers;
- the recycling of thermoplastics and tyres;
- tyre retreading;
- recycling of certain textiles;
- the recycling and reuse of waste oils;
- the use of straw for producing paper pulp;

- the recycling of ferrous metals;
- the recycling of composite papers for carton production;
- the purification and recycling of solvents, and
- the production of animal feeds from food waste.

On the other side of the coin, the Community is also trying to encourage a reduction in wastes produced by recourse to special production techniques i.e. based on low pollution manufacturing processes which produce less waste (in contrast to techniques which are highly polluting or produce large quantities of waste which in turn necessitate expensive purification and disposal techniques and whose effectiveness is often limited). Research should be encouraged in this direction.

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ENERGY SHORTAGES IN 1990?

In 1977 world energy demand stood at 6.2 billion tonnes of oil equivalent (toe). By 1990 demand will have risen to between 9.2 and 10.6 billion toe, and will fortunately increase at a slower rate than in the period 1960-75 where it registered 4.8% per year. It will still amount to 3% to 4% per year on average.

Even assuming voluntary restraint policies and large-scale investment, non-oil sources of energy (coal, gas, nuclear energy and renewable or alternative energies) can only contribute 5.5 to 6.5 billion toe to meet this demand (even this represents a considerable increase on current output levels of 3.5 billion toe). It would not be realistic however to rely on low economic growth (and reduced energy consumption) and on high levels of investment in non-oil energy sources.

By 1990, oil is still expected to play an important role in the world energy supply. In 1977 world demand for oil alone stood at 2.75 billion tonnes and by 1990 is expected to rise to 5 billion tonnes. To meet this demand the contribution from OPEC countries to oil supply needs to rise to 2.1 to 2.75 billion tonnes from its current 1.6 billion tonnes. OPEC countries could well decide not to raise output to more than 1.8 or 1.9 billion tonnes in 1990.

These worrying statistics imply a number of different energy scenarios. The Club of Rome for example, takes the view that even with a vigorous energy policy, the outlook for energy supply and demand seems to imply supply shortages at some time between 1985 and 1995. A study drawn up by French experts led by Pierre Desprairies, chairman of the French Oil Institute, sees only one way of overcoming the crisis : exploiting available resources to the utmost, introducing a vigorous energy policy throughout the world and slowing down economic growth. Any reduction in energy consumption should not however aggravate unemployment. The margin for manoeuvre is very narrow : a growth rate lower than 3% in industrialised countries would lead to a socially intolerable unemployment level.

Limitation on Community oil imports

The Community's energy plans should be based on the hypothesis that we would not be able to buy more than 450 million tonnes of OPEC oil in 1990. Even adding a possible extra 50 million tonnes of non-OPEC oil, we could not hope to import more than 500 million tonnes of oil in 1990. Will we be able to keep consumption down to this limit?

The real danger is that excessive optimism could prevent us taking the appropriate measures at the right time. The current energy position in the Community is quite satisfactory : energy consumption is practically at the same level as in 1973 and the proportion of oil has fallen from 59% in 1973 to 54% in 1977 and dependence on imported energy from 63% to 56%. The two principal reasons for this are energy savings measures and above all the economic crisis which has reduced energy demand.

Though economic growth may succeed in reducing unemployment it could also risk increasing energy demand. In addition we need to intensify efforts to reduce our energy dependence. Oil consumption for example in the Nine was 527 million toe in 1977. In 1990, estimates put the figure at 652 to 667 million toe of which the Community will itself produce 87 to 147 million toe. Some 505 to 580 million toe will still have to be imported. To limit imports to the maximum, 500 million toe, the Community will have to produce as much as possible.

Energy consumption in 1990

According to forecasts from Community countries, the energy picture in 1990 will be as follows : the oil share will be reduced to around 47%, imported oil from non-Community countries will be reduced to 35% or 40%. Natural gas will take 17%, coal 18% and nuclear 15%.

Community dependence on net imports will be 48%-53% of gross consumption (the same level as projected for 1985).

The forecast growth of oil consumption in electricity power stations between 1977 and 1990 is disturbing, particularly in the case of Belgium (+21%), the Netherlands (+825%), Italy (+28%) and Ireland (+34%). The Netherlands is a special case in that a large quantity of oil will be used in power stations to replace natural gas; on the other hand these countries intend to increase the use of coal for electricity production.

Gross consumption per head in the Community should change as follows (in kilogramme oil equivalents):

	<u>1977</u>	<u>1990</u>
Luxembourg	12 111	15 178
Netherlands	5 474	7 592
Belgium	4 815	7 192
Germany	4 277	6 301
Denmark	3 954	4 430
United Kingdom	3 806	4 742
France	3 446	4 969
Italy	2 479	3 962
Ireland	2 346	5 047

Objectives

In fifteen years time, half of the Community's energy consumption is still expected to be covered by imports. The future development of the world market is one of the key factors in the future of the Nine's energy policy. With this in mind the European Commission has drawn up objectives to be followed by the Nine up to the year 1990.

On the external front we need to:

- maintain an overall limit to dependence on imports;
- diversify external supplies both regarding types of energy and geographical origin;
- strengthen stability of supply by intensifying relations with energy exporting countries and with other importers;
- contribute to the solution of world energy problems by cooperation with developing countries.

On the domestic front it is necessary to:

- reduce dependence by investment in production facilities and by energy savings which would contribute to economic growth.

Energy savings, coal, nuclear energy

Amongst priority measures proposed by the Community to improve the 1990 energy position are energy savings, and measures concerning primary energy used in electricity production (e.g. coal and nuclear energy).

Energy savings

- to align energy prices with long term market trends;
- to intensify efforts in the industrial sector (particularly the combined production of electricity and heat) and in that of buildings;
- limit energy losses in transport, particularly urban transport.

Solid fuels

- increase the use of coal in electricity power stations and in industry;
- take measures to help the coal industry.

Nuclear energy

- catch up on delays in equipment programmes;
- accelerate efforts to solve nuclear waste problems;
- follow actions to promote safety so as to facilitate authorisation procedures.

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