

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 1-427/82

Report

drawn up on behalf of the Committee on Energy and Research

on the proposals from the Commission of the European Communities to the Council (Doc. 1-1066/81 - COM(82) 41 final)

FOR

- I. a Council directive amending Directive 68/414/EEC imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products,
- II. a Council decision on a Community procedure for the adoption of measures to mitigate the effects of a limited shortage of crude oil and petroleum products

Rapporteur : Mr Karl FUCHS

By letter of 24 February 1982 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposals from the Commission of the European Communities to the Council for a Council directive amending Directive 68/414/EEC imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products and for a Council decision on a Community procedure for the adoption of measures to mitigate the effects of a limited shortage of crude oil and petroleum products.

The President of the European Parliament referred these proposals to the Committee on Energy and Research on 8 March 1982.

At its meeting of 18 March 1982 the Committee on Energy and Research decided to apply the simplified consultation procedure pursuant to Rule 99(2) of the Rules of Procedure and accordingly instructed its chairman to submit a report to Parliament. Since three members objected within the set time limit, this procedure was not implemented. On 26 May 1982 the committee accordingly appointed Mr Karl FUCHS rapporteur.

The committee considered the Commission's proposals and the draft report at its meeting of 24 June 1982 and decided by 15 votes to 0 with 1 abstention to recommend that Parliament adopt the Commission's proposals without amendment.

The following took part in the vote: Mrs Wälz, chairman; Mr Normanton, vice-chairman; Mr Fuchs, rapporteur; Mr Adam, Mr Linkhorst, Mr Meo, Mr Moreland, Mr Pedini, Mr Percheron, Mr Petersen, Mr Pintat, Mr Rogers (deputizing for Mr Pattison), Mr Sassano, Mr Seligman, Mr Vandemeulebroucke (deputizing for Mr Capanna), and Mr Veronesi.

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The Committee on Energy and Research hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposals from the Commission of the European Communities to the Council for

- I. a Council directive amending Directive 58/414/EEC imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products,
- II. a Council decision on a Community procedure for the adoption of measures to mitigate the effects of a limited shortage of crude oil and petroleum products

The European Parliament,

- A. having regard to the proposal from the Commission of the European Communities¹,
- B. having been consulted by the Council (Doc. 1-1066/81),
- C. having regard to the report of the Committee on Energy and Research (Doc. 1-427/82),
- D. having regard to the result of the vote on the proposals from the Commission
- E. drawing attention to Parliament's previous resolutions on this subject, in particular its resolution of 15 November 1971².
- F. welcoming the action taken by the IEA (International Energy Agency) under the auspices of the OECD,
 1. Notes that in its proposal to adjust the period used for calculating the level of compulsory stocks the Commission has taken due account of the need for the greatest possible security of supply in crude oil and petroleum products;
 2. Feels bound to point out, however, that the differences in the national provisions defining the individual categories of products, the volume of

¹ OJ No. C 55, 3.3.1982, p. 3/4

² OJ No. C124, 17.12.1971, p.5

compulsory stocks and the method of financing them, could not only lead to distortions of competition but also, in the event of a crisis, put the availability of supplies to all the Member States of the Community at risk;

3. Calls on the Council, therefore, to give the Commission a mandate to formulate measures to improve and harmonize national provisions and to submit by April 1983 a proposal for a directive which should include the following details:

- reference groups (e.g. producers, importers, refineries, major consumers)
- product categories (e.g. petrol, heating oil, heavy fuel oil)
- level of compulsory stocks for each product category
- responsibility for financing stocks (e.g. mixed private and public sector financing)
- monitoring procedures
- problems faced by smaller oil companies
- accession to the European Community of Spain and Portugal

4. Recommends the Commission also to examine the extent to which Community funds could be made available to finance the minimum level of stocks to be held by the national authorities in the individual Member States;

5. Approves the Commission's proposals subject to these conditions;

6. Invites the Council to adopt the Commission's proposals with all due dispatch to ensure that the Community's security of supply remains guaranteed.

EXPLANATORY STATEMENT

1. The proposed amendments to Directive 68/414/EEC are adjustments which have to be made in view of the altered situation.

The proposal to set up compulsory stocks of crude oil was made at the end of 1964. Parliament issued a favourable opinion on it in January 1965. The Council, however, was unable to decide on its adoption until 1968 even though the proposal to create compulsory stocks at a level corresponding to at least 65 days' consumption was in accordance with an OECD recommendation to its Member States.

2. In 1971 the Commission, again acting on an OECD recommendation, suggested that the minimum stocks should be raised to a level corresponding to 90 days' consumption. No further amendments to the system were proposed. Parliament gave its approval at the end of 1971 and the Council amended the directive in 1972 in line with the Commission proposal.
3. Since that time 10 years have passed. The present proposal would only change the method of calculating the volume of compulsory stocks to be held to cover the 90-day period.

In view of the fact that the figure of 90 days domestic consumption has hitherto been estimated on the basis of the daily average over the previous calendar year, the downward trend in the consumption of crude oil and petroleum products is leading to a reduction in the level of stocks. To meet this problem, the volume of the compulsory stocks in future is to be aligned with the domestic consumption in each individual country for a 90-day period taking an average over the three previous calendar years.

4. This idea should be approved since a new oil crisis might break out at any time even if there seems to be no immediate danger of this happening at the moment.

The fact that the present stocks held in most Member States are considerably above the compulsory limit is welcome since it means there is greater security of supply. However, in view of the unstable situation, this is not a reason for not making the adjustment which the Commission proposes.

5. It must be remembered, however, that altering the method of calculation could well entail additional costs, particularly for the purchasing of quantities to build up stocks and for the maintenance of storage facilities. Depending on the stock-building policy pursued by the individual Member

States, these costs would be borne either by the oil companies and passed on to the consumer in the form of higher prices or, in the case of state-financed stocks, passed on to the taxpayer.

6. According to the Commission's estimates the cost to the Community as a whole in 1982 would be \$340 million more than under the existing method of calculation.

These additional costs might act as a disincentive to the oil companies, which are currently engaged in a process of restructuring and rationalization in their sector. The adoption of a uniform stock-building policy for all the Member States based on a system of mixed private and state financing would help to ensure a more even distribution of these costs, while at the same time enhancing the security of supply.

7. A summary compiled by the Commission in 1980 (Ref. No. XVII/214/77) of current national legislation governing the storage of crude oil and petroleum products reveals considerable differences between the Member States as regards the firms and products covered by the obligation to maintain stocks, the level of stocks to be held and their financing. The resultant differences in the costs borne by the oil companies can cause distortions of competition.
8. The committee therefore considers it a matter of urgency that the Commission should draw up proposals within the next ten months, based on its above-mentioned summary, to harmonize the provisions governing stock-building, under which for strategic reasons responsibility for financing a part of the stocks should be borne by the authorities of the Member States while the firms affected by the compulsory stock-holding arrangements should be brought together in a corporation along the lines of the bodies already formed in Denmark (Forening af Danske Olieberedskabslagre) the Federal Republic of Germany (Erdölbevorratungsverband) and the Netherlands (ICOVA).
9. In the same document the Commission is submitting a proposal for a Council decision which would set up a Community procedure for the adoption of measures to mitigate the effects of a limited oil shortage.

At this committee's insistence Parliament has repeatedly demanded measures to mitigate the effects of any new energy crisis and has accused the Council at the same time of reacting too slowly to events.

10. The draft submitted is principally a procedural proposal for the Council itself which will enhance its capacity to act. The Council will remain free to take decisions and will be in a better position to act in accordance with circumstances. Some of the possible measures open to it are listed in an annex.
11. The Commission will be responsible for submitting proposals in this respect to the Council. Its sources of information therefore need to be considerably improved. This is in the general interest and is something which this committee has been advocating for some time.

The proposal for a decision also lays down some bases for this.

Finally, its adoption would substantially facilitate successful cooperation with other international organizations and strengthen the Community's position.

12. Approval of this proposal is therefore to be recommended so that it can enter into force as soon as possible and progress can be made on a common energy policy to which Parliament attaches very great importance.

