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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 / Towards a Community nuclear fuel supply policy'

Rapporteur: Mr P. GIRAUD

By letter of 12 February 1975, the Committee on Energy, Research and Technology requested authorization to draw up a report on the communication from the Commission of the European Communities to the Council: 'Towards a Community nuclear fuel supply policy'.

Authorization was given by the President of the European Parliament in his letter of 7 March 1975. The Committee on External Economic Relations was asked for its opinion.

On 12 February 1975, the Committee on Energy, Research and Technology had appointed Mr Giraud rapporteur.

It considered the draft report at its meetings of 3 and 26 March 1975, at the latter of which it unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Springorum, chairman; Mr Flämig, vice-chairman; Mr Giraud, rapporteur; Mr Cointat, Mr Gibbons, Mr Hansen (deputizing for Mr Rizzi), Mr van der Gun, Mr van der Hek, Mr Lautenschlager, Mr Ligios (deputizing for Mr Andreotti), Mr Memmel, Mr W. Müller, Mr Noé, Mr Normanton, Mr Osborn, Mr Vandewiele.

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

on the communication from the Commission of the European Communities to the Council: 'Towards a Community nuclear fuel supply policy'

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(74)1963 final),
 - having regard to the Council resolution of 13 February 1975 on the means to be put in hand to achieve the Community energy policy objectives adopted by the Council on 17 December 1974,¹
 - having regard to the report of the Committee on Energy, Research and Technology and the opinion of the Committee on External Economic Relations (Doc. 25 /75),
1. Recalls its resolutions
 - of 15 November 1971 on the proposal for amending Chapter VI of the Euratom Treaty²,
 - of 12 October 1972 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 policy³,
 - of 23 April 1974 on the proposal for a resolution on the creation of European uranium enrichment capacities⁴,
 2. Believes that the Commission's proposal can effectively help to improve the security of energy supplies;
 3. Nevertheless calls on the Council to consider at an early date the proposals for amending Chapter VI of the Euratom Treaty;
 4. Considers that commercial policy measures are essential to ensure adequate supplies of nuclear fuels;

¹ See Council press release No. 175/75 (Press 21)

² OJ No. C 124 of 17 December 1971, page 7

³ OJ No. C 112 of 27 October 1972, page 32

⁴ OJ No. C 55 of 13 May 1974, page 25

5. Hopes that everything in the Community's power will be done to ensure that the initial target for nuclear electricity production is achieved in good time, insofar as this is possible;
6. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. Introduction

1. The European Parliament has always supported the idea of a Community nuclear fuel supply policy, as required moreover, by various provisions of the Euratom Treaty.

2. This being so, the first thing to consider is how far the Commission's communication accords with the resolutions previously adopted by the European Parliament.

3. Mr BURGBACHER's report (Doc. 141/72) on means of securing adequate energy supplies urges the Commission in paragraph 2(e) of the resolution¹:

'to ensure that long-term requirements for nuclear fuel are met, to support the construction of uranium enrichment plants and isotope separation facilities in every possible way and, if necessary, take the actual responsibility for construction, in which case a decentralized solution capable of development should be given preference.'

4. In Mr GIRAUD's report (Doc. 36/73) on the communication from the Commission on the 'progress necessary in Community energy policy and energy policy: problems and resources 1975 - 1985' there is no reference in the resolution² itself to this specific problem. Nevertheless, in the explanatory statement the action proposed by the Commission, Measure 42 - study of the development of reserves and deposits of natural uranium - is classified as a first priority measure.

5. Measure No. 46 - formation of commercial stocks of natural and enriched uranium - is also classified as a first priority measure.

The resolution was followed by an annex containing a list of priorities drawn up by our committee and here, too, Measures Nos. 42 and 46 are among the first priorities.

Although the Commission's attitude has been revised and modified in the light of circumstances, our committee's list of priorities remains unchanged. This is also true with regard to the resolution adopted by the Council on 13 February 1975 on the means to be put in hand to achieve the Community energy policy objectives adopted by the Council on 17 December 1974³.

¹ OJ No. C 112 of 27/10/1972, page 32

² OJ No. C 37 of 4/6/1973, page 19

³ See Council press release No. 175/75 (Press 21)

6. The first paragraph of the resolution¹ contained in Mr NOE's report on the Commission's proposal on the creation of European uranium enrichment capacities (Doc. 38/74) stresses the need, accentuated by the current crisis, to limit the Community's dependence in the energy sector, in particular by diversifying sources of supply. Paragraph 3 accordingly expresses the conviction that the foreseeable development of the enriched uranium market demands the creation of a European uranium enrichment capacity. Paragraph 7, on the other hand, expresses the view that the stock-piling made necessary by possible overproduction must remain the responsibility of the producers concerned, and should not be financed by the Community on the principle of the supranationalization of losses, while paragraph 8 states that circumstances justify the principle of users giving preference - during a specific period and assuming equal economic conditions - to European uranium enrichment industries.

II. Points of departure for our study

7. While it is necessary to consider this communication in relation to the views and wishes expressed in these various resolutions, other considerations must also be taken into account. There is, for instance, the possibility that supplies of uranium, whether enriched or natural, will be inadequate. It may be a real shortage, or only relative in the sense that the price of uranium (natural or enriched) might rise so high that the costs of generating electricity or other kinds of power outstrip estimates.

8. Our committee considers it more than likely that the initially targeted number of nuclear power stations built and put into commission will not be met. The Commission's communication mentions this possibility, but is it reflected in the estimates of uranium requirements? This is why the European Parliament's views on responsibility for the cost of stock-piling, expressed in paragraph 7 of the resolution of Mr Noe's report, are so important. On the other hand, the possibility that the initial targets may be achieved after all must also be considered. Both possibilities, overproduction on the one hand and shortage on the other, must be allowed for - which means that the measures envisaged must be fairly flexible.

III. The Commission's explanatory memorandum

(a) General principles

9. This part of the document consists of two parts dealing with:
- the general background and essential features of the nuclear fuel supply situation,
 - the essential features of a supply policy.

¹

O.J. No. C 55 of 13 May 1974, page 25

Though the second part is of particular concern for our study, the first part must not be neglected.

10. The Commission has been asked whether the targets set out in the first part were really to be regarded as attainable or only as optimistic forecasts. This is all the more important since the Commission, in a paragraph referring to the complexity of decision-making, observes that the decisions of investors to invest in nuclear power plant - that is, uranium-consuming plant - naturally depends on the confidence they feel regarding access to the uranium market. Our committee has always stressed that plant will not be available in 1985 unless the decision to build is taken now, and this is still valid.

11. In its reply the Commission said that at the meeting of the Energy Council in Brussels on 17 December 1974 it had been confirmed that at least 160 GWE nuclear capacity should be installed by 1985, and that the figure of 200 GWE would be borne in mind.

If, in fact, only 160 GWE are installed by 1985, this will delay for about 18 months the installation of 200 GWE. This means that the figures given by the Commission are not unrealistic, and that the courses of action prepared by the Commission, and their urgency, are not significantly affected by a possible reduction in the target figure.

12. The committee is, however, more particularly concerned with the second part of the communication concerning the essential features of a supply policy.

The Commission and our committee agree that the extraordinarily rapid growth of demand naturally implies a measure of uncertainty. They also agree about the long lead times for the provision of essential facilities and the difficulty of assessing, let alone reducing them.

13. Three major policy lines are set out:

- improved security of supply,
- the main implications, if the desired objectives are to be attained,
- the need to adhere to the elementary principles of non-discrimination and solidarity among the partners involved in the development of nuclear power.

The Commission, asked to comment on these three principles, made the following points:

14. The main objectives of the supply policy are:- First, to improve the security of supply of nuclear fuel to the Community by ensuring that there are adequate materials and services, reasonable prices and adequate stability in development; second, to strengthen the infrastructure of the European

fuel industry.

15. The main implication can be considered under three headings:

- (i) diversification of sources of supply;
- (ii) establishment by the European industry of sufficient capacity to enable it to meet a substantial part of Community requirements, and also to operate on the world market;
- (iii) development of cooperation with countries producing natural uranium; the nature and extent of the efforts to be made justify Community measures to ensure long-term returns on the investments made by industry.

16. It is vital that the elementary principles of non-discrimination and the community of interests of the partners involved in the development of nuclear power should be adhered to if the policy is to be fully effective.

With regard to non-discrimination, due allowance must be made for the degree of involvement of the parties concerned. Community interest must be paramount, particularly in the event of supply or marketing difficulties.

(b) The Supply Agency (Chapter VI of the Euratom Treaty)

17. We now have to consider the role of the Supply Agency in the light of the Commission's comments regarding a new institutional framework. It refers to the long overdue revision of Chapter VI of the Euratom Treaty. It will be recalled that the Commission submitted a proposal for this revision to the Council on 26 November 1964. The Parliament approved the proposal, subject to only a few amendments, on the basis of a report drawn up by Mr BOS on behalf of the Economic Committee (Doc. 166/71), and the opinion drawn up by Mr Flämig on behalf of our committee¹.

18. When considering this proposal in 1971, the rapporteur had requested that the European Parliament, too, and not only Member States, should be able to propose amendments and for purely political reasons. Furthermore, in a proposed amendment to the second paragraph of the relevant article (Article 63), we had asked that the new provisions of Chapter VI should be reviewed for effectiveness at least every five years, taking into account the general objectives of the nuclear energy policy. The Commission would thus have been required to report automatically at those intervals to the Council and Parliament. This idea must be retained.

¹

O.J. No. C 124 of 17 December 1971, page 7.

19. In paragraph 3 of the same resolution, adopted on 15 November 1971, the Commission was invited to submit proposals for implementing regulations as soon as possible after the Council had acted on the proposal to modify Chapter VI of the Euratom Treaty. This request still stands, in spite of the fact that the Council has still not adopted the Commission's proposal, as explained on page 35 of the Commission's communication.

20. Since the Council has still not taken any decision regarding the modification of Chapter VI of the Euratom Treaty and the Commission in its communication stresses the need to adapt this section of the Euratom Treaty to the requirements of a positive uranium supply policy, the Council must be urged to take prompt action. This is all the more important in that paragraph 4 of the resolution of 15 November 1971 expresses regret at the continuing absence of a Community energy policy. While our committee, and the European Parliament as a whole believes that a Council-approved energy policy is still lacking, the Council itself is of the opinion that such a policy does exist already, if only according to the terms of its resolution of 17 December 1974. In this case, the amendment of Chapter VI of the Euratom Treaty ought to follow logically. Hence the need to set a deadline of four to five months at the most, in view of the urgency of the matter.

21. The Committee on External Economic Relations in its opinion, takes a favourable view, based on the major importance which nuclear energy will assume in the years ahead. It welcomes the contacts which have been established between the producers and consumers of nuclear energy within the Supply Agency's Consultative Committee. Furthermore, it urges respect by the Member States for the powers conferred on the Agency by the Euratom Treaty and hopes that the Agency will effectively acquire the prerogatives which it grants.

(c) The Council resolution of 13 February 1975

22. The draft Council resolution contained in the original document has been overtaken by events, since the Council resolution referred to in paragraph 5 of this report laid down on 13 February 1975 in the third paragraph of Chapter II the principles for a Community nuclear energy policy.

It only remains for us to decide, therefore, in which areas this policy needs to be brought up to date as soon as possible. This is particularly important since the Danish delegation expressed reservations on the chapter as a whole. These reservations are serious, since Denmark is one of the Member States that possess no energy sources of their own and for which the use of nuclear energy would appreciably ease the energy supply situation.

23. The cooperation with natural uranium producing countries requested by the Commission and approved by the Council requires that the necessary commercial policy measures be taken as early as possible. We would refer in particular to the opinion of the Committee on External Economic Relations attached to this report.

24. The measures to strengthen the industrial potential of the Community listed in paragraph II E 2 require, however, that the nuclear power station capacity essential to meet the initial targets for nuclear electricity production be achieved in good time, if this is still possible.

Measures undertaken to date in that direction are only a beginning. The building of more nuclear power stations than have so far been put in hand should therefore be promoted. Provided that nuclear energy problems regarding safety and ecology are solved to the satisfaction of the Member States concerned and, more particularly, their citizens, their programmes for electricity-generating plants will be based chiefly on nuclear energy for large-capacity power stations, in addition to the contribution made by power stations burning solid fuels and with due regard to Community measures restricting the use of natural gas and petroleum products in electrical power stations. Our committee is shortly to adopt a position on this problem, the solving of which is certain to have an influence on the building of nuclear power stations and thus on the measures necessary for the procurement of nuclear fuel supplies.

25. For all these reasons, we call upon the Commission to supplement the Council resolution referred to above with concrete draft legal acts along the lines we have mentioned.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr Klaus-Peter SCHULZ

On 24 January 1975 the Committee on External Economic Relations appointed Mr Schulz draftsman of the opinion.

At its meetings of 25 February and 18 March 1975 it considered the draft opinion and unanimously adopted it on 18 March 1975.

The following were present: Mr Kaspereit, chairman; Mr Thomsen and Mr Bernini vice-chairmen; Mr Schulz, draftsman; Mr Baas, Mr Behrendt (deputizing for Mr Bayerl), Mr Brégégère, Mr Boano, Mr Corterier, Mr Cousté, Mr De Clercq, Mr Dunne, Mr Jahn, Mr Lange (deputizing for Mr Rizzi), Mr Maigaard, Mr E. Muller, Mr Nyborg, Mr Radoux, Lord St Oswald, Mr Schwabe (deputizing for Mr Fellermaier), Mr Spicer, Mr Thornley, Mr Vandewiele, Mr Vetrone.

1. The European Community which attracts almost 40% of world trade in hydrocarbons, is particularly sensitive to the underlying instability affecting both the prices and quantities on this market since Autumn 1973.

One basic objective of the Community energy policy that the Commission is proposing, with varying degrees of success, to the nine Member States of the Community, is to reduce this alarming dependence on outside resources in such an important sector,

2. This uncertainty can be mitigated, so the Commission believes, by increased dialogue and cooperation between the Community and the oil-producing and oil-consuming countries and by the establishment of a Community energy supply policy.

This would mean more rational utilization of hydrocarbons and the complete elimination of waste in this sector and the development of reliable resources by systematic prospecting of the Community's potential reserves. It would also require Community trade policy measures, and this is the specific concern of the Committee on External Economic Relations. The final requirement would be increased mutual information and consultation between Member States about the transport and refining sectors, a Community prices policy and the expansion of reserve stock capacities and other measures to deal with unforeseen supply problems.

The Commission's proposal to the Council on a Community policy in the hydrocarbons sector is confined to considering problems connected with a Community supply policy, as the Commission has already considered, in earlier documents, problems connected with relations between the Community and exporting and importing countries.

3. Parallel to this analysis of the situation in the hydrocarbons sector, the Commission proposes to the Council a number of observations and a draft resolution on the development of nuclear energy in the Community. The need to cut back the rapidly increasing consumption of petroleum products is reflected in the accelerated development of nuclear energy. It is now estimated that during the next ten years annual demand for nuclear fuels will increase tenfold. So, in addition to its other problems, the Community will also have to secure future supplies of such fuels, 90% of the world's known resources being located in third countries.

4. The Community's need to resort to large-scale importation to cover most of its hydrocarbon requirements necessarily entails a common commercial policy for this sector.

However, the events of the last few months have emphasized the difficulties inherent in the formulation of such a policy. Since the Autumn 1973 oil crisis several Member States have sought to secure supplies by direct agreements with the producer countries. The embargo imposed for a number of months by Arab oil producers on supplies to two countries also produced major distortions in the principle of free movement for oil products through Community customs territory.

5. The Committee on External Economic Relations considers that the provisions of the Treaty of Rome which require the Member States to establish a common commercial policy (Article 113 of the Treaty) should not be waived for the hydrocarbons sector. The commercial policy for these products should also be based on uniform Community principles. The Committee cannot agree with the attitude adopted by certain national delegations who consider it is too early to envisage extending the common commercial policy to hydrocarbons. It approves the proposals of the Commission for the rapid implementation of such a policy as expounded in its communication on a Community policy in the hydrocarbons sector. It hopes that the Council, which at its meeting of 13 February 1975 briefly discussed procedural aspects of this proposal, will come to a rapid agreement on this matter.

6. The Commission's main suggestion is to institute a monitoring system for hydrocarbon imports and exports by means of the automatic granting of an import or export licence. This system would have the merit of keeping the competent authorities permanently informed about the quantities involved in these various operations and of ascertaining whether they are in line with - or possibly out of step with - the industry's annual forecasts. It will consequently be easier to take corrective measures.

7. The problem of Common Customs Tariff rates will only arise in connection with petroleum products, since crude oil and natural gas are imported free of duty.

The Commission proposes that the principle of the present customs duty should be retained for petroleum products. This duty averages out at about 3.5 per cent, but there are many exceptions owing to the existence of preferential agreements at zero or reduced rates of duty, in the form of quotas or ceilings, and the inclusion of such products in the Community generalized preference lists.

8. On 13 February 1975 the Council held its first discussion on the problems raised by imports into the Community of refined products under cooperation agreements between Member States and the oil-producing countries. The committee considers that this is a complex problem which involves both

energy policy and trade policy. It agrees with the Commission that despite the low rate, the present average duty of 3.5% provides a significant degree of protection for the Community's refining capacity, which exceeds its requirements. In future it will be necessary to ensure, by means of agreements concluded with certain producer countries wishing to refine crude oil produced on their territory, that the Community will not become dependent on outside sources for refined products too.

Thus the Committee on External Economic Relations considers that aid to Community refining should be maintained, even if it seems difficult in future not to take into account the desire of the producer countries to carry out their own refining.

In any case, this duty remains a bargaining counter in negotiations with third countries.

Furthermore, the committee asks the Commission to make precise proposals for introducing a single system for agreements with producer countries in order to do away with the excessive complexity of the present system of preferences accorded to refined products from a number of third countries.

According to the Commission this system of ceilings (under which the quota would not be distributed between Member States and, once the ceiling was exceeded, the duty would be restored only at the request of a Member State or the Commission) would leave a certain latitude for manoeuvre before deciding to re-establish the tariffs. However, the Committee on External Economic Relations requires further information from the Commission before coming to a final opinion on this point.

9. Given the considerable increase over the next few years in Community nuclear fuel requirements, the Community will have to build up contacts with third countries and help finance the prospecting and mining of their natural uranium resources. We agree with the view expressed by the Commission in its communication to the Council on a Community nuclear fuel supply policy that the Community ought to speak with a single voice in the dialogue which it is bound to enter into with the producers of natural uranium who wish to reap the maximum benefit from their resources. The Commission suggests in particular that consideration should be given to the possibilities of participating financially, where the producers are developing countries, in the prospecting and exploitation of deposits of natural uranium and in setting up the requisite infrastructure.

The Community could also take over the enrichment of the uranium those countries may need as they become more industrialized. The scope that exists for cooperating on the construction of an enrichment plant in one of the countries could also be considered.

This, of course, implies that the Member States adopt a common commercial policy in this sector.

Our committee urges that the Supply Agency make full use of the considerable powers given to it under the Euratom Treaty, so that - as the Commission proposes - consultation between producers and users, started in the Consultative Committee of the Supply Agency, can be stepped up.

10. Trade policy is an important factor in any Community hydrocarbons and nuclear fuel supply policy. However, it is only one aspect of such a policy. Here the encouragement given by the Community to the technological development of hydrocarbon prospecting, production, stockpiling and transport constitutes another equally important aspect of any Community policy in this sector. The Commission's proposal to the Council to raise budget appropriations from 1976 for support for Community projects, from 25 to 50 million u.a., in order to ease the guaranteeing of energy supplies in the hydrocarbons sector, represents a step forward which our committee welcomes. It sees this, however, as only the first step and considers that later budgets should allow for a substantial increase beyond 50 million u.a.

11. The Commission proposals submitted for our opinion are but a timid response to the crucial problem of security of energy supplies for the Member States of the Community. We feel that the solutions proposed - although welcomed by the Committee on External Economic Relations - betray an over-cautious approach by the Commission.

Naturally, we are well aware of the difficulties which energy policy proposals even more limited in scope ran up against in the Council. Developments over the past months have also underlined the fact that the main features of the Member States' energy policy have increasingly been decided in a wider context than that of the Community, and often quite outside it.

Nevertheless, we consider that the Commission must take up a bold stand in this sector and propose that the Council authorize it to negotiate the conditions for Community supplies in hydrocarbons and uranium directly with the producing countries.

The prolonged disagreements within the Council on the direction to be taken by the Community energy policy can by no means excuse the Commission's excessive reserve vis-à-vis the Council. That is why we would ask the Commission to make full use of its powers under the Treaties and submit in the near future proposals at once more ambitious and wider in scope which alone can result in a genuine energy policy for the Community. If this were done, the European Parliament would most certainly give its support.