

MELCHETT MEDAL OF THE INSTITUTE OF FUEL

Speech by Guido Brunner, Member of the Commission  
of the European Community,

London, 16 November 1978

THE FUTURE FOR ENERGY

IN THE EUROPEAN COMMUNITY

1. It is a great honour for me to be awarded the Melchett Medal of the Institute of Fuel. When I look through the list of extremely distinguished past recipients, I feel rather humble in their shadow. You will understand therefore my sense of trepidation in addressing some remarks to you tonight.
  
2. Anything with the name "Melchett" or "Mond" attached to it is bound to be rather special. It is not for me to recount the extraordinary achievements of Ludwig and Alfred Mond and the brilliant way in which they created an industrial empire based on radical chemical and engineering advances. Imperial Chemical Industries is the successor to that enterprise, and takes its place among the major multinational corporations of the world. Since then, the name of Melchett has consistently found fame in other fields and successive members of the family have made invaluable contributions to British and European public life.
  
3. Only five years ago we suffered the tragically early death of Julian Melchett. He was at the height of his powers. He had done so much, entirely selflessly, to launch the new British Steel corporation towards modernisation and corporate cohesion. Through the European Coal and Steel Community he had already made himself a respected figure in European circles. He was and is greatly missed.
  
4. The present Lord Melchett now holds the extremely responsible and arduous post of Minister of State in the Northern Ireland office. |

5.+ 6. I want to take as my theme the essentially international position of the United Kingdom and the Community as a whole. I intend to examine this first in a broad economic and political context, and then more specifically from the point of view of energy policy.

7. I am encouraged in this approach by two features of this evening's proceedings. The terms of reference of the award are international - in the best traditions of science. The Medal may be conferred "without restriction as to nationality". The Institute of Fuel itself is internationally oriented. It is in association with equivalent German, French, American, Canadian and Japanese bodies. And ICI, so closely linked to the Melchett family, is active throughout the world - and nowhere more so than in mainland Europe. I also take a certain pleasure in the thought that ICI is the landlord of the building occupied by the Department of Energy.

8. What, however, of the international role of the United Kingdom? When Dean Rusk said 'The United Kingdom has lost an Empire and has not yet found a role', he was only half correct. In a very real sense, the United Kingdom did not have to find a role. A new and challenging role was already waiting for it. That role was in Europe, in the <sup>European</sup> Community.

It is no mean role. Europe needs the firm engagement of the British. The British can make a unique contribution, based on their history and experience of success in overseas affairs, and on their profound links with the Commonwealth.

9. Yet when I read the British newspapers, this is not the impression I get. I read of disillusionment with Europe. Sometimes I even read of disillusionment with Britain.

....

10. To your European friends, this is astonishing. Perhaps sometimes we think more highly of you than you do yourselves. We urgently need the contribution you can make to Europe. We know that the United Kingdom has within it the spirit of revival. The form of greatness can wear many different clothes. Yet you seem to ignore all your post-imperial achievements, be they the world's first commercial nuclear power station, the Dounreay fast-breeder prototypes, Concorde, and the astonishing achievements in the North Sea. These are great technological triumphs. But your achievements go beyond these.

Britain's trade unions, I notice, attract a great deal of criticism from various quarters. However, we should not forget the palpable sacrifices they have made. Their restraint over matters of pay during the last few years have been helping to win the battle against inflation. It has been a marked success up to now.

11. But the feature which most disturbs me is the latent disillusionment with the European Community. There are two aspects to this - the Community's own record, and the feeling in some quarters here in Britain.

12. I cannot come here and pretend that the Community is perfect. Europe is still in the making. And we are still in the grip of a world-wide recession, the aftermath of an economic storm which rocked the world in 1973 and 1974. Member States are tempted to go on the defensive, to reef their sails and ride out the storm.

This is why Member States calculate so carefully the pluses and minuses of the contributions they make to the Community budget. Sometimes, it seems to me, they forget, that the Community has more to it than this. They forget the great trade creating effects of the Community. The stimulus given by the removal of barriers, by the free circulation of capital, of people, of goods, and even of ideas. This cannot be measured in pounds and pence.

I come here at a time when the Community is making page one news in the British Press. This should be a cause for rejoicing but I fear that it is not so on this occasion. The headlines have been proclaiming something about Britain paying more than its proper share of Community expenses, of becoming the "paymaster of Europe" sometime in the future. I should tell you that I for one disagree with this "budget philosophy".

This is not the same as saying that any country should be happy to pay more than their due, of course. What are the facts in this case? The facts are that the Community gets its income from two sources, the agricultural levies and certain customs duties. The other big source of income is from national contributions. But this will be replaced in the future from member States' value added taxes, which will reflect the relative ability to pay of the various member states. There is no question in our Community of exploiters and exploited. We have introduced in 1976 a corrective mecha-

nism for excessive <sup>payment at</sup> British insistence, to avoid the very problem which I now see complained of in the British newspapers.

The figures which have been bandied about in these past few days <sup>could</sup> give, I think, a false impression. They appear to leave out the reckoning or <sup>to</sup> underplay what the economists call "monetary compensatory amounts" <sup>for agriculture</sup>. In the case of Britain these have the effect of massive subsidies on your imports of food. If these huge sums of money are taken into account, we see a different picture. We see that in 1980 the United Kingdom will be paying on a net <sup>basis into</sup> the Community budget less than half the amount for instance than will be paid by the Federal Republic of Germany, namely some 307 million pounds as compared with 670 million for Germany.

This notwithstanding, it is true that  
of the Community more than  
70 % budgetary expenditure goes to agriculture. Other areas are  
being comparatively neglected. This cannot be changed overnight.  
Although try we must. Far better for Britain if the budget could  
be extended to other Community policies, for instance in the  
regional or the energy field. But again this need fullhearted  
support from the British. Standing on the sidelines will not help  
in forging a new balance between agriculture and the other sectors.

13. | Lately progress in the Council of Ministers  
has been tortuously slow. Major initiatives have been blocked.

Certainly the public seems to enjoy exaggerated  
stories of whisky, imperial pints, butter sales, and King  
Edward potatoes, regardless of whether these are really Community  
affairs, and regardless of their true importance. <sup>Some</sup> politicians  
are happy to use the Community as a convenient scapegoat. Thus  
a sense of indifference or even hostility begins to appear.

./...

14. We must break this vicious circle of indifference and stagnation. We are on the point of enlarging the Community to include the three new <sup>southern</sup> European democracies Greece, Portugal and Spain. To me, this is a most exciting challenge. We have a solemn duty to these neighbouring states. They have much to offer us.
15. But we cannot let this process of enlargement make the Community become merely a free trade club, or a safety net for national credit ratings. I am truly alarmed when I hear it suggested, not that this might happen, but that it is to be welcomed. A Europe which is a statistical coordinator or an international cash-dispenser would be ignored by the rest of the world.

I believe that as long as Europe is not united in political terms an essential factor in the world equilibrium is missing. Because of this it is more easy for regional conflicts to erupt. As long as <sup>this situation</sup> continues the building of a world wide Community of economic interests, a Commonwealth for the people of the whole world, will not come into being. Can anyone with knowledge of the world deny that the acute problems connected with rising nationalism in Africa and Asia and even in Latin-America could have been tackled more easily and more peacefully had Europe only been more united, and in partnership with the United States could have made its voice heard?

16. Let us be quite clear. The Community is the embodiment of a difficult yet noble political ambition, for the advantage of all our people. Europe has been constantly ravaged by suffering, dissent, division and war. Our nations can continue to act alone - and be weak. Or we can act as Europe, and play a more influential and creative role in the world. I am not talking of Europe as a super-power. That is a dangerous profession. But as Europe, we have a special role to play. Other countries - particularly the developing countries - look to Europe for a lead, because we are not a super power. Sometimes I think they expect more from us than we expect from ourselves. Can we fail to respond? Can we fiddle while the world burns? Can the United Kingdom fail to make its proper contribution? No, no and no again.

17. But can we be sure of that answer ? Last year we re-launched the drive towards economic and monetary union. This is a practical goal - nothing magic about it. It involves pooling of strengths, sharing of weaknesses, common action, a united approach to world affairs.
18. But the attitude in this country to the proposed European monetary system is currently under hot debate. Its reception in certain quarters here has been less than cool.
19. There are two quite distinct levels from which this can be viewed. First and most important is the broad principle of the convergence of national economies and the strengthening of the Community. This is a vital goal which is at the heart of the European idea. The second level of examination is technical - do the means suit the end ?  
Any prospect as far reaching as the EMS must be subjected to the closest, detailed and dispassionate scrutiny. The two levels of argument should be kept quite distinct. Unfortunately, some debate in the United Kingdom has confused these two strands. The technical argument has been used as a smokescreen for opposition to the principle of the broader Community goal.

You must realise that the European Monetary System will go ahead in some form with or without Britain. It would be much the better for us all in Europe if Britain were in it from the start. Otherwise you will find yourselves once again standing on the platform while the European train moves ahead. And you will find yourselves effectively excluded from the decision-making process. I hope the British will this time put aside their indecision where European affairs are concerned and get aboard. Should this prove impossible from the beginning, than keep in mind that you may wish to join later. Though, at least, support it as a Community action from its inception.

20. The persistent questioning of the Community is a feature unique to British politics.

The United Kingdom is the only country in the Community where the basic question of membership - in or out - is a live political issue. I cannot believe that the United Kingdom will in fact ever turn its back upon solemn Treaty undertakings. The United Kingdom has a history of honouring such commitments, as the whole world knows. Neither do I think the British people at heart have any wish to overturn their resounding vote in the 1975 referendum. Yet as long as certain politicians here, are prepared to play upon an imagined sense of disillusionment with the Community, they will stir up misunderstandings and doubt. And while the public is beset by doubts, no British government will commit itself to the Community to the fullest extent. And without the engagement of the British, the Community is weakened; accusations of its inability to act will become a self-fulfilling prophesy.

Any anti-European sentiment from wherever it comes has enormous repercussions on us all.

It leads to delays in the Community's work and to a blighting of Community spirit. It leads to a blocking of much needed actions, to estrangement and indifference among our people towards our European Institutions and towards their governments. At its worst, this anti-Europeanism could create havoc with the first elections to the European Parliament next June. This would lead to a weakening of our democratic life.

21. The British deserve a lead into the heart of European affairs, away from the dithering fringes. The British, traditionally, do not dither. Act traditionally, then, on Europe!
22. An extremely eminent and royal former recipient of the Melchett Medal once gave some blunt advice to British industry, in a colloquial expression which has since become a catch phrase. I shall not repeat it, although I do not disagree with it. What I do say about Europe to the British today is "Roll up your sleeves and get stuck in".
23. So much for politics. Since I wish to leave London in one piece, I had better turn now to energy. But in fact energy is an intensely political subject, and is closely linked to the general economic arguments I have been making. In the United Kingdom, it also fuels the fires of controversy over membership of the Community. So perhaps I shall get into as much trouble on this subject.
24. I have said that economic convergence is an overriding aim of Community development which will add to the social well being of all member States. The EMS can only work in step with this main goal.
- The same goes for energy, but for different reasons. Energy is fundamental to all our economic and social activities. It underpins our life, and has increasingly strategic connotations. The strengthening of a common energy policy

is an indispensable part of broader internal economic convergence, and of increasing solidarity and influence in the world at large.

25. The events of 1973/4 brought this lesson home to us - for a while. It was an unpleasant way to learn. But we have been only too willing to lull ourselves into a false sense of security. Already this year there have been plenty of reports saying that the energy problem is so long term as not to matter. I reject this complacency. Recent events in Iran - only one of the producers - have showed us how fragile each piece in the kaleidoscope can be.
  
26. Any analysis of the energy future shows that sooner or later - five years either way are immaterial - the oil supply situation will become more difficult. Estimates vary, but by about 1990 world oil demand could reach about 5 billion tons per year, compared with about 2.75 billion tons now.
  
27. I quote these figures only to give an order of magnitude. But where are these supplies to come from ? At what price ? To whom will they be available ? We have a choice. Either the nations of the world can come together in a sensible way to ensure an orderly management of energy questions. Or we shove our heads in the sand.
  
28. The Community, <sup>like</sup> other major consuming groups, therefore has a great responsibility to forge links and foster a dialogue with the producer countries and the non-oil

./...

developing countries. We must do this while we still have time. The cost of failure will be immense. It would far outweigh the marginal extra cost of possible over-insurance against an inevitably uncertain future. We have already made a start to this in the Euro-Arab dialogue. The North South dialogue was also a milestone although its results were disappointing. The Commission now holds biannual consultations with the Organisation of Arab Petroleum Exporting Countries (OAPEC), and I have recently suggested opening a similar series of talks with the Organisation of Petroleum Exporting Countries (OPEC).

29. We cannot exert our full weight in this unless we first put our own house in order. That is why it is essential to agree and implement strong policies at Community and national level, within a coherent framework of Community objectives. We must press harder and further with our energy saving efforts. The results of the last few years have been encouraging. Since 1973 we have achieved 7 % real growth in GNP, yet energy consumption is still below the 1973 level. But this is an unreliable indicator, since it has been against the background of unacceptably low economic growth. The scope for energy saving is immense, and it remains generally the most effective form of energy investment. The Commission has launched its own high level study by a group of distinguished outside experts on ways of permanently decoupling economic growth from increases in energy demand.

30. However, we are currently dependent on imports - mostly oil - for 56 % of our supplies. This is an unhealthy position to be in. If we are to reduce our external energy dependence, we must also increase our own production, and minimise our use of imported oil. This means a great effort in oil and gas exploration, in the use of coal and nuclear for electricity generation, and in the development of new sources. But progress is not easy. Community coal targets are proving

difficult to achieve. There is no doubt that the Community industry and Community coal users must have support now if we are to be in a position to exploit our abundant coal.

31. Nuclear programmes have come seriously unstuck, for technical and financial reasons, and because of planning delays and public opposition. Recent decisions in Germany, Belgium and Austria highlight the problem of public acceptance. All public authorities have a duty to give information. Doubts must be met by rational discussion, rather than ignored. The open debates on nuclear which I held in Brussels a year ago I think were a useful part in this process. But the problem remains, and in a democratic society will not easily go away. In the meantime, the Community is devoting a big research effort into nuclear safety. Over £ 25 million has been allocated for the current year, out of a total nuclear research effort of about £ 90 million. We have proposed specific Community action to help overcome some of the problems of nuclear waste disposal and of reprocessing. And we participate fully in the international nuclear fuel cycle evaluation.

32. Those are the generalities of Community policy issues. It should be clear that there is no Brussels master plan which we are about to impose on member States when they are not looking. Such ambitions would be neither practicable nor effective. Investment decisions by individuals, companies, public corporations and governments are and will remain of paramount importance. Community investment is only about 4 % of the total. But at whatever level the investment decision is taken, it is important that it should be in accordance with the common policy framework of the Community as a whole. One of the most important parts of our work in Brussels is this constant examination of national programmes. We have now completed the exercise for 1978, and I shall soon be proposing new Community policy guidelines and targets for 1990.

./...

33. We do of course intervene directly, as well. We run a large research programme. We issue loans for the construction of nuclear power stations and for investment in coal mining. We give financial support to hydrocarbon technology, and to demonstration projects for new sources and for energy conservation. We introduce Community legislation where this is obviously more effective than scattered national measures - for example oil stocks, emergency measures, conservation standards. However the overall energy budget for 1978 is only about £ 160 Million. This is only 2,5 % of the total Community budget. This is an imbalance of priorities which I aim to correct.
34. I cannot help detecting that there are some in the United Kingdom who react to this relatively modest level of activity in Brussels with deep suspicion and resentment. I even read of "threats of a Brussels takeover of UK energy policy".
35. Of course, it is true that the UK is in a special position. You will be a net exporter of energy, and for a period you will be roughly self-sufficient in every form of energy except uranium. You have the largest coal investment programme. Your success in North Sea oil and gas is a brilliant achievement. All these features should give you strength and confidence in European affairs as well as experience. Yet at times it seems that the UK is more anxious to defend something - I am not always sure what - than to contribute to the creation of a strong policy.
36. If that sounds harsh, let me quote you some examples. You will all be aware of the intense arguments which have taken place over Community refinery policy. The situation is quite

simple, yet it is not as I have sometimes heard it described in the UK. There is serious overcapacity in Europe which has added significantly to unit costs. There have been long periods when refinery margins have been inadequate in relation to the industry's need to invest. The Commission wants to promote further rationalisation, and it wants to keep an eye on medium-term consumption and throughput forecasts. We recognise that primary responsibility for the refineries lies with the industry. Yet this has been presented in the UK as a Commission attempt to 'control the UK refinery industry'. And the UK, unfortunately, has refused to support our work. I say "unfortunately" because this is an issue which goes far beyond the amour propre of Brussels or London. The OPEC countries are watching our refinery industry with eagle eyes. They know its problems, and realise the limitations it places on their own plans for expansion. We cannot afford to ignore their <sup>legitimate</sup> development aspirations - for obvious reasons. Yet they take very careful note of any slackening in our collective will in this respect. Anyone who attended the recent OPEC seminar on downstream developments will bear me out on this.

37. But perhaps there are even bigger worries in the UK about North Sea oil production. Again, the situation is quite simple. The Commission regards the UK effort in this respect as more than first class. It means a major and secure source of supply on our doorstep, equal to some 20 - 25 % of Community needs at peak production. This is a major slice of our import dependence, and is worth about £ 6 billion in foreign exchange. However we have repeatedly made it clear

that the economic benefits of national reserves accrue to the member state concerned. Taxation and royalties are entirely matters for the UK. The Community has no competence in the issuing of licences, or in the day to day enforcement of regulations and the supervision of operations. And we most certainly do not intend to demand it! I hope that this is properly understood.

38. However, there are certain aspects of the UK's North Sea regime which do raise questions from the point of view of their compatibility with the Treaty of Rome. They are essentially common market points, to do with free competition and the free circulation of goods. I do not believe that any of them strikes at the heart of the UK's legitimate North Sea policy, and most of them I am sure will be settled by reasonable discussion, in a pragmatic way.
39. For example, there has been considerable give and take on the question of the Offshore Supplies Office interest relief grant scheme. The Commission does not regard the Offshore Supplies Office "full and fair opportunity" system to be fully and fairly compatible, in practice, with the rules of free competition. On the landing requirement, we think that there is a conflict with the Treaty. But at the same time we recognise that an overwhelming proportion of UK oil will be landed by pipeline anyway. In reality we cannot see much practical significance in this landing obligation. And so far all requests for a waiver have been granted. So we see scope for a flexible view on both sides; a reasonable approach on both sides should produce a reasonable and satisfactory outcome.
40. What I find hard to understand is the automatically uncomparative attitude which I detect on these points. The same applies to discussion on depletion policy. Depletion policy is a matter for the UK. We should expect the UK to take account of any overall agreed Community objectives in framing their policy. But that is as far as we could reasonably go.
41. On oil exports, it is surely <sup>a distortion</sup> to see it as a question of "Brussels getting its hands on our oil". You in the UK know better than most that North sea oil is an internationally traded commodity. You cannot live on North Sea oil alone - you need to mix it with a little Venezuelan and Arabian as well. Last year, 40 % of your oil was exported in the ordinary

course of trade. Two thirds of that,

came to the other member States. This sort of pattern will continue. The optimum percentage of North Sea crude run in UK refineries will vary over time. I will not venture to name a figure, but I doubt if it will ever be a rigid 66 %. I doubt if massive investment in new UK refineries is the answer to UK unemployment problems. Indeed the existing refinery utilisation rate in the UK is one of the lowest in the Community. Moreover modern refineries are not very labour intensive. I doubt if they will maximise the national return from North Sea oil. I should prefer to see the oil find its best markets; I suspect the Inland Revenue would as well.

42.

The

world today is a small place. What happens in one corner has immediate effects in every other part.

The rate for the pound sterling is not decided in London, neither is the value of a dollar decided in New York.

Jobs and

profits depend not only on national policies but also on investment and purchasing decisions taken around the world. Even strike action has repercussions across national frontiers as the Ford dispute has shown. Trade itself is the embodiment of interdependence. The Community creates the most secure trading framework for us all.

Energy lies at the back of all this. Nothing moves without it. We are still dangerously dependent on outside supplies. We shall do better in this by acting in concert. The whole will be greater than the sum of the parts.

43. I think I have now unburdened myself. I have been very frank. You have been very patient in listening to me. So far, I see no egg on my coat.

For my part, I repeat my deep sense of honour at having been awarded the Melchett medal.