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INFORMATION MEMO

Commission's first memorandum to the Council on the Community's
policy for petroleum and natural gas

The Protocol on energy policy concluded by the Member Governments in April 1964 laid down certain aims concerning hydrocarbons, and the Commission was instructed to study the necessary preparatory steps for their attainment.

In a memorandum just submitted to the Council, the Commission sums up the studies that it has made in pursuance of that decision, and puts forward proposals for the later stages of the work.

The Commission is aware that its proposals do not cover the whole field. The Protocol of April 1964, which did no more than lay down a few general principles, did not touch upon questions of competition between different forms of energy, and these are not dealt with in the memorandum. The Commission has confined itself to problems about which something can be done in the present circumstances.

In future the Community will be more and more dependent on oil, and unless the prospecting that is going on in the North Sea produces spectacular results, the greater part of this oil will have to be imported. This dependence on imported oil raises problems of security as regards both quantity and price.

In view of the need for security, the first thing that the Community must do is to guard against the risk of certain imports being temporarily interrupted owing to political or economic crises in the supplying countries. The Commission has approached the oil companies in order to find out what the position is. It has also consulted the governments of other, similarly placed consumer countries, with a view to establishing permanent co-operation with them, and studies are at present being made to see what resources could be made available in a crisis.

The first step towards ensuring security of supplies was taken at the end of 1964 when a draft directive was submitted to the Council requiring the Member States to maintain stocks of petroleum products representing at least 65 days' supply.

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The Community must look into the question of how, and at what price, it is going to obtain the growing quantities of petroleum that it will need in the next few years.

Supplies are at present abundant and are increasing rapidly, thanks to intensive exploration by the international companies; at the same time the range of sources is widening steadily.

But companies within the Community are also playing an important part in supplying the market and maintaining competition. The Commission believes that these companies should be able to continue and even expand their activities. To this end, it proposes to study the provisions by which non-member countries at present encourage prospecting for petroleum; it will also assess the results of the policy that has been followed towards companies established in the Community, and consider what measures, tax reliefs or aids might be introduced in order to induce these companies to intensify and co-ordinate their searches. Where necessary, aid could be provided to promote the sale of Community products which would otherwise not be competitive with imported crude oil.

At the same time, the Commission suggests that a procedure should be worked out for consultations between the Member States regarding their commercial policies. Such consultations should cover not only imports from State-trading countries, as at present, but also other sources of supply and the medium- and long-term prospects. Gradual progress would thus be made towards the common commercial policy envisaged by the Treaty.

The Commission deals, in the second place, with the establishment of a unified market. Its aim is to ensure that government intervention, which is especially frequent where oil products are concerned, does not hinder the free movement of goods in the Common Market or distort the conditions of competition.

At the end of the transition period (i.e. in principle by 1970), all direct and indirect obstacles to trade between the Member States will have disappeared and a common commercial policy will have been established; the Commission considers that it will then be impracticable to pursue purely national objectives, and that these will therefore have to be superseded by common objectives decided upon by common consent of the Member States.

This means, in particular, that the French arrangements governing petroleum imports will have to be adjusted in accordance with Article 37 of the Treaty; the Commission hopes that the French Government will say which objectives it considers the most important and how it proposes to reconcile its pursuit of those objectives with the commitments it undertook by signing the Treaty of Rome. Similar problems may arise for Germany and Italy.

If a unified market is to be established, it will also be necessary to introduce freedom of establishment for enterprises throughout the Community and to abolish all discrimination based on nationality. This question may arise when prospecting licences and operating concessions are granted or when permission is required before service stations can be built.

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Thirdly, the Commission proposes that the six Governments should co-ordinate the support they give, in order to avoid disparities and inconsistency. Suggestions are made regarding the adoption of common principles for the conveyance of oil by pipeline, which will play an important part in the development of intra-Community deliveries. The Commission also proposes that the Member States should evolve a procedure for keeping one another informed of new laws or regulations and of the oil companies' investment programmes.

The memorandum then refers to the problems that natural gas will pose for the attainment of the common market. Hitherto, natural gas, although important for certain regions of the Community, was regarded as a product of local interest only and not intended for export. The size of the deposits discovered in the Netherlands and Germany, and the prospects apparently held out by the continental shelf in the North Sea, have altered the scale of the problem entirely, and it is already certain that much of this new gas will figure in intra-Community trade.

Consideration must be given to conditions under which the Treaty can be respected and discrimination by nationality avoided. If the Community allows situations to develop which are contrary to the Treaty and to the common interest of the Member States, it will perhaps be unable to remedy them later on. The Commission also proposes that common principles should be adopted for the delivery of gas by pipe and arrangements made for exchange of information concerning new laws or regulations and investment in means of transport.

In conclusion the Commission says that it intends to report to the Council each year on the progress of its work on the various points mentioned in the memorandum in close co-operation with the national authorities concerned. If the Council agrees to the main outlines suggested, the Commission will submit proposals for practical steps to be taken.