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Brussels, November 1974

The Commission proposes a new orientation for coal policy :  
medium-term guidelines for coal : 1975 - 1985

The Commission has issued guidelines for a medium-term Community coal policy, thus giving practical expression in an important branch of the energy economy to the "New Energy Policy for the Community"<sup>1</sup> which it had already presented to the Council of Ministers in May. The Council reaffirmed its political will to implement such a Community energy policy in a Decision of 17 September 1974 and decided to discuss quantified objectives for energy supply up to 1985 together with guidelines and measures for the expansion of individual energy sources at a special meeting to be devoted to energy policy before the end of the year. The "Medium-term guidelines for Coal, 1975-85" will be on the agenda of this Energy Council, whose task will be to reach a decision on the guidelines proposed by the Commission. In its part, the Commission will draw up practical measures for the attainment of these objectives.

A. The contribution of coal to energy supplies

In the Commission's opinion it should be a medium-term objective to achieve a new supply structure which would ensure security of supply. It is necessary to reduce the Community's dependence on oil imports. An increased consumption of solid fuels would contribute to this end.

The Commission believes that the outlets for hard coal in the Community can be increased to about 300 million tonnes coal equivalent<sup>2</sup>. The market for power-station coal appears the most promising and the coke requirements of the steel industry may also rise slightly. Taken together these already account for about 80 % of domestic hard-coal consumption.

In the interests of maximum security of supply every effort should be made to maintain the Community's coal production at the present level of about 250 million tce until 1985. This aim is ambitious, since further pits will have to be closed owing to exhaustion of seams or to the fact that the natural conditions no longer justify any expectation of profitable working. In order to achieve this aim it will therefore be necessary to expand existing or create new capacities in the most productive Community fields. The Community coal mining industry must however continue to try to limit the rise in production costs.

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<sup>1</sup>COM(74) 550 def.

<sup>2</sup>1 tce = 0.7 toe ; 1 toe = 1.4 tce

The coal imports from non-Community countries must therefore be increased to about 50 million tce (1973 : 30 million t) by 1985. For this purpose it is essential to open up new long-term supply sources of coking coal and power-station coal outside the Community.

The output of brown coal, at present the most expensive fuel used in Community power-stations, could attain 130-150 million t by 1985 (= 37 - 43 million tce) (1973 : 35 million tce).

## B. Problems of market balance

Coal will be able to play the part assigned to it in a new supply strategy only if Community solutions can be found for a number of problems which arise from the special conditions in which coal is mined in the Community, particularly hard coal.

### 1. Long-term problems

Investment in the highly labour-intensive coalmining industry is a long-term affair. The requisite volume of investment and a sufficient and adequately trained labour force can be ensured only if the industry has a long-term guarantee of full cover for its production costs. At present the bulk of the coal produced can be sold at prices which cover costs. But uncertainty about the long-term price trends of competing energy sources make it difficult for the end consumers to enter into long-term purchasing agreements.

### 2. Short-term problems

The short-term demand for coal fluctuates widely for economic and climatic reasons, while on the other hand the coalmining industry is compelled for natural and technical reasons to keep its output steady. This industry thus represents an element of inflexibility in the total energy supply structure.

## C. Coal policy guidelines

The following points may therefore be formulated for the Community's middle-term coal policy:

1. Maximum utilisation of the existing brown-coal and hard-coal power stations and conversion of multi-fuel power stations to coal-burning wherever this is technically and economically justifiable. Direction of new and substitute investment in the power station sector towards use of solid fuels, except where nuclear power plants are concerned. Long-term stabilisation of the sale of Community coal to power stations by the creation of a system of grants-in-aid.
2. Maintenance of the subsidy system for Community coking coal for use in the steel industry<sup>1</sup>.
3. Method of offsetting short-term market fluctuations by anticyclical stockpiling of hard coal; facilitation of this procedure by a state stockpiling grant. Compulsory formation of emergency reserves to deal with sudden cessation of supplies.

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<sup>1</sup>Commission Decision No 73/287/ECSC of 25 July 1973  
(OJ L/253 of 15 September 1973)

4. Maintenance of Community production of hard coal at a level of about 250 million tce, while having regard to the natural, technical and economic conditions in the individual fields. Steady effort by the coalmining industry to maintain or regain competitiveness with other energy sources by increasing output, by rationalisation and by reduction of costs.
5. Active manpower policy to ensure a stable, productive and young labour force for the coalmining industry by offering attractive working conditions at all levels. Creation of new confidence in the long-term security of the miner's calling.
6. Immediate increase in current investment to the level of operational depreciation in order to maintain capacity and reserves. Additional investment in suitable coalfields in order to expand existing or create new capacities.
7. Reinforcement of the financial strength of the coalmining industry by a prices policy enabling firms to attain in a gradual fashion and as far as possible the depreciation necessary to cover production costs. Procurement of foreign capital on the basis of Article 54 of the ECSC Treaty and aid to investment by the governments concerned.
8. Intensification of technical research in the fields of winning, processing and upgrading coal and also of the conversion of coal into hydrocarbons. For this purpose it will be necessary to make available additional research resources over and above the general Community budget and to intensify cooperation between the associated research institutes.
9. Progressive development of a Community import policy with the aim of giving all consumers access to the world market and reaching mutually satisfactory trade relations with the exporter countries; in conjunction there with a Community system for the monitoring of imports. Association of Community undertakings (including coal mines) with joint ventures in the coalmining industries of non-Community countries.
10. Effort to reestablish a climate of confidence and genuine willingness for cooperation on the part of all concerned (producers, workers, consumers and authorities), in order that the coalmining industry may be able to fulfil the tasks incumbent upon it as the largest existing domestic internal source of energy.

This communication is made in the framework of the new strategy for a community energy policy; it sets out the part dealing with coal and is in accordance with the Community's desire to make itself less dependent on outside sources for its supplies of energy.

The approval by the Council of the principles contained in the present communication is in accordance with this general aim.

Detailed measures for the carrying out of the coal policy guidelines will be laid down by the Commission within the framework already described. These measures will be based, on the one hand, on the use of the instruments which the Commission possesses under the ECSC Treaty and, on the other hand, on proposals which the Commission will present to the Council as soon as possible.