

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 483 final

Brussels, 6 October 1977

THE ENERGY SITUATION IN THE COMMUNITY AND IN THE WORLD

(Communication from the Commission to the Council)

COM(77) 483 final

THE ENERGY SITUATION IN THE COMMUNITY AND IN THE WORLD

(Communication from the Commission to the Council)

In the Community

1. In the first half of the year, the energy situation in the Community was influenced by the relative standstill in economic activity, a rather marked change in climatic conditions compared with 1976 (a cold spring and plenty of rain) and the increase in the price of OPEC crude.
2. Consumption increased by 2.5% compared with the first half of 1976 in parallel with the increase in economic activity (GDP up by 2%). A comparison between two six-month periods does not provide a broad enough basis to indicate trends, but if the relationship between energy consumption and economic growth continues, this would raise the question of the effectiveness of energy-saving policy and whether it should be reinforced if the long-term objectives are to be attained.
3. Demand patterns have not been identical for all energy sources. Compared with the first half of 1976 there was no change for solid fuels, a 1% drop for oil and a 5% increase for gas. There was a marked increase in the production of nuclear energy (up by 26%) and an even bigger increase in the production of hydroelectric power (up by 56%).

These trends are a consequence of attempts to diversify oil, gas and nuclear energy supplies and reduce dependence on imports. The increase in the production of hydroelectric power is bound up with the exceptional climatic conditions.

Stable overall solid-fuel consumption conceals a slight increase in coal consumption (of 1.5%) and a sharp drop in lignite consumption (of 8%). This partly reflects the fact that thermal power stations burning this fuel have returned to normal operation after their electricity production was stepped up in 1976 to offset the small quantities of hydroelectric power provided.

4. If the trends which emerged in the first half of the year continue¹⁾, it is to be expected, for 1977 as a whole,

- that coal consumption will be slightly lower than originally forecast²⁾. It should be emphasized, however, that it has been increasingly difficult to market coal produced within the Community. From one reference period to the next, production dropped by nearly 5% while stocks (coal and coke) increased from 46.5 to 53.1 m. tonnes. In the same interval imports from non-member countries increased by 17%.
- that with satisfactory precipitation, increased nuclear power production and stable consumption of natural gas and solid fuels for the production of electricity, fuel-oil consumption in power stations will drop somewhat.
- that rapidly increasing production of North Sea oil (from 3.7 m. tonnes in the first half of 1976 to 16.9 m. tonnes in the first half of 1977) together with low demand will ensure that imports of crude oil from non-member countries continue to fall.
- that varying trends in consumption of the main categories of petroleum products (up for light products, stable for medium products and down for heavy products), although allowing short-term improvements in firms' revenue, will emphasize the need for structural reorganization by the industry in the medium term.

5. This situation and these prospects emphasize the timeliness and importance of the measures on which the Council is to take a decision at this meeting - the pursuit of the long-term energy policy objectives, the rational use of energy, the promotion of coal, the financing of cyclical stocks of coal, refining policy.

In the world

6. Two main factors command attention on the world energy scene:
- developments in US energy policy;
 - recent crude-oil pricing decisions by the oil-producing countries.

∴/∴

1) Some Member States have still not sent the Commission their forecasts for the second half of 1977 in accordance with Council Regulation No 1720/76.

2) i.e. 208 mtce. cf. The Community coal market in 1976 and the outlook for 1977, OJ No C 156 of 4.7.77.

7. In April, President Carter made known the energy policy guidelines which he was proposing to Congress. The essential aim is better use of indigenous US resources in order to reduce dependence on oil imports. These accounted for almost half of the oil consumed in the first half of 1977, or some 8.9 m b/d. This particularly high figure - almost as high as imports into the Community - is certainly disturbing, not only for the United States but also for all the energy-importing countries which could, in a short space of time, see their efforts to limit the growth of their oil imports come to nothing.

President Carter's proposal to set up an Energy Department was approved by Congress which is currently examining the legislation recommended by the President.

8. He also announced what the policy of the Carter Administration would be on non-proliferation in the field of nuclear energy, with the United States Government taking the initiative to set up an international programme to examine the whole nuclear fuel cycle and to work out ways of minimizing or eliminating the risk of proliferation.

The outcome of this proposal is of particular interest to the Community and its Member States because of the important role assigned to nuclear energy in reducing dependence on oil imports.

9. Most of the OPEC countries decided to raise oil prices by an amount equivalent to a 10% increase in the price of market crude (Arabian light) as of January 1977, with an additional 5% increase planned for July.

Saudi Arabia and the United Arab Emirates, however, decided to increase their prices by only 5% and the ceiling on Saudi production was raised from 8.5 to 10 m b/d.

This two-price situation continued until June when Saudi Arabia decided on a second 5% increase, with the other producers agreeing to forego the additional 5% increase planned for July.

All in all, the average cost of OPEC crude is likely to increase by some 9% in 1977 compared with 1976. The OPEC countries as a whole should see their oil revenues increase by some 15%, taking into account production increases. The increase in the Community's oil bill will be mitigated somewhat by calling on North Sea production to a greater extent but should still be in the region of \$2 500 million over the whole year.

10. Oil supplies have been marked by the emergence of surplus crude oil and refined products availabilities on the main world markets. Stocks, which were already at a high level at the end of 1976 in anticipation of possible price increases, were built up towards the end of the first half of the year in anticipation of the new increase in the price of crude expected in July. The policy adopted by Saudi Arabia led to an increase in its deliveries, while production from new oil-fields also increased rapidly (North Sea and Mexico).

All in all, production increased by 6%, compared with the first half of 1976, while consumption increased by only 4%. Although the end of the two-price system should encourage the return to a better balance between crude oil supply and demand, it seems probably that the consumption trend will continue to keep the price of refined products down somewhat.

*

*

*

11. This picture of a fairly calm energy market in the Community and the world at present should not cause the basic medium and long-term problems to be overlooked. The public authorities must continue to make every effort to face up to the difficulties to come, even if some of the tension has subsided for the time being.

Synthèse de l'Evolution récente du Marché de l'Energie
dans la Communauté (1)

1. Consommation intérieure brute (soutes non comprises)

(en mio tep)	<u>Houille</u>	<u>Lignite</u>	<u>Pétrole</u>	<u>Gaz</u>	<u>Electricité primaire</u>	<u>TOTAL</u>
1er semestre 1976	89,1	14,2	246,9	79,5	23,7	453,4
2ème semestre 1976	90,0	14,5	251,0	77,9	24,8	458,2
1er semestre 1977	90,5	13,1	244,8	83,6	32,9	464,9
Variations entre 1er semestre 1976 et 1er semestre 1977	+1,5%	-8%	-1%	+5%	+39%	+2,5%

2. Production intérieure d'Energie

(en mio tep)	<u>Houille</u>	<u>Lignite</u>	<u>Pétrole</u>	<u>Gaz naturel</u>	<u>Nuclé- aire</u>	<u>Hydr. et autres</u>	<u>TOTAL</u>
1er semestre 1976	79,6	13,7	8,8	71,3	10,9	11,6	195,9
2ème semestre 1976	76,5	14,4	13,3	72,2	11,0	13,2	200,7
1er semestre 1977	75,8	12,6	21,9	72,7	13,7	18,1	214,8
Variations entre 1er semestre 1976 et 1er semestre 1977	-4,8%	-8,0%	+148,9%	+2,0%	+25,7%	+56,0%	+9,6%

3. Importation nette d'Energie

(en mio tep)	<u>Combustibles solides</u>	<u>Pétrole</u>	<u>Gaz naturel</u>	<u>Electricité primaire</u>	<u>TOTAL</u>
1er semestre 1976	13,5	247,9	8,3	1,2	270,9
2ème semestre 1976	14,6	269,2	7,7	0,5	292,0
1er semestre 1977	15,8	233,8	10,6	0,9	261,1
Variations entre 1er semestre 1976 et 1er semestre 1977	+17,0%	-5,7%	+27,7%	-25%	-3,6%

(1) Sources : Réponses au questionnaire du Règlement 1729/76 pour le Royaume-Uni et l'Allemagne ; données partielles et estimations des services de la Commission pour les autres pays.

COMMUNITY SITUATION

