COMMISSION OF THE EUROPEAN COMMUNITIES

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THE NEW SYSTEM FOR COKING COAL AND COKE
FOR THE IRON AND STEEL INDUSTRY IN THE COMMUNITY

(Communication from the Commission to the Council)

COM(83) 174 final

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The new system for coking coal and coke for the iron and steel industry in the Community

1. Introduction

In its Communication of February 1982 on "The rôle for coal in Community energy strategy" (1), the Commission examined the problems of the coal industry and the possibilities for Community action to enable solid fuels to fulfil the rôle allotted to them with regard to diversification and security of supply.

This Communication served as a basis for the Council's considerations and during a meeting of ministers in Copenhagen on 16.12.1982 a political initiative was established among the ministers to make progress towards a balanced, overall Community strategy for solid fuels. The ministers declared themselves ready to examine proposals from the Commission.
In response, the Commission transmitted to the Council in February 1983 a "Working programme on solid fuels" (2) which recalls the specific proposals that the Commission has made and outlines new ideas and proposals.

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(1) COM(82) 32
(2) COM(83) 54

Among these new proposals is one for a Community action in favour of coking coal and coke for the iron and steel industry in the Community. The examination of this action should take place in 1983 because Decision 73/287, which is currently in force, expires on 31.12.1983.

This Communication recalls the origins and development of the current system and analyses the state of the market. It presents Commission proposals for a new action with a duration limited to five years and involving financial intervention by the Community which will be both of significant size and degressive.

I. The origins of the system for coking coal and coke

2. The origins of the present system go back to the 1960's and its development is related to that of the Community's iron and steel industry. In effect, the latter produces the major proportion of crude steel from blast-furnace pig iron. In the blast furnace, coke plays a complex rôle and constitutes an important cost element ; it cannot be substituted except in so far as a part of its heating function can be provided by injecting hydrocarbons (fuel oil in particular) or coal.

Coke manufacture itself requires coals with special characteristics, even though progress made with regard to blending has enable the range of usable coals to be widened.

After vigorous expansion during the fifties and sixties, Community steel production reached 156 million tonnes in 1974 and declined thereafter to 111 million tonnes in 1982. The development of coke production, tied mainly to the production of steel, was different. Up to the end of the fifties it followed approximately that of steel production with a slightly lower growth rate. In 1960 it reached 95 million tonnes ; it then decreased to 59 million tonnes in 1982.

Effectively, consumption in the iron and steel industry fell, first of all because of a continuous reduction in the specific consumption of coke per tonne of pig iron (1) (from almost 1 000 kilogrammes in 1953 to about 530 kilogrammes at present), and secondly because of the reduced production of pig iron since 1974 (2) ; use of coke in non-steel applications also diminished considerably (EUR-9 : from 29 million tonnes in 1965 to 11 million tonnes in 1980).

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(1) Also called the coke rate.
(2) The lowest coke rate was compensated for some time by an increase in steel production (see Table I).

3. Against this technical background are the preoccupations resulting from the coal crisis at the beginning of the sixties. Two major ideas are quickly developed : the need to rationalise the mines in order to adapt to market conditions, and concern about security of supply, particularly of coking coal.

In their protocol on energy problems of 21 April 1964, the Member States of the Community :

"11. Invite the High Authority to make, in the context of the Treaty of Paris and according to need, procedural proposals for the introduction of a Community system of aid by the Community's Member States ;

"12. Judge that the problem of long-term coking coal supplies for the Community demands the Council's special attention" (1).

On this basis, decisions will be taken by the High Authority/Commission with reference to Art. 95 of the Treaty : this will make possible the avoidance of diverging initiatives by the Member States which, on the basis of purely national considerations, would find themselves in contradiction with the dispositions of the Treaty, and in particular with Art. 4, which forbids all subsidies or aids granted by the Member States, and with the dispositions of Art. 60 concerning the alignment of prices on quotations from non-member countries ; these will introduce a selective approach to coal problems, according to whether or not coal could easily be substituted.

In 1976, a converging approach to the objectives could be observed. Since 1982, the idea of the profitability of coal production has taken on a decisive importance.

The novel character of decisions to be taken in this field and their shared character is the setting-up of Community systems for intervention by the Member States, by financial or other means, without the funds necessarily coming from a Community source. The Community character should result from :

- criteria assuring observance of the common interest ;
- preliminary Commission authorization before any payment of aid ;
- granting by the Commission of the powers of control and intervention necessary to guarantee the correct use of aids (2).

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(1) OJ No. 69 of 30.4.1964, p. 1099/64.
[illegible] /65 of 17.2.1965, preamble, OJ No. 31 of 25.2.65, p. 480.

The two series of decisions in question are as follows :

4. The Community system of intervention by Member States to assist the coal mining industry in general was inaugurated in 1965 (1). This refers to "Principles of a Community energy policy" and is based on considerations of increased profitability, of negative rationalisation, and of a social and regional nature. Taken for a period of two years, it was first extended to 1970 and further extended in 1971 for five years (2), emphasis always being placed on the possibility of substituting coal by other forms of energy and the necessity to concentrate production on those installations which were most suitable for rationalisation adapted to social and regional needs.

In 1976, the revision of the general aid system brought into play, in addition to the former elements, two new considerations resulting from consultation of the Council in 1974 : the necessity to reduce dependence on oil as far as possible, and the requirement to maintain the Community's current production of hard coal under satisfactory economic conditions (3). This Decision is valid to the end of 1985.

5. The Community system applicable to coking coal was initiated in 1967. The considerations on which it was based were different from those described for the general financial intervention system described under 4 above.

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(1) Decision No 3/65 of 17.02.1965
OJ No 31 of 25.02.1965, p. 480
(2) Decision No 3/71/ECSC of 22.12.1970
OJ No L 3 of 05.01.1971, p. 7
(3) Decision No 528/76/ECSC of 25.02.1976
OJ No L 63 of 11.03.1976, p. 1

In a protocol of 1967 relating to coking coal and coke for the iron and steel industry in the Community (1), the Member States took into consideration :

- active competition by products from non-member states
- the importance of intra-Community trade.

They decided to establish, for the sector in question

- a special system of aids for coal undertakings, and
- a system of compensation of costs relating to intra-Community trade.

From consultations with the Council and the Consultative Committee that have taken place since 1967 on the occasion of prolongation or re-establishment of the decisions in force, it has emerged that the Community considers it "in the common interest" of the Member States and their coal and steel industries to participate in an action aimed at realising several objectives defined in Arts. 2 and 3 of the ECSC Treaty.

These concern the maintenance within the Community, through specific aids, of production capacities for coking coal and coke sufficient to assure a satisfactory security of supply for the iron and steel industry, particularly through the maintenance of the major traditional flow of intra-Community trade. Apart from these aids, the coal industry's production costs are to be covered by sale prices to the iron and steel industry which approximate to world prices for comparable transactions.

Successive decisions have made possible adjustments to the corresponding arrangements taking account of the development on conditions on the market concerned.

6. Decision 1/67 (2) taken originally for a period of two years, will be extended for one year. It covered national aid to a maximum of 1.7 units of account per tonne of coking coal, a financing mechanism for the sharing of 60 % of the corresponding cost among the six Member States according to a predetermined scale, and a possibility for alignment when there is no effective competition at the point of utilization.

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(1) OJ No 36 of 28.02.1967, p. 561
(2) Decision No 1/67 of 21.02.1967, OJ No 36 of 28.02.1967, p. 562

7. In 1970, the new system allowed for production aid, financed by the producing Member State, of 1.50 Units of Account per tonne. To this was added a degressive sales aid (from 0.70 Units of Account in the first year to 0.40 Units of Account in the third year) (1).

The sales aid relating to exchanges formed the subject of Community financing, with one contribution from the ECSC budget, and another from any other of the five Member States receiving German coking coal.

Alignment was authorized on the prices that could apply for coking coal from non-member states, even of there was no effective competition at the point of use. To this end, the Commission could set guide prices, a facility of which it made immediate use.

II. The current system for coking coal and coke

8. The system was renewed in 1973 for the six years to 1978 (2). It was extended for 3 years (1979-1981) (3) and then for a further two years (1982-1983) (4). It thus expires on 31 December 1983.

The Implementing Decision taken in 1973 has remained practically unchanged from the start (5).

The mechanism has three essential features :

9. a) A Community system of financial aid to the coal mines producing coking coal for use in the form of blast-furnace coke (6).

To the extent that the cost price of Community coal exceeds that of coal on the world market, the Member States may grant :

- production aid for which the governments shall fix each year a rate for each coalfield, without any pre-established ceiling ; the rate may vary according to the deviation observed between production costs in the Community and the cost price of coal from non-member country coal ;

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(1) Decision No 70/1/ECSC of 19.12.1969, OJ No L 2 of 06.01.1970, p. 10
(2) Decision No 73/287/ECSC of 15.07.1973, OJ No L 259 of 15.09.1973, p. 36
(3) Decision No 1613/77/ECSC of 15.07.1977, OJ No L 180 of 20.07.1977, p. 8
(4) Decision No 896/82/ECSC of 20.04.1982, OJ No L 106 of 21.04.1982
(5) Decision No 3544/73/ECSC of 20.12.1973, OJ No L 361 of 29.12.1973, p. 18
(6) Decision No 73/287/ECSC of 15.07.1973, OJ No L 259 of 15.09.1973, Arts. 1 and 2

- a sales aid applicable to deliveries to a zone distant from the producing coal field or made in the context of intra-Community trade.

In 1973 it was decided that this aid should be progressively reduced ; the maximum rate of aid per tonne would fall from 3 Units of Account for the first four years to 2.60 and 2 Units of Account respectively for the two following years. In fact, this degressivity was suppressed before it came into play. Moreover, in 1976, 1979 and 1982 an increase in the rate was agreed ; for 1982 and 1983 it was fixed at 4.70 ECU for deliveries to coastal works and 2.80 ECU (from 1.60 Units of Account in 1973) for other works (1).

10. b) In the case of deliveries to other Community countries, the sales aid is repayable from Community funds with their own financing (2)

The increase in the rates of aid in relation to the period 1970-1972 brought about an increased requirement for Community funds. To meet this, recourse was had, in addition to contributions by the ECSC and the Member States participating in the trade, to a participation by the iron and steel industry based on the consumption of coke in blast furnaces regardless of the origin of the coal used to manufacture that coke.

In 1982 the fund intervened to a limit of 14 million tonnes per year (instead of 15 million tonnes from 1973 to 1981) and to a maximum of 47 million ECU. The three contributions were 6 million ECU by the ECSC, 17 million ECU by the iron and steel industry and a maximum of 24 million ECU by the six Member States who normally participate in the trade ; this last contribution has to be reduced if the requirements do not reach 47 million ECU (3).

11. c) While the above arrangements differ substantially from those adopted in 1970, the pricing rules have retained the same terms ; alignment is authorized on the prices that would obtain for coking coal from non-member countries, even if there is no effective competition at the point of use. The Commission publishes guide prices for imported coals. Since 1980 these prices have also served for the calculation of production aids in each coalfield producing coking coal.

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(1) See the development of sales aid rates in Table 2

(2) Decision No 73/287, Articles 6, 7 and 8

(3) The contribution of the British iron and steel industry is paid to the United Kingdom under the reserve that national coking coal shall cover at least 75 % of blast-furnace requirements (Article 6, 2nd. indent and last paragraph, in conjunction with consideration IV of the penultimate paragraph).

It should be noted that only tonnages taken under long-term contracts (1) are eligible for the above aids and alignment; such contracts, provided with reasonable margins, allow the two partners sufficient room for manoeuvre and help to reduce the problem of stocks.

III. How the current system operates

12. As indicated (2 above and Table I) the period 1967-1982 was marked by two main phases of activity in the iron and steel sector as well as by a clear tendency towards a reduction in coke production in the Community.

Consumption of coal in Community coking plants fell from 107 million tonnes in 1973 to 79 million in 1982.

The supply structure for this coal has changed progressively : the proportion purchased from non-member countries has increased to the detriment of national supplies and intra-Community trade.

The following table shows the breakdown, according to the three sources, of tonnages of coal converted into blast-furnace coke during the period 1979-1982.

		Mio tonnes and %				(estimate)			
		1979		1980		1981		1982	
		mt	(%)	mt	(%)	mt	(%)	mt	(%)
Total requirements	mt	73		72		70		61	
of which	(%)		(100)		(100)		(100)		(100)
National origin	mt	38		36		35		30	
	(%)		(54)		(50)		(51)		(49)
Intra-Community Trade	mt	14		14		13		9	
	(%)		(19)		(19)		(18)		(15)
Imports from non-member countries	mt	21		22		22		22	
	(%)		(28)		(31)		(31)		(36)

National supplies and intra-Community trade show a tendency to fall off, and importation from non-member countries to increase. In 1983, this development should be confirmed. It may thus be judged that the current system has not prevented Community coking plants from turning increasingly towards non-member countries for their supplies. German coking plants form an exception because the importation of coking coal into Germany is quasi-prohibited.

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13. There is no doubt that the existence of the system has slowed down this development due particularly to the difference in cost between Community and non-member country coal. It has thus helped to ease the changes necessary to adapt the mining industry to market conditions.

In a period of strong world demand, the links between operators based on the Community system have enabled Community coal to play a beneficial rôle from the point of view of the security and cost of supply. In a general way, the absence of a sudden transfer into the world market of a large proportion of Community demand has had a stabilizing effect on the development of prices in a period when the latter were increasing, as can be seen in the case of the years 1974 and 1981.

Table III shows deliveries of German coking coal to other Community countries between 1973 and 1982. Over ten years, the total exceeds 140 million tonnes (1), but the tonnage for 1982 is 45 % less than that for 1983.

Table IV gives information about the development of the costs of Community coal and non-member country coal (guide price), the costs of Community transport (differential) and of the aids that make it possible to cover at least a part of the total price difference (alignment margin). Taking as an example the Ruhr coalfield (the main supplier for intra-Community trade) there is, for the period 1974-1982 an increase of 139 % (from 46 to 110 dollars per tonne) in the cost of production, of 55 % (from 45 to 70 dollars) in the guide price, and therefore of 9 to 52 dollars for the widest alignment margin, and of 2 to 42 dollars for the narrowest.

Production aid varied more as a function of budgetary availability than of changes in the alignment margin.

Sales aid, which complements it, increased progressively in nominal value but covered an increasingly less significant part of the alignment margin (from 39 % to 9 % in one case and from 77 % to 7 % in the other).

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(1) Intra-Community trade also includes small tonnages sent from France to Belgium and from Belgium to Germany, and occasionally from Germany to Britain.
The tonnages eligible for sales aid, and hence for Community financing represent about 95 % of deliveries.

14. Community financing

As intra-Community trade is currently below the ceiling of 14 million tonnes per year fixed by the Decision in force, financing requirements are less than the maximum of 47 MioECU. Only the Member States benefit from the resulting economy in relation to their share of 24 MioECU in Community financing. In contrast, the ECSC (6 MioECU) and the iron and steel industry (17 MioECU) pay the whole of their shares.

15. Situation and outlook of the world market

Over recent years world production and international trade in coking coal have evolved as follows :

	Million tonnes			
	1979	1980	1981	1982 (2)
Production (1)	304	306	290	300
World trade	105	114	112	120
NB : EUR-10 requirements	88	88	85	79 (3)

An increase in world trade by sea can thus be seen, particularly in the directionof South-East Asia, in contrast to the relatively stable production and declining requirements of the Community.

Some years ago, taking into account the expansion of the world steel industry forecast at that time, the potential world production of coking coal was predicted at 335 million tonnes for 1983 and 360 million tonnes for 1985, or 70 million tonnes more than the production for 1981.

It now seems that these predictions need to be heavily revised.

For the Community steel industry, whose coal and coke consumption is comparable to that of the USA and Japan, it is possible, on the basis of the general objectives for steel, to estimate the requirements for coal and coke in 1985 at some 62 million tonnes. This assumes that the relative prices of coke and heavy fuel oil will not permit the latter to recapture part of the market for injection into the blast furnace that it has largely lost in recent years.

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(1) Total production by the West + exports from countries with planned economies
(2) Estimate
(3) See 12, para 2 above

The same overall development is forecast in Japan, whose coking coal imports moved from 56 to 66 million tonnes between 1979 and 1982, but could decrease in the coming years.

Thus the potential world production of coking coal was recently evaluated at 335 million tonnes for 1983 and 360 million tonnes for 1985, or 70 million tonnes more than the production for 1981.

But this development in potential corresponded to an upward development in both the iron and steel industry's requirements and the price of coking coal. The reversal of these two tendencies should have a negative effect on the world coal potential.

The geographical distribution of the inevitable adjustments in production will depend on the nature and solidity of the commercial flows, of the costs of production at the mines and the costs of the infrastructure (railways, ports, ect.) that will have to be supported by reduced tonnages. In 1982, certain mines ceased production because of the insufficient sale price. The coming months will make possible a sounder judgement of the possibilities for a new balance between tonnages and prices on the world market.

It is probable that the difference between Community production costs and the new prices of imported coal will be even greater for a certain time than it was in 1982.

For the same reason, there should not be any major supply difficulties on the world coking coal market in the years to come.

IV. Main features of the new system for coking coal and coke

16. The objective sought under the new system proposed by the Commission is to support both coking coal production capacity in the Community and the corresponding coking capacity at a level that will assure the profitable or marginally unprofitable operation of mines and a rational utilization of the coking plants, while at the same time providing the iron and steel industry with a supply under reasonable and non-discriminatory conditions.

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17. Degressivity

The Protocol of 1964 had already envisaged that in addition to aids for rationalization, protective or supportive measures for the mining industry should have a "generally degressive" nature. The Decisions of 1970 and 1973 provided the corresponding dispositions at the time, and each prolongation and renewal was for a limited period.

The Commission judges, as is clearly indicated in the opinion presented to the Council on 25 May 1978 (COM(78)221 final), that public aids should in no case lead to the postponement of decisions on adaptations that are rendered inevitable by economic developments. It is only on this condition that a temporary derogation of the prohibition of subsidies envisaged by Art. 4 c) of the ECSC Treaty can be maintained.

Present conditions seem favourable for progressively phasing out a Community intervention that is no longer justified by the original motives. There is no longer a serious risk to the orderly supply to the common market (Art. 3 a) of the ECSC Treaty) because there is, at one and the same time, a decrease in requirements, a very marked reduction in intra-Community trade, and a general use of blending techniques which makes possible the utilization of an increased range of coking coals offered on the world market. This situation gives the operators a chance to re-think their long-term relations. The period covered by the Community system should thus make possible the realisation of the objective set by Decision No 73/287/ECSC, according to which the steel industry should support completely the cost of its supply of blast-furnace coke.
The coal mines - particularly those which are involved in intra-Community trade - should find ways and means of adapting to the new market conditions within the planned period of five years.

18. The structure of a new system with a limited period of application and of degressive intensity can be developed from two types of consideration. On the one hand, the probable development of the quantity that will form the subject of intra-Community trade : at present this amounts to 10 million tonnes, but everything suggests that it will decline progressively. On the other hand, the rate of support, which may be called the "alignment margin". This rate of support is equal to the ratio between the sales aid - currently 4.80 and 2.80 ECU/t - and the alignment margin - currently from 52 to 42 ECU/t (see Table IV). The ratio has diminished sharply and should not be more than

9 to 7 % in 1983. Increasing this ratio again to about 15 % (the level reached in 1981) (1) but applying the sales aid to smaller and smaller tonnages should contribute effectively to the desired objective, that is to say a relationship to developments under way in the direction of greater economic rationality. The aid granted should, in effect, become more selective and, at the same time, achieve a more significant intensity.

The Commission therefore proposes that the average rate of sales aid be raised from 3 to 6 ECU/t (2) but for a tonnage decreasing regularly by 2 million tonnes a year from an initial level of 10 million tonnes. This mechanism appears capable of taking better account of the commercial interests of the two groups of operators. In particular, the vendors could take account of it in optimising their receipts or their production.

19. Community financing

Apart from a duration reduced to five years and the degressivity, other features of the new system show marked changes in relation to the current situation. The Commission proposes to have the financing of sales aids relating to intra-Community trade covered by the general budget of the European Communities. The present system of financing from three sources (cf. 10) would thus be abandoned.

There are several justifications for this proposal.S

Such a modification would answer an old request by the European Parliament.
In its opinion of 25 April 1979 (the Ibruegger Report), taken up in the Rinsche report on coal policy (3) and the Rogalla report on coking coal (4), the European Parliament demanded that support for coking coal should be financed from the EEC budget. Moreover, support for intra-Community trade should be drastically increased since the current rates represent only a small proportion of the alignment rebates granted by Community producers. Such an increase appears possible because the intra-Community trade in coking coal which would benefit from it would be limited to 10 million tonnes instead of the present 14 million tonnes (see Table IV).

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(1) Under the market conditions of 1983
(2) It will continue to be modulated according to whether or not the coking coal deliveries are made to coastal works ; for such works it would be 8 ECU (instead of the current 4.70 ECU) and for others 5 ECU (instead of 2.80 ECU)
(3) EP 72.283 final
(4) EP 76.392 final

Finally, account would be taken of the limited capabilities of the ECSC budget and of the steel industry which is engaged in a major phase of restructuring.

20. Production aid, financed entirely by the Member States, would disappear as a specific aid, to be integrated into the system of financial interventions introduced by Decision No 528/76.

Article 1, paragraph 1 of the latter concerns particularly "the maintenance of a long-term supply of coking coal for the Community".

During past years, three producing countries have indicated their preference for a global aid to the mining industry. Because of the interrelationship of activities in the coal and steel areas, a strong and rapid reduction in coking coal production would have serious consequences for social and economic equilibrium in several regions of Europe.

Decision 528/76 ceases to have effect at the end of 1985. This period will make it possible to review the entive system of aid to the coal industry, but does not prevent a longer duration for the coking coal system from being envisaged.

21. For deliveries that are not entitled to receive sales aid, i.e., those to iron and steel works situated in the coal field that produces the coking coal, Decision No. 528/76 does not require the conclusion of long-term contracts (as does Decision No. 73/287). The geographical proximity effectively creates a sufficiently strong link between the two partners. On the other hand, the existence and execution of long-term contracts (with a minimum duration of three years) must continue to be a condition for the granting of sales aid in such a way that the coking coal producers can count on guaranteed sales outside their coalfield. The sales aid should be reimbursable in the event of its final recipient failing to fulfil the relevant contract.

22. For the ensemble of contracts and transactions relating to Community coal, the guide price (mean value of purchases of coking coal in countries with free economics) would constitute an alignment floor.

23. In order to put into operation the mechanism that has just been described, two legal instruments are necessary :

- a draft ECSC Decision concerning coking coal and coke for the iron and steel industry in the Community, based on Art. 95 ECSC ;
- a proposal for a Council Regulation (EEC) instituting a Community contribution for sales aids in relation to intra-Community trade in coking coal and coke for the iron and steel industry in the Community, based on Art. 235 EEC.

These texts appear in Annexes V and VI.

Table I

Steel industry : steel, pig iron and coke

EUR 6 : 1959 - 1973 - EUR 9 : 1973 - 1983

(in mio t)

Year	Crude steel production	Pig iron production	Coke rate kg/t	Coke consumption by sector for steel making			
				Blast furnaces	Sintering	Other	Total
1953	39,7	31,5	..	..	..	..	..
1954	44,0	33,1	960	31,8	1,0	1,0	33,8
1955	52,8	41,0	970	39,8	0,9	1,1	41,8
1956	57,0	43,6	969	42,2	0,9	1,2	44,3
1957	60,0	45,1	972	43,8	1,1	1,1	46,0
1958	58,2	43,5	949	41,3	1,4	1,0	43,7
1959	63,4	46,7	911	42,5	1,7	1,0	45,2
1960	73,1	54,0	883	47,7	2,2	1,1	51,0
1961	73,5	54,6	857	46,8	2,5	1,0	50,3
1962	73,0	53,7	814	43,7	2,9	0,9	47,5
1963	73,2	53,2	769	40,9	3,4	1,0	45,3
1964	82,9	60,8	733	44,6	4,1	0,8	49,5
1965	86,0	63,2	702	44,3	4,3	0,7	49,3
1966	85,1	61,7	660	40,8	4,2	0,7	45,7
1967	89,9	65,9	628	41,4	4,3	0,5	46,2
1968	98,6	72,1	611	44,1	4,4	0,5	49,0
1969	107,9	79,3	594	47,1	4,5	0,5	52,1
1970	109,2	80,5	582	46,9	4,7	0,4	52,0
1971	103,4	75,7	554	41,9	4,6	0,4	46,9
1972	113,1	81,3	526	42,7	4,8	0,9	47,8
1973 EUR 6	122,9	89,8	526	47,2	5,3	0,3	52,8
1973 EUR 9	150,1	106,9	534	56,9	6,9	0,5	64,3
1974	155,6	112,1	536	60,2	7,5	0,3	68,0
1975	125,2	88,6	522	46,3	6,9	0,4	53,6
1976	134,1	94,6	520	48,2	7,0	0,5	55,7
1977	126,1	87,6	505	44,3	6,3	0,4	51,0
1978	132,6	90,5	500	45,0	6,5	0,3	51,8
1979	140,2	98,5	509	50,1	7,2	0,3	57,6
1980	127,7	89,5	513	45,9	6,4	0,1	52,4
1981	126,1	88,6	533	47,0	6,1	0,1	53,2
1982	111,3	76,8	530	41,1	4,2	0,2	45,5
1983 Estim.	105,2	72,6	530	38,5	4,4	0,2	43,1

COKING COAL - EVOLUTION OF RATES OF SALES AID (per tonne)

Year n°		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Calendar year (Decision n°)		1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 1983
1973 (73/287)	UC	3 1,60	3 1,60	3 1,60	3 * 1,60*	2,60 * 1,40 *	2 * 1 *				
1976 (2963/76)	UCE				3,165 1,688	2,743* 1,477*	2,110* 1,055*				
1977 (751/77)	UCE					3,165 1,688	2,110* 1,055*				
1977 (1613/77)	UCE					3,165 1,688	3,165 1,688	3,165* 1,688*	3,165* 1,688*	3,165* 1,688*	
1979 (3058/79)	UCE								4,40 2,60	4,40 2,60	
1982-1983 (896/82)	ECU										4,70 2,80

* Rates cancelled and replaced by the following decision.

Table III

Deliveries of coking coal by German mines for the steel industry in other countries

(10^6 tonnes)

Year	Belgium	France	Italy	Luxembourg	Netherlands	TOTAL
1973	2,4	8,0	2,7	3,6	1,3	18,0
1974	3,0	8,9	3,2	3,5	1,3	19,9
1975	2,7	7,1	2,9	2,7	1,0	16,4
1976	2,1	6,9	2,4	2,2	0,7	14,3
1977	1,3	5,4	2,0	2,0	0,5	11,2
1978	1,6	4,2	2,5	2,3	1,0	11,6
1979	2,6	6,2	1,9	2,5	1,2	14,4
1980	1,8	4,1	2,4	2,5	1,2	12,0
1981	2,0	5,1	2,6	2,0	1,3	13,0
1982	1,0	4,2	2,0	1,9	0,9	10,0
Total 10 years	20,5	60,1	24,6	25,2	10,4	140,8

Table IV

Coking coal : costs, prices, aids

(in Dollars per tonne)

Year	(1) Coalfield : Ruhr Nominal production costs + adjustment for quality to characteristics of (2)	(2) Guide price cif ARA (*)	(3) Production aid	(4) Transport cost differential		(5) Sales aid		(6) Total alignment margin = (1) − (2)+(4)		(7) = (5)/(6) Sales aid as % of total alignment margin	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1974	46	45	0	8,20	1,60	3,70	2,00	9,20	2,60	39	77
1978	82	62	20,70	10,00	1,70	4,00	2,10	30,—	21,70	13	10
1981	100	82	7,70	12,40	1,80	4,90	2,90	30,40	19,80	16	15
1982 (provisional)	105	81	11,20	11,60	1,70	4,80	2,80	35,60	25,70	13	11
1983 (hypothesis)	110	70	non-fixée	12,00	1,80	4,80	2,80	52,—	41,80	9	7

(*) Antwerp, Rotterdam, Amsterdam

(a) at the point where the alignment is greatest } outside
(b) at the point where the alignment is smallest } the producing coalfield

(a) = coastal works
(b) = other works

ANNEXE V

Decision concerning coking coal and coke for the iron and steel industry in the Community

Section I

Measures by Member States

Article 1

Measures taken by a Member State to assist the coal-mining industry under its jurisdiction according to Article 1 of Decision No. 528/76/ECSC of 25 February 1976 regarding the Community system of measures taken by the Member States to assist the coal mining industry (1), may be intended, in particular, to facilitate the production and sale of coking coal and coke for the iron and steel industry in the Community.

Article 2

1. In this connection, a Member State may provide for a special aid, entitled "sales aid", with a view to facilitating deliveries to areas remote from the coalfield or effected by way of intra-Community trade

2. Sales aids may be granted for deliveries of coking coal or coke, made on the basis of a long-term contract, intended to supply the blast furnaces of the Community iron and steel industry and conforming to the provisions of Decision No. 3544/73/ECSC of 20 December 1973 pursuant to Decision No 73/287/ECSC regarding coking coal and coke (2) conditional upon regular execution of the said contract and application of prices conforming to the provisions of Section II of the present Decision.

3. The rate of sales aid per tonne of coking coal may be up to 8 ECU in the case of delivery to a works having the possibility of direct supply by sea or whose supply by intra-Community trade requires maritime transport. The aid may be up to 5 ECU in other cases. The modulation adopted by a government must not introduce discrimination into the aids relating to deliveries by the coal undertakings.

(1) O.J. No. L 63 of 11.3.1976, p. 1.
(2) O.N. No. L 361 of 29.12.1973, p. 18.

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Article 3

1. Notification of intended aid by a Member State, addressed to the Commission as required by the provisions of Article 2 of Decision No. 528/76/ECSC, must give the details of the coking coal and coke for each coalfield or coal undertaking concerned.

2. The Commission shall carry out, after each budgetary year, the verifications needed to fix the definitive amount of sales aid authorized for each coalfield or undertaking.

Section II

Pricing rules

Article 4

1. The Commission shall fix guide cif prices at regular intervals for coking coal for the Community. These prices shall form a common base for the determination of the minimum price to be respected for all delivery points for the sale of coking coal or coke supplied to the iron and steel industry of the Community by coal undertakings in receipt of the aids described in Article 1 above.

2. The guide price shall represent the average cost to coking plants and iron and steel plants of their supplies under regular contract of coking coal and coke from non-member countries, to the exclusion of isolated and exceptional purchases.

3. The Commission shall ensure that the guide price has the necessary transparency.

Article 5

1. Coal undertakings shall be authorized to grant rebates on their list prices for deliveries covered by Article 4.1 whether or not there is actual competition from coking coal or coke from non-member countries at the point of consumption.

2. In the case of coking coal deliveries, the rebates allowed under para. 1 above shall not cause the delivered price to work out below that calculated from the cif guide price of the first paragraph of Article 4.

3. In the case of coke deliveries, the delivered price shall at least cover the sum of the price of the Community coal used to produce the coke, calculated as indicated in para. 2 above, and the net cost of coking of the supplying coking plant.

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4. Sales aid shall be granted to a coal undertaking if, and in so far as such aid constitutes an element of the rebate granted for a delivery carried out under the terms of a long-term contract.

5. All long-term contracts shall stipulate that in the event of non-execution imputable to the purchaser, the latter must repay to the seller a proportion of the rebate obtained equal to the sales aid relating to the tonnages during the course of the annual period in question.

Article 6

1. The provisions of Article 60, paragraph 2 b), last indent of the Treaty allowing the Commission, in the event of abuse, to restrict or abrogate the right of the undertakings concerned to take advantage of this exception on the one hand, and the provisions of the Decisions taken for the application of the said indent on the other hand shall apply to the rebates covered by Article 5, above.

2. In the case of infraction by a coal undertaking of the rules derived from Article 5, the provisions of Article 64 of the Treaty shall be applicable.

Section III

Community contribution

Article 7

The Community shall contribute towards the financing of the sales aids relating to intra-Community trade conditional upon the provisions of Sections I and II above being respected. The contribution is governed by the provisions of Regulation ....

Section IV

General and final provisions

Article 8

1. The Commission shall ensure that the provisions of the present Decision do not have the effect of altering the conditions of competition among the coking coal or coke producing undertakings or among the steel undertakings.

2. If at the request of a Member State or on its own initiative the Commission finds that:

(a) the implementation of this Decision is liable to give rise to serious disturbances in the common market for coal and steel, or to difficulties which may result in a deterioration in the regional economy, or that

(b) appreciable changes are taking place in the conditions, volume or pattern of intra-Community trade, thus altering the economic conditions prompting the adoption of this Decision, it may suspend application of this Decision. It shall refer the matter to the Council and the European Parliament forthwith.

Article 9

The Commission shall periodically report to the Council and the European Parliament on the application of this Decision and on developments in the supply situation, in particular in connection with intra-Community trade.

Article 10

After consulting the Council and the Consultative Committee, the Commission shall take all measures necessary for the application of this Decision.

Article 11

This Decision shall enter into force on the day of its publication in the Official Journal of the European Communities and shall take effect from 1 January 1984 and shall be applicable until 31 December 1988.

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Its provisions shall apply also to contracts concluded before 1 January 1984 under the provisions of Article 3 of Decision No. 3544/73/ECSC of 20 December 1973 pursuant to Decision No. 73/287/ECSC regarding coking coal and coke (1) and whose period of validity has not expired.

This Decision shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels

For the Commission

(1) O.J. No. L361 of 29.12.1973, p. 18

ANNEX VI

Draft

COUNCIL REGULATION (EEC)

establishing a Community contribution for sales aids relating to intra-Community trade in coking coal and coke for the iron and steel industry in the Community

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the opinion of the European Parliament;

Having regard to the opinion of the Economic and Social Committee;

Whereas under the terms of Article 2 of the Treaty, the Community has as its task the promotion throughout the Community of a harmonious development of economic activities, a continuous and balanced expansion and an increase in stability;

Whereas in the present economic context, the Community is confronted by the imperative need to diversify its sources of energy supply and to replace oil by alternative sources of energy;

Whereas there is a need to strengthen the role of coal in covering energy requirements and for that purpose to improve the possibilities for economic, or currently marginally uneconomic, production capacity in the Community's coal industry, particularly with regard to coking coal and coke;

Whereas such a strengthening implies, over and above national aids under the terms of Commission Decision No /ECSC[1], the granting of a financial contribution to support intra-Community trade in coking coal and coke;

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[1] OJ ....

Whereas such measures are likely to improve the general employment situation in the Community and favour the harmonious development of economic activity, thus contributing to the achievement of one of the Community's basic objectives;

Whereas the contribution towards the financing of sales aids relating to intra-Community trade should be degressive in character, so that at the end of the period covered by this Regulation the iron and steel industry will take over the cost of its supplies of coking coal and coke;

Whereas for the management of the contribution the Commission must have the necessary powers of verification in relation to the Member States and undertakings concerned;

Whereas the Treaty does not provide the specific powers of action required for this purpose;

HAS ADOPTED THIS REGULATION:

Article 1

A Community contribution shall be granted to Member States which pay sales aids relating to intra-Community trade in coking coal and coke for the iron and steel industry in the Community in accordance with Article 2 of Decision No /ECSC.

Article 2

1. The Community contribution shall be related to a tonnage of coal whose upper limit is indicated below for each year in which this Regulation applies.

Year	Maximum tonnage (million tonnes)
1984	10
1985	8
1986	6
1987	4
1988	2

2. The Community contribution shall be granted subject to the limits of the appropriations written into the general budget of the European Communities for that purpose.

Article 3

1. Any Member State which has financed in advance the sales aid relating to intra-Community trade may request repayment of the corresponding amounts by the Commission.

2. The Commission shall verify the requests and decide the amounts to be reimbursed to the Member States concerned. If the annual total of tonnages exceeds the limit set in Article 2(1), the reimbursement shall be reduced to the appropriate amount, an identical percentage being applied for each Member State.

3. The Member States may request payment quarterly or half-yearly on the basis of provisional statements of intra-Community deliveries.

4. Following each financial year the Commission shall carry out with the undertakings or national administrations the verifications necessary to decide definitively the amounts to be reimbursed.

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Article 4

The Commission shall report periodically on the application of this Regulation to the Council and to the European Parliament.

Article 5

This Regulation shall enter into force on the day of its publication in the Official Journal of the European Communities

It shall apply from 1 January 1984 until 31 December 1988.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, For the Council

President

FINANCIAL STATEMENT

1. Budget line

Chapter : 70 Article ..r.... Part ....
New system for coking coal and coke for the iron and steel industry in the Community.

5. Financial effect of the action on the intervention credits

5.1. Total cost for the entire planned duration (1.1.1984 - 31.12.1988) : 180 MioECU

5.2. Share of the Community budget in the financing : 100 %

5.3. Five-year schedule of credits necessary :

	MioECU
1984	60
1985	48
1986	36
1987	24
1988	12