

COMMISSION OF THE EUROPEAN COMMUNITIES

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ENERGY QUESTIONS TO BE DETERMINED AT THE COMMUNITY LEVEL

(Communication of the Commission to the Council)

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COMMUNICATION OF THE COMMISSION TO THE COUNCIL

Energy questions to be determined at the Community level

The International Energy Agency has reorganized the timetable for its work to take account of the agreement reached at Martinique in December 1974, between President Ford and President Giscard d'Estaing, regarding a conference of the oil-importing and oil-exporting countries.

The agreement covers the following points:

- a) a preparatory meeting between consuming and producing countries will take place in 1975;
- b) before this meeting, substantial progress must be achieved as the expression of the solidarity between consuming countries in the following fields:
 - monetary problems;
 - energy savings in the short and long term;
 - the development of existing or alternative sources of energy.

Regarding the last two items, the following situation exists at the Community level:

- on one point, energy savings in the long term, the Council has already decided upon a common policy, and the attitude of member States in other meeting places than those of the Community, should reflect a common position (Resolution of the 17.12.1974 on an action programme for the rational use of energy (*)).

- concerning the development of energy resources, various proposals are being studied in the Council's institutions: all imply creating solidarity at the Community level (Proposed resolutions to implement policy in the solid fuel, nuclear fuel, oil and gas, and electricity sectors). This examination is intended to enable the Council to decide upon them on the 13th February, and no earlier date for such decisions could be envisaged.

All the same, the Council should, at its meeting on the 20/21 January, take a position on the principles of a Community policy for the development of energy resources, showing, from amongst the principal choices, those which could be developed either within the Community or in its ^{external} relations

(*) Doc. R/18/75 (ENER 2)

The Commission submits, to this end, a communication which appears as Annex I.

- For the short term reduction of oil imports, no proposals have yet been made by the Commission. In this matter, a number of member States have already taken steps. It is equally necessary to decide on common guidelines in this field on the 20/21 January which would preface decisions at a later date: that is the purpose of the communication here attached as Annex II.

The Commission wishes the Council to have a guideline debate on these two questions during it's session on the 20/21 January, which will enable it to agree a common position for member States, with preserving all the necessary flexibility.

Principles of a policy for the development of Community
energy resources

1. In its Resolution of 17 December 1974, the Council laid down quantitative objectives for the production and consumption of energy in the Community during the period 1975-1985. These objectives involve, in particular, the maintenance of domestic solid fuel production, the development of new and safe hydrocarbon resources, and the creation of an important nuclear capacity as well as the introduction of new energy sources.

Achieving these objectives will require a particularly important effort, both as regards internal resources and energy production outside the Community, because of the magnitude of investments to be made.

Thus, it will be necessary to be sure that the conditions required for the realisation of these investments will be brought together. This raises the problem of guaranteeing the profitability of activities essential to the achievement of the objectives aimed at against the effects of energy price fluctuations. Equally, certain investments will have to be brought forward where their profitability is not immediate.

Such a policy for the development of energy resources could be achieved in two distinct ways.

The first would be to fix a price for all energy sources which would cover the marginal costs for developing the most expensive energy source necessary for ensuring security of supply. This price would be guaranteed by controls at the frontiers, quotas or other kinds of preferential treatment.

The second would be to undertake, case by case, specific actions to encourage, support or guarantee investment. Most of the existing Community intervention in the energy field comes under this category: for example, ECSC loans, Community coal aid systems, EIB interventions, etc.

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2. On 5, 6 and 7 February 1975, the Governing Board of the International Energy Agency (IEA) will be asked to decide on the principles by which the members of this Agency will co-operate in developing alternative energy resources.

It is important that the Community should establish its position on the matter before this meeting.

The first option referred to above does not seem to serve the interests of a community relatively short of its own cheap energy resources. Fixing an energy price which reflected the cost of short-term marginal energy in the Community or in all the Member countries of the IEA would penalize strongly the economies of the Member States.

On the other hand, specific actions not only follow Community practice but are also in line with policies followed by several Member States. They seem preferable since they are more flexible and enable the consumer to benefit from more favourable prices. Even so, such intervention should be based on long-term energy cost criteria, defined as clearly as possible.

3. It is therefore proposed that the Council, at its session on 20/21 January, decides on the following principles:

- A. That it be recognized that measures for encouraging, supporting or guaranteeing investments might be necessary in order to ensure that the investments required to achieve the Community's energy objectives are not jeopardized by the risk of variations in energy prices.
- B. That it be recognized that such a policy involves establishing a basis for assessing long-term Community intervention, for example by fixing a reference price.
- C. That it be recognized that such a policy may require Community financial intervention.

If the Council agrees to these principles, the Commission will submit appropriate proposals on these various points in order to enable it to decide by the 13 February on measures to put them into practice.

Fixing a short-term objective for economy in the use of energy

Recent developments in the energy market and in the economic situation of the industrialized countries make a reduction in the consumption of energy in the Community necessary, in particular for oil, as soon as possible, etc.

The Community programme for the rational use of energy, approved by the Council on the 17 December, can only have its first effects from 1976 onwards, because of its medium to long-term outlook and the methods chosen (few constraints, but essentially an improvement in technical efficiency).

Therefore Community action specific to the short-term should be developed, and specific objectives for economy in the use of energy in the short-term established. The resolution adopted by the Council of the 17 December relating to the objectives for 1985 explicitly foresees this possibility.

A first look at actions which could reduce energy consumption, and that of oil in particular, by public sector measures, by and large restrictive in character, for the period 1975 to 1976 showed that :

- an overall target for all sectors of an annual reduction in oil consumption of the order of 7 % compared to the consumption expected (*) could be achieved by a better use of energy without affecting economic growth or imposing sacrifices on the consumer ;

(*) Internal oil consumption in the 2nd quarter 1975 : 250 mt, savings of 17,5 mt : savings for 1976 of 35 mt.

- this reduction in oil consumption implies, by a corresponding reduction in oil imports, a reduction in the inevitable balance of payments deficit of 12 % for 1975 and 27 % for 1976 (1) ;
- actions taken to reduce consumption will affect of necessity both oil and other sources of energy, leading to an overall reduction in annual energy consumption in the Community of the order of 5 % ;
- the types of consumption affected by these actions are particularly those of space heating, control of thermal combustion, and private transport in urban concentrations.

The Commission should address to the Council in the near future a proposal for a directive specifying the technical aspects of the objective and the means to achieve it.

(1) At a price of \$ 10 barrel, savings of 1,4 billion \$ (on a deficit of \$ 11,5 billion) in 1975 - savings of \$ 2,7 billion on the assumption of a deficit of around \$ 10 billion for 1976