

European BACKGROUND INFORMATION Community

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BACKGROUND NOTE

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A NEW ENERGY POLICY FOR THE EUROPEAN COMMUNITY

The adverse impact which the energy crisis has had on the European Community underlined the need for a long-term strategy to reduce heavy EC reliance on oil and other imported energy sources and to prevent violent fluctuations in energy prices. The Commission has therefore drawn up a new energy policy which would reduce EC dependence on outside sources from 60 per cent to 40 per cent and save about \$50 billion between 1975 and 1985. The plan, sent to the Council of Ministers on May 29 would be carried out through harmonized EC and member state action.

Long-Term Goals

By the end of the century, nuclear energy and gas should be the predominant sources of the Community's energy, the Commission said. By the year 2000, nuclear energy could cover at least 50 per cent of total energy requirements while natural or synthetic (oil or coal based) gas would cover about one-third of total needs. Coal and oil therefore would account for only one quarter of EC needs by that time. The Commission does not expect nonconventional energy sources such as solar and geothermal energy to account for more than a small portion of EC energy sources.

Goals for 1985

The Community's objectives for 1985, according to the Commission, should be to

- keep energy consumption 10 per cent below pre-energy crisis forecasts
- increase electricity use by 10 per cent to reach 35 per cent of total consumption
- use nuclear energy for 50 per cent of electricity production
- maintain internal solid fuel (coal, lignite, peat) production at its present level
- raise natural gas internal output and imports
- restrict oil consumption to specific uses such as auto fuel and as a raw material.

To meet these objectives, the Commission drafted policy guidelines for each major energy source.

Electricity and Nuclear Energy

Expansion of the use of electricity will depend largely on: adequate financing and insured economic stability of nuclear power stations; more profitable and rational use of available power stations, and adoption of appropriate price measures to ensure continued demand during non-peak periods. To prevent higher electricity production from hiking the demand for oil, oil burning stations would be restricted to using heavy residue oil from refineries, and would eventually be used only as medium and peak-load plants. Additionally, construction of oil fired base load plants would be authorized only in exceptional cases. These measures would reduce oil-based electricity production from the current 30 per cent to less than 20 per cent by 1985.

In view of the Community's limited natural resources, the fuel would be available for power plants only when supplies were interrupted or for economic, technical, or environmental reasons. Coal on the other hand, would be given a larger share of the power station market.

The Community's total nuclear power station capacity (now 11 Gigawatts), will have to exceed 200 Gigawatts if nuclear energy is to supply 50 per cent of energy needs by the end of the century. To reach that goal, the Commission will draw up proposals to: enable EC industry to build the needed stations, protect EC public health and environment, and guarantee adequate nuclear fuel supplies. Commission proposals for creating a European uranium enrichment capacity have already been sent to the Council.

The Commission also called for EC action to encourage development of new and better breeder reactors. Work is already underway on the fast breeder reactor, which would increase nuclear fuel supplies, and on the high temperature reactor, which could also be used as a source of process heat for industry.

Coal

Since power stations and the steel industry account for 80 per cent of total EC coal consumption (nine-tenths of which is produced in the Common Market) the Commission said that making a large proportion of conventional power stations coal fired was the best prospect for reducing EC dependence on imported oil.

To maintain EC coal production at least at its present level (around 250 metric tons annually), the Commission said, requires measures to: rationalize financing, prices, and production, improve mining techniques, develop a manpower policy offering higher pay and better mining career prospects; improve working conditions, increase research; and encourage investment financing through EC action. Additionally, coal imports should be stepped up without jeopardizing domestic production. The Commission favors a comprehensive common commercial policy for coal governing the coal market, including EC surveillance of third country imports. An EC coal stockpiling policy will also be needed to deal with cyclical variations in demand and interruptions in coal or other energy source supplies.

Natural Gas

Domestic natural gas production and imports will have to be doubled to raise its share of energy supplies from the current 13 per cent to 25 per cent by 1985. Therefore, the Commission called for stepped up exploration, concerted member state efforts to grant new or extend import contracts, improved and integrated EC transport and storage systems, reduction of gas use in new power stations, and harmonization of national tariff and pricing policies.

Oil

Oil will still remain the main source of energy in 1985, although the Commission's plan would reduce Community dependence on third country sources from the current 98 per cent to 75 per cent of total requirements by 1985. Exploitation of the newly discovered North Sea oil reserves could further reduce EC dependence after 1985. Measures to guarantee availability of sufficient petroleum supplies at an acceptable price are being drafted or have already been proposed to the Council. They would: establish procedures for dealing with oil producing countries with a common EC voice after consultations with member states; set up a third country and intra-Community import and export monitoring system; encourage exploration and production; create oil stockpiles and emergency measures to offset supply problems; harmonize consumption reduction efforts and coordinate pricing criteria; ensure Commission, member state, and oil company concerted action on oil market matters; and set up an information network on investments and activities throughout the Community.

Cost of the Program

The Commission estimated that this new strategy would require a net additional investment of about \$10 billion (at 1973 rates) for the period 1975-85, yielding a net savings of about \$50 billion in overseas payments for the same period. The cost could be achieved with a Community pricy policy guaranteeing investors long-term profits and security.

The Commission urged creation of incentive devices which would speed up investment and adoption of fiscal measures to prevent excess profiteering from low cost energy sources. The Community budget should only be drawn on, the Commission said, if member state or EC action was essential for moderating or encouraging immediate energy related developments.