

EUROPEAN COMMUNITY BACKGROUND INFORMATION

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BACKGROUND NOTE

No 25/1974

EC ENERGY POLICY GETS UNDERWAY

December 9, 1974

Energy was one of the main items on the agenda of the twice yearly high-level consultations between the European Community and the United States, held in Washington December 5-6. The EC team was led by Commission Vice President Christopher Soames, responsible for external relations. Soames was accompanied by the Commission's Director General for energy Fernand Spaak along with other high level EC officials.

The nearly disastrous consequences of the energy crisis have accentuated the need for the European Community's countries to band together to develop a common EC energy policy. The policy, called for by the Council of Ministers September 17, entails a strategy to cut EC dependence on imported energy sources and restructure internal consumption and production patterns.

On the Council's instructions, the Commission and the EC Energy Committee of senior national officials began preparing specific lines of action. On November 27, the Commission sent the Council a package of proposals for getting the strategy underway. They set precise targets for diversifying supplies and reducing demand by 1985. Included are policy guidelines for the coal, oil, electricity, and nuclear fuel sectors. One of the major goals is to "go nuclear"-- by having nearly half of EC electricity supplied by atomic energy by 1985.

The proposals will be given major consideration at the Summit meeting of EC heads of State or Government, in Paris December 9-10, and at the Council of Ministers December 17 meeting in Brussels.

In presenting the package to the press November 27, EC Commission Vice President Henri Simonet (responsible for energy) said: "By adopting a common framework we shall be able to achieve more ambitious targets... by offering tangible evidence of her political commitment, Europe's credibility will be strengthened vis-a-vis the producers and the other consumer countries."

Targets for 1985

The Community's overall objectives for 1985, the Commission said, should be to:

- keep energy consumption 15 per cent below pre-energy crisis forecasts
- increase electricity use by 10 per cent to reach 45 per cent of total consumption
- use nuclear energy for 45 per cent of electricity production
- maintain solid fuel (coal, lignite, peat) production at its current level
- raise natural gas internal output and ensure safe import supplies
- reduce oil consumption by replacing it with other energy sources where possible
- reduce dependence on outside energy from 63 per cent to 40 per cent.

These goals would be adapted to the particular situation of each member state.

Reordering EC Consumption

The Commission proposed a 22 point action program of priority measures which would eventually keep EC 1985 energy consumption 15 per cent below pre-crisis forecasts. By cutting the annual growth of consumption from 5 per cent to 3.5 per cent between 1973 and 1985, the Commission said 1985 energy costs could be cut by \$22 billion. The bulk of this saving would come from cutting oil use and reducing oil import costs by \$8 billion.

The program's priorities for households would account for an 18 per cent energy saving by 1985. Roof insulation alone could reduce heat loss by more than 10 per cent. It calls for measures promoting insulation, regulated ventilation and heating, efficient hot water production, and production of energy conserving appliances.

The Commission outlined six major areas where proper action could cut energy use in the transport sector by 16 per cent by 1985. The savings would be made through: promotion of diesel engines, and improved vehicle construction, ignition timing, carburetor setting, heating of public transport vehicles, private and public urban transport systems, and urban traffic flow.

Industrial users could reduce their energy consumption by 15 per cent by 1985. Efficient combustion could reduce fuel consumption by 5 per cent to 10 per cent. Other areas singled out for savings include: plant insulation and operation efficiency, production processes combined production of heat and power, recycling of materials, and residual heat recovery.

A 6 per cent savings could be made in the energy industry alone, the Commission said, through stepping up plant efficiency; combining heat and power production, and recovering heat lost from thermal and other types of nuclear power stations.

Coal

The Commission's guidelines call for making coal's share of total EC energy use 16 per cent by 1985. Coal production, which has been falling off in recent years would be maintained at its current annual level of 250 million metric tons. By finding new outlets and replacing some oil, coal consumption would reach 300 million tons annually. The best markets are the power stations and the steel industry which already account for about 80 per cent of domestic hard coal consumption.

Meeting these objectives would require measures to strengthen the coal industry by:

- setting up adequate financing and pricing policies
- improving production and mining techniques
- developing a manpower policy offering better pay and mining career prospects
- increasing research and technology
- developing a Community import policy
- increasing investments
- offsetting short-term market fluctuations by stockpiling hard coal and creating emergency reserves
- gaining maximum use of existing brown and hard coal power stations, converting multi-fuel stations to coal where possible, and stabilizing coal sales to power stations through a system of aids
- maintaining a subsidy system for coke used in the steel industry

Oil and Gas

The overall objective of the Commission's oil proposals are to reduce oil's share of total EC energy consumption to about 40 per cent by 1985 (61 per cent in 1973). Through development of EC resources, EC dependency on foreign oil could be reduced to about 70 per cent (98 per cent in 1973).

The Community oil and gas policy, the Commission said, should be built on cooperation between the consuming and producing countries. On a Community level, it would basically entail a supply policy based on EC and national coordinated action.

It would include the following elements:

- rationalizing resource uses by cutting waste through an information campaign or, if necessary, through direct prohibition
- developing reliable sources of supply, including the Community's own resources such as the newly discovered North Sea oil fields.
- establishing an EC information and consultation system for imports and exports
- coordinating and increasing investments for refining, transport, and distribution
- establishing a price policy based on cost transparency and prices to reflect real supply conditions
- setting up measures to ensure EC unity in the event of supply difficulties

Electricity

Expanding the Community's electricity output by more than double to 2,400 terra watt hours,* by 1985 by raising the EC nuclear capacity, will be a major factor in cutting EC oil needs. Therefore, the Commission proposed guidelines for raising electricity's share of total Community energy demand from 25 per cent in 1973 to 35 per cent in 1985 and more than 50 per cent by the year 2,000. This would require an investment of about \$205 billion over the next ten years.

They call for:

- increasing nuclear energy's share of electricity production to 45 per cent (7 per cent in 1973)
- developing new methods of production, transmission, and economizing electricity use
- substituting electricity for oil products for certain industrial, domestic, and transport uses and discouraging natural gas and oil use for power generation

* 1 terra watt hour equals 220,000 tons of oil equivalent.

- increasing solid fuel power station capacities, speeding up nuclear equipment programs and building up fossil fuel reserves for conventional power stations.
- stabilizing demand through suitable tariff measures to promote off-peak electricity
- setting up a common EC financing policy and instituting realistic Community-wide electricity tariffs to cover higher fuel costs and needed investments.
- harmonizing and standardizing EC environmental protection standards primarily regarding nuclear plant safety, thermal pollution, and sulphur dioxide emissions.

Nuclear Fuel Supply

Adequate and secure supplies of uranium, enrichment services, and reprocessing facilities are essential for the Community's nuclear production capacity to reach a goal of 200 gigawatts by 1985. The Commission estimates that the annual demand for nuclear fuels will increase nearly tenfold over the next 10 years. The corresponding capital investment required for production and materials and services will come to nearly \$8.4 billion with a turnover in the nuclear fuels sector of about \$4.2 billion in 1985.

The Community's first priority, the Commission said, should be to secure access to source materials especially natural uranium. This would be done by: strengthening operations of the EC mining industry in the Community and third countries; establishing mutually satisfactory terms of trade with third countries rich in uranium; encourage exploration efforts on EC territory, possibly by granting EC financial help to European companies, and providing technological and industrial incentives for mining, research, and development.

The Commission will soon be submitting proposals for stockpiling nuclear resources and for measures to be taken in the event of supply shortages.