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DOCUMENT 1-244/84

Report

drawn up on behalf of the Committee on
Energy, Research and Technology

on the future of Middle-East oil supplies
for the world outside the Communist area
and on oil prices

Rapporteur: Mr J.F. PINTAT

PE 88.885/fin.

At its sitting of 15 November 1982 the European Parliament referred the motion for a resolution tabled by Mr Purvis and allies (Doc. 1-796/82) and the motion for a resolution tabled by Mr Herman and allies (Doc. 1-1286/82) pursuant to Rule 47 of the Rules of Procedure to the Committee on Energy, Research and Technology as the committee responsible and to the Political Affairs Committee, the Committee on Economic and Monetary Affairs and the Committee on External Economic Relations for opinions.

At its meeting of 25 November 1982 the Committee on Energy, Research and Technology decided to draw up a report and on 3 December 1982 it appointed Mr Pintat rapporteur.

It considered the draft report at its meetings of 3 December 1982, 24 February 1983, 22 February 1984 and 27 April 1984.

At the last meeting it adopted the motion for a resolution unopposed with five abstentions.

The following took part in the vote: Mrs Walz, chairman; Mr Seligman, vice-chairman; Mr Pintat, rapporteur; Mr Adam, Mr Bonaccini (deputizing for Mr Ippolito), Mr Fuchs, Mr Kazazis (deputizing for Mr Sälzer), Mr Linkohr, Mr Marchesin, Mrs S. Martin (deputizing for Mr Galland), Mr Moreland, Mr Nikolaou (deputizing for Mr Markopoulos), Mr Pflimlin, Mrs Phlix, Mr Price (deputizing for Mr Normanton), Mr Protopapadakis, Mr Purvis, Mr Veronesi and Mr Von der Vring (deputizing for Mr Schmid).

The opinions of the Political Affairs Committee and the Committee on Economic and Monetary Affairs are attached.

The Committee on External Economic Relations has decided not to deliver an opinion.

The report was tabled on 4 May 1984.

The deadline for tabling amendments to the report is indicated in the draft agenda for the part-session at which it will be debated.

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A

The Committee on Energy, Research and Technology hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the future of Middle East oil supplies for the world outside the communist area and on oil prices

The European Parliament,

- having regard to the motion for a resolution tabled by Mr Purvis and others pursuant to Rule 47 of the Rules of Procedure on the future of Middle East oil supplies for the world outside the Communist area (Doc. 1-796/82);
 - having regard to the motion for a resolution tabled by Mr Herman and others pursuant to Rule 47 of the Rules of Procedure on oil prices (Doc. 1-1286/82);
 - having regard to the report by Mr Diligent (Doc. 1-697/80);
 - having regard to the report by the Committee on Energy, Research and Technology and the opinions of the Political Affairs Committee and the Committee on Economic and Monetary Affairs (Doc. 1-244/84);
- A. having regard to the adverse effects on the economy of any violent fluctuations in oil prices,
- B. whereas the possibility of a third oil crisis cannot be ruled out, with all the consequences that might ensue for the European economy,
- C. whereas access to new reserves of oil is still problematic in the long term for financial, political and strategic reasons,
- D. whereas the economies of the industrialized and developing nations dependent on Middle East oil supplies are exposed to the risk of accidental or deliberate interruption of such supplies,

- E. whereas, moreover, although production capacity for crude oil is in surplus at present, it may not be in future,
- F. having regard to the very serious crisis afflicting European refineries,
- G. aware that it is necessary to have sufficient quantities of oil available as and when it is required,
- H. aware of the need to rely on European firms capable of operating world-wide,
- I. aware of the financial problems involved in supplying oil to developing countries,
- J. aware of the financial problems of oil-producing countries, particularly those which are developing or newly industrialized,
- K. aware of the detrimental effects of an international market based on a single currency, the dollar,
- L. aware of the limits to intervention by the European Community in the international monetary field, in ensuring the security of supply routes, in the sphere of international negotiations and in the conclusion of agreements on energy supplies,
- M. aware of the current limits of the Community's energy reserves and emergency oil stocks,

Calls on the Commission and Council to make every effort to:

1. Uphold the policy of ensuring the procurement of secure and plentiful supplies of energy as cheaply as possible in order to enable Europe to maintain its international competitiveness;
2. Diversify the geographical distribution of its suppliers of oil as much as possible;
3. Maintain an independent and competitive European refinery industry which is profitable in industrial and financial terms;

4. Confirm its decision to maintain emergency oil stocks equal to 90 days' consumption in each Member State, and extend the requirement to make such contingency arrangements to every other branch of the energy industry in each Member State;
5. Abandon any plans which might lead to another rise in oil prices and thence to a third oil crisis, and reconsider the need for introducing taxes on imports or consumption of energy-generating products or energy;
6. Continue substituting other sources of energy for oil, where such substitution is economically justified, progressively restrict the use of oil to its prime functions, particularly transport and the petrochemical industry, and envisage a gradual long-term reduction in the use of oil for the purpose of industrial and domestic heating;
7. Urge those countries which have not already done so to develop the generation of electricity from nuclear power instead of oil in order to reduce Europe's dependence on third countries, maintain oil reserves and thus help enable long-term access to such reserves to be guaranteed to the poorest and least-developed countries;
8. Promote the development in Europe of fast neutron reactors in order to exploit to the maximum the energy contained in natural uranium, thus increasing the potential yield of the Community's uranium reserves seventy-fold and allowing depleted uranium waste from all Europe's uranium enrichment plants to be used for energy purposes;
9. Promote the use of electricity of nuclear origin for industrial and domestic heating and increase its use for industrial purposes;
10. Improve the connections between Europe's electricity networks in order to establish on a regular basis transfers of power between Member States whose respective national grids are subject to maximum load at different times, and develop very high tension international power lines to transport large quantities of electricity over long distances;

11. Help finance research into oil and natural gas deposits not only in Europe but also in third countries, and facilitate the provision of guarantees for investors by means of bilateral agreements with developing countries;
12. Conduct the necessary studies and provide financial facilities for non-conventional methods of exploration for and extraction of hydrocarbons (oil and natural gas), particularly those involving deep drilling on land or off-shore, and/or deep-sea drilling;
13. Encourage European undertakings in the energy sector, including the coal industry, to enter the international market in order to obtain guaranteed supplies and the competitive prices required for the Community's industrial development;
14. Monitor imports of hydrocarbons and their origins and continue their research efforts with a view to obtaining more accurate information about the supply of and demand for hydrocarbons;
15. Continue cautiously, as a very long-term prospect, with their studies and research into synthetic fuels;
16. Consider the possibility of drawing up supply contracts in ECU and gradually introduce the necessary measures for this purpose;
17. Avoid at all costs imposing over-restrictive measures on industrial undertakings, in order to help them to overcome the economic and industrial problems with which they are faced;
18. Urge the Member States to relax the economic and financial arrangements pertaining to the prices of oil products in order to safeguard the European refinery industry, but also to enable expensive methods of extracting oil to be considered;
19. Take steps to ensure, as soon as circumstances justify such action, the implementation of measures adopted by the Community to overcome problems in obtaining oil supplies in order to preserve solidarity between the Member States and maintain a united market;

20. Ensure that the Member States' oil policies are consistent as a first step towards achieving a common oil policy, within the Community and in relation to third countries;
21. Maintain and develop relations and cooperation with OAPEC (Organization of Arab Petroleum-Exporting Countries);
22. Urge that consultations be instituted between the Conference of Foreign Ministers, the Council for Cooperation in the Persian Gulf and the governments of coastal States in the Indian and Pacific Oceans on any measures that may need to be taken, individually or jointly, so as to strengthen the security of the oil industry, oil supply installations and the shipping routes, which must in the interest of all nations be maintained;
23. Call for the decisions on the measures which need to be adopted to ensure the security of shipping routes in the Indian and Pacific Oceans to be taken by the appropriate authorities;
24. Arrange for working meetings to be held with OPEC in order to reach a better understanding of present and future problems with regard to the demand for and supply of oil;
25. Establish closer links with the OECD, of which the United States, Japan and other European countries are members, with a view to reducing the risks of cut-throat competition to raise or lower oil prices;
26. Propose the idea of organizing a world conference of producers, consumers and the industries involved in order to reach a consensus with a view to, ideally, stabilizing prices on the oil market, or alternatively, at least reducing fluctuations so that prices alter gradually, and the world economy can adapt to them without risk of serious upheavals;
27. Instructs its President to forward this resolution to the Commission, the Council and the national parliaments.

EXPLANATORY STATEMENTI - INTRODUCTION

Although the introduction of an energy policy is not mentioned in the Treaty of Rome as one of the main objectives of the EEC on a par with agriculture or transport, the Community authorities have a long record of interest in the subject, since the ECSC Treaty of 18 April 1951 introduced the free movement of an important source of energy.

Since the first 'oil crisis' of 1973, the energy problem has been assuming increasing importance for Europe, particularly in view of the marked dependence of almost all Member States on external sources of supply. These new constraints have led to an encouraging degree of convergence between national policies, and have promoted the concept of a joint energy policy.

II - THE SLOW-DOWN IN GROWTH OF ENERGY CONSUMPTION

The EEC's energy consumption grew steadily from 1958 to 1973. Thereafter, the annual statistics show a less steady rise, dominated by:

- the sharp rise in the cost of hydrocarbons in 1973-1974 and again in 1979-1980,

- a steady reduction in the consumption of energy, particularly oil, as a result of both structural and cyclical changes in the EEC's production machine.

III - EUROPE'S SELF-SUFFICIENCY IN ENERGY

Since 1973, the European Community has considerably decreased its dependence in the energy field. Its self-sufficiency in energy increased from 36% in 1973 to 58% in 1983 by virtue of:

- increasing its oil production
 - 13 Mtoe in 1973
 - 130 Mtoe in 1983;

- developing nuclear energy
 - 18 Mtoe in 1973
 - 78 Mtoe in 1983;

- maintaining its output of natural gas
 - 112 Mtoe in 1973
 - 119 Mtoe in 1983;

- slowing down the rundown in the production of solid fuel
 - 197 Mtoe in 1973
 - 174 Mtoe in 1983.

From 1985 onwards, however, the Community's output of oil and gas is expected to fall as a result of the gradual exhaustion of deposits.

In 1990, according to recent estimates, the Community's output is expected to be lower than it is today, amounting to some 100 Mtoe for oil and 115 Mtoe for gas. It will not be possible to compensate entirely for this drop in production by nuclear energy (some 140 Mtoe in 1990) or the Community's coal industry, which it will only be possible to maintain, if at all, by special support measures. In other words, despite the expected low growth in energy consumption, there can be no real hope of decreasing the Community's dependence in the field of energy by stepping up its own output. This also means that secure energy supplies can only be guaranteed in future by a rational policy for imports of coal and hydrocarbons (oil and natural gas), continued development of nuclear energy and greater reliance on electricity.

IV - THE SECURITY OF OIL SUPPLIES FROM THE GULF STATES

The deepening of the conflict between Iraq and Iran could lead to the Persian Gulf being blocked at the Strait of Hormuz. In addition to the fact that Europe has no means of opposing such a move without becoming directly involved in the conflict, it should be noted that the quantities of oil at present passing through the strait amount to some 8 to 9 million barrels a day. This does not include the oil exported by Iraq by pipeline towards Turkey's Mediterranean coast, which could be supplemented by oil piped across Syria if the pipeline were reopened; the loss of the Hormuz route could also be countered by the following measures:

- Saudi Arabia can supply 1.8 million barrels a day to its Yanbu terminal on the Red Sea;

- additional output from OPEC and non-OPEC countries outside the Gulf region could reach 3 to 4 million barrels a day within a short space of time;

- oil companies in oil-consuming countries could increase their use of stocks for a short period, but since stocks could quickly fall to the minimum level of 90 days' supply, governments would have to grant special permission to continue releasing such stocks;

- over the past few months, the Saudis have been building up an enormous 'floating' reserve of 80 million barrels of oil; this buffer stock would make it possible to intervene immediately on the market by releasing 2.5 million barrels a day for a month.

It can be seen from the foregoing that, disregarding the international tension which such a blockade might create, the shortfall in world supplies of oil could be overcome to some extent. However, the relatively heavy dependence on oil imports from the Middle East of the EEC (30%), and, particularly, Japan (60%), compared to the considerably lower dependence of the US (22%) would be bound to create upward pressure on the oil market. This risk ought, therefore, to be carefully considered, particularly in its implications for international cooperation between producers and consumers. It is against this background that we can see the full importance of the policy of diversifying our sources of energy and the types of energy used, producing nuclear energy and making greater use of electricity.

V - COAL

As we have seen, the price of hydrocarbons can be affected by the vagaries of geo-political developments. On the other hand, known reserves of coal in the world are three times higher than the combined reserves of natural gas and oil, and they are well-distributed from a geographical point of view. The extent of these reserves and their geographical location guarantee security of supplies. Europe's independence in the energy sector requires a firm policy of replacing the consumption of hydrocarbons by other sources of energy

including coal, particularly since such a switch will generate employment. Thus 'spin-offs' from coal might include the development of port facilities, or ship building, inland transport, and physical plant (power stations, boilers etc.) for export purposes. Coal still has a future. This is why it is necessary for European undertakings to become involved in the search for, exploitation of and international trade in coal, both as a means of expanding their activities and selling their technology and services, and in order to guarantee more secure energy supplies.

VI - NUCLEAR ENERGY: AN IMPRESSIVE RECORD

Nuclear energy's record is already impressive. It supplied 10% of the world's electricity in 1982, and will most probably supply 20% in 1990, with 300 reactors operating in 25 countries with a total capacity of 173 GWe; and 223 reactors under construction with a total capacity of about 200 GWe.

However, in the background there is the economic crisis and, as an immediate consequence a reduction in energy consumption, which has been accentuated by the introduction of effective energy-saving measures. The indebtedness of the electricity-generating industry, high interest rates and the general climate of recession discourage heavy investment in electro-nuclear power, although their profitability is still assured. In France, where a series of reactors are being constructed taking only about seven years each, the cost per kilowatt of nuclear power, including fuel reprocessing and the dismantling of the power station, is 19.1 centimes compared to 33.5 centimes for coal and 68.9 centimes for oil.

It is difficult to make energy forecasts, and it takes a considerable time for decisions to be translated into action, but:

- energy policy is based on long-term trends. It should not be disrupted by cyclical fluctuations in oil prices, the dangers of which over a long period are well known;

- greater reliance on electro-nuclear power would enable us to reduce the vulnerability of our supplies and to increase Europe's independence, particularly in the case of countries which are under-endowed with fossil fuel produced at competitive prices;

- necessary improvements in standards of living in developing countries inevitably involve increased energy consumption. Any difficulties in the oil supply situation affect them adversely. The developed countries therefore have a responsibility to limit their needs and reduce their use of imported oil. That is why the Heads of State and Government of the most industrialized countries, at the 1981 Ottawa Summit, expressed the wish for some of their number to act swiftly to remedy their lack of progress in the field of nuclear energy. For, against the background of North-South relations in general, nuclear energy has an important role to play as a substitute for oil.

VII - GREATER USE OF ELECTRICITY

The development of nuclear energy for electricity generation will require, if it is to be effective, greater efforts to generalize the use of electricity in industry, in services and in the home.

In France, the extent to which industry (apart from iron and steel) relied on electricity was 38% in 1978; it is expected to reach 50% in 1990. The use of electricity results in foreign exchange savings and even, usually, savings of primary energy: the rational use of electricity enables savings to be made per kw produced not of 1 therm, as many people think, but sometimes 3 or 4 therms.

In services and in the home, the main uses of electricity are to heat water and rooms. The use of electricity generated from nuclear power in this sector does not only enable the countries involved to make large foreign exchange savings, but also, if used as a substitute for oil, offers users protection against the consequences of a new oil crisis (i.e. the danger of oil shortages and steep price rises).

For industry, as for services and domestic users, electricity offers unparalleled security of supply: even in the case of countries which do not have uranium reserves on their own territory, it is possible to maintain several years' stocks of fuel safely and within a very limited space.

Finally, it is important to note the demise of the traditional views on primary energy propounded by the ecologists, who castigate electricity as a waste of primary energy; this criticism was justified to some extent when electricity was produced from oil-fired power stations, but, with the advent of uranium, no longer applies. Moreover, the nuclear power option and concomitant use of electricity for industrial and domestic purposes also enables us to meet the standards justifiably required for the protection of the environment. We should not overlook the fact that 60% of energy is used for heating and consequently the use of electricity, particularly for domestic heating, will enable us to reduce the very large number of individual boilers and fireplaces, which are uncontrolled and uncontrollable sources of sulphur dioxide.

VIII - COMMENTS ON THE MOTIONS FOR RESOLUTIONS

Nowadays, 55% of known oil reserves are located in the Middle East. We cannot rule out the possibility of the discovery of new resources in other parts of the world. The rate at which these resources and those of the Middle East are exhausted will depend on many factors, including: respective production costs, producers' price policies, the rate of production, the level of consumption, the economic and financial terms offered to oil companies, etc.

In certain quarters, too much emphasis has been placed on the manufacture of liquid synthetic hydrocarbons as a method of diversifying oil supplies. Reducing the danger of oil-dependence requires action on several fronts:

- more rational use of energy. In this respect, it should be noted that since 1973, and particularly since the second oil crisis of 1979-1980, the consumption of oil has dropped considerably in the Community (1973: 564 million tonnes; 1983: 410 million tonnes), and is becoming increasingly concentrated on those uses for which there is no substitute for oil (motor fuel, petrochemicals);

- the geographic diversification of supplier countries;

- enhancing relations with exporting countries with significant reserves;

- the replacement of oil by other traditional sources of energy (coal, gas, nuclear power) and investigation of future options (controlled thermonuclear fusion, renewable energy, synthetic fuel).

It is unrealistic to talk of the time by which the world's resources of natural hydrocarbons are expected to run out, since:

(a) the only figures which are known with any degree of certainty relate to proven reserves (those which can be exploited with existing techniques and in current economic circumstances) which, as of 1 January 1983, amounted to some 91,431 billion tonnes;

- at the current rate of consumption, these proven reserves will last for some 30 years. They might last longer if important new deposits were discovered, or if consumption decreased as a result of speeding up the process of replacing oil by other energy sources.

- in addition to these resources, there are further probable and possible reserves which gradually enter the category of proven reserves as such deposits are studied more fully and it becomes technically and economically feasible to extract them.

- the time these reserves will last depends on the rate at which they are extracted, which is directly linked to the rate at which they are consumed. Since 1973, the rate of growth in world demand for oil has decreased sharply (1960/1973 = + 6% per year; 1973/1982 = + 1.5% per year).

(b) With regard to synthetic liquid hydrocarbons:

- experiments have already been conducted into several industrial processes for the manufacture of synthetic liquid hydrocarbons. At present, they cannot compete with oil derivatives;

- the Commission has financed, as part of its support for demonstration projects, work on the production of synthetic liquid hydrocarbons, within the limits of the funds available. The Commission will probably continue to support valid projects in this field submitted to it in order to prepare for the future;

- projects for the production of synthetic gas appear more encouraging, although they too are handicapped by the present outlook on the energy market. It should be noted however that several projects (e.g. in Germany) have been reduced in scale recently, probably because of a combination of circumstances, since the price of oil has dropped and, obviously, the price of synthetic gas will always be higher than that of natural gas, which is in abundant supply at present. Attempts at international cooperation in this field are jeopardized by the present situation.

IX - IMPLICATIONS FOR PRICES

The official price in US\$ per barrel of petrol has increased tenfold since 1973 to date. However, the suddenness and scale of price rises led to a world economic crisis which produced a drop in consumption as a result of the slowdown in industrial activity. High prices and the fear of new price rises have led all countries to turn to substitute sources of energy and to introduce energy savings. Other factors have occasionally had an important bearing on the reduction of demand for energy, e.g. the very mild winter of 1982/1983.

This reduction in demand has gone hand in hand with an increase in supply caused by the opening up of new fields, in the North Sea and Mexico in particular.

The disparity between supply and demand and variations in actual selling prices led to the first reduction in official OPEC prices in March 1983. It is impossible to predict future oil prices, but two things are certain: the myth of steadily rising prices has been exploded, and the underlying trend of the market has been completely reversed.

This reversal of market trends should be exploited with a view to achieving concerted action by producers and consumers. Sudden variations in prices are detrimental to all concerned and it should be possible, as a first step to agree to improve on the exchange of information in order to obtain a more accurate picture of current and future demand, production potential and financial problems. This first stage is essential in view of expected developments on the market. It would mark the beginning of an attempt to reach agreement on the need to spread out any necessary changes in prices and thus avoid further oil crises.

The achievement of a degree of consensus between producer and consumer countries could also provide the opportunity for a new and effective resumption of the North-South dialogue. This is the policy which we must pursue if we wish to face the challenges of the year 2000 from the best standpoint possible.

The two drastic oil crises which the Community has undergone force us to take a clear and prudent attitude now and examine the various hypotheses on which the Community's energy strategy is based. We should also take stock of all the efforts which the various Member States have made up to now, with varying degrees of success, to reduce their dependence on oil.

Finally, the grave risks involved in a situation in which oil prices were steadily declining must be emphasized. Cut-throat competition to lower prices, subject only to covering marginal production costs, would destabilize the whole international financial system. Conversely, a significant revival of the world economy involving increased oil consumption could, in turn, spark off a further oil crisis by creating a sudden and sharp rise in prices on what would once again be a sellers' market. The economic consequences of such a situation would further aggravate the indebtedness of Third World countries and thus provoke a contraction of world trade. Similarly, for the Community countries, any sudden variation in oil prices could seriously jeopardize the energy strategy being pursued, since a reduction of the price of oil would slow down investment in the development of substitute sources of energy and the search for new deposits, while an increase would lead to a new economic, financial and social crisis.

It is evident that it is essential to uphold the objectives set by the Commission in the energy field. The Community is pursuing a long-term policy for the rational use of energy and the development of alternative sources of energy to replace imported hydrocarbons. It is to be regretted, however, that certain countries have not seen fit to comply with recommendations dictated by the general interest. Particular attention should be drawn to delays in introducing nuclear power, and the varying rates at which it has been developed.

It would undoubtedly be beneficial for consumer countries, if prices were held at their present level or slightly reduced, as this would improve their balance of payments and decrease inflationist pressures. For the same reasons, such a scenario would also be favourable for non-oil producing developing countries. Finally, with regard to the oil companies, a degree of price stability would perhaps enable the necessary economic and financial measures to be passed to safeguard the refinery industry, which is in a very bad state in Europe.

X - CONCLUSION

We should not deceive ourselves as to the scope for energy saving, for the easiest and most important steps have already been taken (one cannot for example reduce the approved temperature for housing or offices by 1° every year), and we should not continue to conceal from the public the fact that the 'new sources of energy' will only have a limited capacity by the year 2000 and a negligible impact before then. The only available and feasible sources of energy for us for the next 30 years are coal and nuclear power. Moreover, we cannot continue to depend to a great extent on imported oil and gas, and also on the exchange rate of the dollar, if we intend to create a programme of healthy industrial development. However, we should be aware that oil remains and will remain for some time to come an indispensable source of energy for the development of the various countries; the various sources of energy should not conflict with, but complement, each other. The ease and versatility with which oil can be used as a heating fuel and for transport purposes will continue to operate in its favour, despite uncertainty as to supplies.

The motion for a resolution reflects the concerns outlined in this explanatory statement and stipulates the approach to be adopted to attempt to overcome the problems posed by uncertain supplies and fluctuating prices of hydrocarbons. The Community's energy policy remains desperately limited. Too often, it is confined to declarations of intent and the definition of medium-term and long-term objectives, whereas in the present increasingly uncertain international climate the Community can no longer afford not to take a united stand.

MOTION FOR A RESOLUTION DOCUMENT 1-796/82

tabled by Mr PURVIS, Mr SELIGMAN and Sir Peter VANNECK

pursuant to Rule 47 of the Rules of Procedure

on the future of Middle East oil supplies for the world
outside the communist area

The European Parliament,

- A. Mindful of the dependence of the World outside the Communist Area for 36.4% of its oil needs on the Middle East, accounting for 90% of Japan's oil needs, 20% of US oil needs and 60% of the Community's oil needs,
- B. alarmed by the continuing war, destruction and loss of life in Iran and Iraq, both significant exporters of oil, and possible repercussion on neighbouring states,
- C. alarmed by the continuing conflict in Ogadan affecting Somalia and Ethiopia, the flow of an estimated one million refugees into Somalia and possible repercussions for shipping in the Red Sea,
- D. noting the 1981 Tripartite Pact of Aden embracing Libya, Ethiopia and South Yemen and the likely effect of the Pact on other states and trade routes in the region,
- E. noting the 1982 Tripartite Pact of Port Louis embracing Mauritius, Malagasy and Seychelles and the likely effect of the Pact on other states and trade routes in the region,
- F. aware that Soviet naval forces enjoy facilities at, among other places, Asmara, Dahlak, Socotra, Aden, Port Louis, and Diego Suarez in the Indian Ocean and Cam Ranh Bay and Petropavlovsk in the Pacific,
- G. noting reports that one third of Soviet land, sea and air forces are assigned to duties in the east,
- H. noting the continuing presence and actions of 80,000 Soviet troops in Afghanistan, and possible repercussions on the Middle East and the Indian sub-continent,
- I. conscious that Ethiopia, Mauritius, Malagasy, Seychelles and Somalia are members of the Lomé Convention,

- J. concerned for the peace, stability and economic development of the peoples of the Horn of Africa, the Gulf States, and other states and islands of Indian Ocean and Pacific,
 - K. aware of their influence on the safety of oil supplies and trade routes which are of key economic importance to the nations of the industrialised world and to other developing nations,
 - L. noting the current controversy over Soviet natural gas imports into the Community,
1. Believes that the economies of the industrialised and developing nations, dependent on Middle East oil, are vulnerable to accidental or intentional interruptions of oil supplies,
 2. Believes that the wars in the Ogadan and Iran and Iraq threaten not only the lives and livelihood of indigenous populations but also their basic rights and those of their neighbours,
 3. Invites the governments of those states which are members of the Lomé Convention to consider how their political actions can reflect concern for the wellbeing of the Community as a friend and supporter of their independence and economic development,
 4. Draws to the attention of the governments of the Gulf, and of the Indian Ocean and Pacific Ocean littoral states, the political and economic implications of Middle East oil on the one hand, and on the other the strategic dispositions and energy situation of the Soviet Union,
 5. Draws attention to the likelihood that because of the size of the oil reserves that Middle East will possess the world's last remaining oil stocks when reserves elsewhere have been exhausted,
 6. Believes therefore that a policy of diversification of sources of supply of liquid hydrocarbon fuels is in the interest of all the states concerned, and that diversification linked to the development

ment of industrial processes for synthetic liquid hydrocarbon fuels is essential and urgent for the future smooth operation of the world economy;

7. Calls for the proving of industrial processes for synthetic liquid hydrocarbon fuels within less than the timescale for the exhaustion of the world's natural hydrocarbon fuel reserves;
8. Invites the Commission to submit proposals for international co-operation to develop and invest in industrial processes for synthetic liquid hydrocarbon fuels appropriate to the available raw materials of each state with which the Community has contractual agreements;
9. Urges consultations between the Conference of Foreign Ministers, the Council of the Gulf States and the governments of the Indian Ocean and Pacific Littoral states on possible actions, individually and co-operatively, to strengthen security for the benefit of each state, for oil production and supply facilities and for trade routes;
10. Requests that necessary measures for the defence of trade routes in the Indian and Pacific Oceans should be decided in the appropriate fora;
11. Recommends the inclusion of matters of mutual security in the Community's Co-operation Agreements with Third countries, as appropriate;
12. Charges its Interparliamentary Delegations to include matters of mutual security on the agenda of meetings with parliamentary representatives of third countries, as appropriate;
13. Requests the Commission to report as soon as may be on the humanitarian needs of peoples affected by conflicts in the Ogadan, Iran and Iraq and in neighbouring states;
14. Requests its President to transmit this motion for resolution to the President of the Commission, the President of the Council, the Governments of Member States, and to the ambassadors of the Gulf States, Indian Ocean and Pacific littoral and the ACP states in Brussels.

MOTION FOR A RESOLUTION DOCUMENT 1-1286/82

tabled by Mr HERMAN , Mr SKLZER, Mrs WALZ,
Mr von BISMARCK, Mr PEDINI and Mr Ingo FRIEDRICH

pursuant to Rule 47 of the Rules of Procedure
on oil prices

The European Parliament,

- A. concerned at the considerable economic impact of the wide and unpredictable fluctuations in oil prices,
 - B. aware of the difficulties caused by an ill-considered rise in the price of oil as far as the stability of the balance of payments of the consumer countries, and more particularly the developing countries is concerned,
 - C. aware also of the detrimental effect of a sudden fall in the price of oil on the policy of reduced oil dependence pursued by the EEC with the support of the European Parliament,
 - D. afraid that the uncertainty over future developments in oil prices might interrupt the flow of investment in alternative forms of energy and in energy saving,
 - E. disturbed at the disruptions caused by the wide fluctuations in oil prices to the flow of capital, financial markets, exchange rates, interest rates and balance-of-payments stability,
1. Calls on the relevant committees of Parliament to place this problem on their agenda and take the necessary steps to keep themselves fully informed;
 2. Calls on the Commission, after consulting all interested parties, to submit proposals to the Council, the purpose being either to prevent or alternate these fluctuations or to reduce or eliminate their worst consequences;
 3. Calls on the Council to give favourable consideration to the proposals to be submitted to it by the Commission in this area;
 4. Instructs its President to forward the text of this resolution to the Commission and the Council.

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Letter from Mr M. RUMOR, chairman, to Mrs Hanna WALZ, chairman of the Committee on Energy, Research and Technology

Dear Mrs Walz,

At its meeting of 20-22 April 1983 in Brussels the Political Affairs Committee considered the motion for a resolution tabled by Mr PURVIS and allies on the future of Middle-East oil supplies for the world outside the Communist area (Doc. 1-796/82) on which your committee has been asked to report.

Having heard the views of its draftsman, Mr PENDERS, and discussed the matter, the Political Affairs Committee approved the following conclusions by 11 votes to 2 :

The Political Affairs Committee considers that the report by Mr DILIGENT (Doc. 1-697/80) on the surveillance and protection of shipping routes for supplies of energy and strategic materials for the countries of the European Community, which the European Parliament adopted during its sitting of 19 November 1981, is as valid now as it was then. The continuing conflict between Iran and Iraq (both OPEC countries), and the conflict in the Horn of Africa highlight the precarious nature of oil supplies. Apprehension in this regard is further increased by the conclusion of various tripartite pacts between States in the region.

The Political Affairs Committee attaches the utmost importance to the need for the European Parliament to draw attention at regular intervals to this problem which is vital for the survival and development of the Community.

It accordingly endorses the arguments and conclusions set out in the motion for a resolution by Mr PURVIS and allies.

Yours sincerely,

(sgd) Mariano RUMOR
Chairman,
Political Affairs Committee

¹The following took part in the vote: Mr Haagerup, 1st vice-chairman and acting chairman; Mr Fergusson, 3rd vice-chairman; Mr Penders, draftsman; Mr Barbi, Mr Berkhouwer, Mr Beyer de Ryke (deputizing for Mr Bettiza), Mr Deschamps, Mr Habsburg, Mrs van den Heuvel, Mrs Lenz, Mr van Minnen (deputizing for Mr Lomas), Mr Newton Dunn and Lord O'Hagan.

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs

Draftsman : Mr ROGALLA

On 25 January 1983, the Committee on Economic and Monetary Affairs appointed Mr ROGERS draftsman of the opinion on Doc. 1-796/82.

On 15/16 March 1983 the Committee decided to include its opinion on Doc. 1-1286/82 within the scope of its opinion on Doc. 1-796/82.

On 21/23 November 1983 Mr ROGALLA replaced Mr ROGERS as draftsman of the opinion. The Committee considered the draft opinion at its meeting of 21/23 November 1983. It adopted the draft opinion on that date on a unanimous vote with 2 abstentions.

The following took part in the vote :

Mr MOREAU (Chairman); Mr ROGALLA (Draftsman of the opinion, replacing Mr ROGERS); Mr BEAZLEY; Mr DE GOEDE; Mr DELOROZOY; Mrs DESOUCHES; Mr I. FRIEDRICH; Mr HEINEMANN; Mr HERMAN; Mr KAZAZIS (replacing Mr Schnitker); Mr LEONARDI; Sir Brandon RHYS WILLIAMS; Mr VERGEER and Mr WELSH.

BACKGROUND

1. The motion for a resolution on oil prices (Doc. 1-1286/82) is concerned with the adverse economic effects both of sudden rises and of falls in oil prices, and calls on the Commission, in particular, to take appropriate measures.
2. The motion for a resolution on the future of Middle East oil supplies for the world outside the Community area (Doc. 1-796/82) is particularly concerned with security aspects which do not fall within the responsibility of the Committee on Economic and Monetary Affairs. It does, however, also point to the need for diversification of sources of supply of liquid hydrocarbon fuels, but its only specific proposals in this context concern the development of industrial processes for synthetic liquid hydrocarbon fuels.

CONCLUSIONS

3. The Committee on Economic and Monetary Affairs again underlines the adverse economic impacts upon the Community that are posed by rapid fluctuations in the price of oil, whether in an upward or downward direction and expresses its concern that the Community has still not fully learnt the lessons of the first and second oil shocks, but has instead tended to relapse into an unjustified complacency, ce qui a pour effet d'affaiblir l'économie européenne, et en conséquence de menacer l'emploi.
4. The Committee would point out yet again the need for the urgent formulation of a true Community energy policy based on the following principles:
 - promotion of effective energy conservation;
 - diversification of energy supplies away from oil, and in particular encouragement of renewed coal production, and of new energy sources (including renewable energy sources);
 - avoidance of distortion in energy pricing between different energy sources, and emphasises in this connection the need for transparency;
 - vu l'instabilité monétaire mondiale, l'opportunité de la mise en oeuvre par la Communauté Européenne des moyens permettant d'utilisation de L'ECU comme unité de change dans les contrats commerciaux d'approvisionnement en matières premières d'énergie;

It believes that a policy on the above lines would ensure that the Community was in the best possible position to face up to the economic risks of sudden shifts in oil prices.