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GLOOMY ASSESSMENT OF THE EUROPEAN COMMUNITY'S ENERGY POSITION

Mr. Guido Brunner, the EC's Energy Commissioner, reviews the energy objectives and energy savings efforts prior to the Common Market Summit meeting this week in Strasbourg at which this subject will be top of the European leaders' agenda.

Mr. Brunner has announced in Brussels the EC's 1990 objectives and the energy savings report. They are an attempt to take a long term view of market developments and energy production and should help markets and governments in judging policies.

His statement is especially important at a time when a number of energy uncertainties worldwide are growing. The Community will have to make enormous efforts to cope with the economic and social burdens consequences, the Commissioner said.

UNEMPLOYMENT

Each one per cent growth in productivity could mean the disappearance of 250,000 jobs. In the next ten years the number of people of working age will grow by one per cent as against 0.2 per cent for the population as a whole. Energy supply is a determining factor in whether there is employment or unemployment ahead for our people.

Worldwide energy prices are developing unfavorably from a European point of view. The rise in prices of about 25 per cent from the oil producers means a reduction of purchasing power in the European Community of the same order that a price rise of 100 per cent entailed in 1973 (about 11 billion dollars). The EC can counter this development only by enormous energy investments. Each year up to 1990 the EC needs to invest some fifty billion dollars.

The policies now endorsed by the European Commission has drawn up a balance of what has been achieved so far. In many respects the EC has not been doing badly. In 1977 for example, the Nine saved some eight per cent of our energy needs.

TARGETS

The main targets may be summarized as follows:

- The EC wants to reduce the relationship between energy use and energy growth from one to one now, to less than 0.7 in 1990.
- The Community must get 75 per cent of our electricity production from coal and nuclear. To do this, coal consumption must be raised by 25 per cent.
- The European nations have to freeze oil imports at 470 million metric tonnes up to 1990. This will require great efforts.

In energy savings the EC wants the following by 1980:

1. Energy savings efforts of all nine member states drawn up so as to have comparable effects.
2. Talks with European motor manufacturers with the aim of developing cars and vans which use less fuel. This must be done in conjunction with the industrial policy aims set out for the motor industry by Commissioner Davignon.
3. Investments in energy greatly increased. This can be helped through the price mechanism, taxation and by investment aids.

Other points from Mr. Brunner:

The Rotterdam market: The Energy Council on Monday, June 18th will be studying Commission proposals to bring stability in the Rotterdam and other free markets of Europe. The Commission wants to publish weekly lists of prices on the spot market as well as a comparative table of consumer prices in the member states.

The Council is also being asked to agree to set up a system of direct official monitoring of these markets through a register under which oil companies will have to notify purchases above a specified price level. A voluntary allocation scheme should also be introduced if there is no improvement in the position by the end of the year. Mr. Brunner hopes these proposals will have the effect of calming down the market.

There has been enormous speculation in the free markets, the Commissioner said. As a result of the crisis in Iran there is a supply shortfall of some two million barrels a day. In the past few days the markets have been a little calmer, although at a rather high price level.

A considerable expansion in the volumes traded at Rotterdam and elsewhere has occurred bringing it close to 8 per cent of the world mark.

THE UNITED STATES

U.S. Import "Subsidy": Mr. Brunner does not think this will be abolished in the near future. He believes that with the measures now being proposed, and through talks with the United States, it will be possible to have a more satisfactory state of affairs than the present one.

As he sees it, the problem is to restore as quickly as possible some confidence in the ability of markets worldwide to operate satisfactorily through international talks in Tokyo and elsewhere. If this could be accomplished together with a feeling that a normal flow of oil, even at a lower rate, would be at hand, then the position could be stabilized, Mr. Brunner said.

ALTERNATIVE ENERGY SOURCES

Energy mix in the Community: Mr. Brunner added that the European Commission, in saying that coal and nuclear power jointly should make up 75 per cent of electricity production by 1990, carefully do not distinguish the relative role of either source. In addition to the package of coal measures already before the Council of EC Ministers, he wants strong emphasis placed on methods of coal gasification and liquefaction.

He hopes gasoline made from coal will be on the European market before 1982 - even if quantities are not great, it will help stabilize markets and be a signal to producers. It might be necessary to think of new loan facilities or other measures to get the necessary investments, but the first priority is to get the coal package accepted by the EC member governments.

