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REPORT

drawn up on behalf of the Committee on Energy and Research

on a ~~common~~ approach to energy pricing structures

Rapporteur: Mr M. GALLAGHER

On 25 March 1981, the European Parliament referred a motion for a resolution tabled, pursuant to Rule 25 of the former Rules of Procedure, by Mr MORELAND and others on a common approach to energy pricing structures to the Committee on Energy and Research as the committee responsible and to the Committee on Economic and Monetary Affairs for its opinion.

On 27 October 1981, the Committee on Energy and Research appointed Mr GALLAGHER rapporteur.

On 25 November 1981, 30 April, 27 May and 30 September 1982 the committee considered the draft report. At the last-mentioned meeting, the committee adopted the motion for resolution and the explanatory statement unanimously.

Participated in the vote: Mr SELIGMAN, acting chairman; Mr GALLAGHER, rapporteur; Mr ADAM, Mr BOMBARD (replacing Mr ROGALLA), Mr CALVEZ (replacing Mr PINTAT), Mr FLANAGAN, Mr Karl FUCHS, Mr GHERGO (replacing Mr SASSANO), Mr LINKOHR, Mr MARKOPOULOS, Mr MEO, Mr NORMANTON, Mr PEDINI, Mr PERCHERON, Mr PETRONIO, Mr PURVIS, Mr SCHMID, Mrs THEOBALD-PAOLI, Mr VIEHOFF (replacing Mr PATTISON).

The opinion of the Committee on Economic and Monetary Affairs is appended to this report.

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

MOTION FOR A RESOLUTION

on a common approach to energy pricing structures
The European Parliament,

- A. having regard to the motion for a resolution tabled by Mr MORELAND and others on a common approach to energy pricing structures, (Doc. 1-32/81)
- B. having regard to the report of the Committee on Energy and Research and the opinion of the Committee on Economic and Monetary Affairs (Doc. 1-679/82)
- C. whereas energy prices at both national and Community level must reflect production and market conditions, but must also be fixed with a view to obtaining the greatest possible security of supply in both the short and the long term,
- D. whereas security of supply will require real energy prices to be raised to levels such as will ensure the development of new and alternative energy sources and also adequate investment in the energy sector,
- E. considering that distinction must be made between energy prices and energy pricing structures,
 1. Believes therefore that energy pricing depends primarily on the production, import and export of energy and the importance of the consumption of individual energy sources to national economies;
 2. Notes that the pursuit of national energy policy objectives, which are largely dictated by considerations of supply, has resulted in such widely varying prices for individual energy resources;
 3. Deprecates the distortion of energy pricing structures and therefore of energy prices to Member States' industries and consumers which has been caused by the differing levels of Member States' aids granted to particular energy carriers by the differing levels of tax rates and the differing approaches to energy price structures and individual prices taken by Member States;

4. Considers it therefore unrealistic to believe that, in the short term, the Community can change the Member States' energy pricing policies, which vary in their structure, since energy and energy pricing policies, especially in an economic crisis, are vital factors in employment, industrial, regional and social policies and, in most cases, financial, policy as well;
5. Stresses the urgency of the completion of the Commission's proposals to be submitted to the Parliament and the Council arising from its fuel sector analysis called for by the Council at its meeting of 16 March 1982;
6. Believes that a suitable balance must be found between, on the one hand, the requirements of a Community energy saving policy, including a policy designed to reduce overall demand and, on the other, the linkage of all energy carriers' prices through a pricing structure that may undesirably increase industrial and domestic energy costs and restrict freedom of choice between energy sources.
7. Stresses, nevertheless, the importance of the efforts being made by the Commission and the Council to evolve a more uniform policy in this area, while believing that, where clear cases of distortion of the market by artificially low energy prices are or have been seen to exist, the Commission could and should have acted more resolutely, invoking the provisions laid down in the Treaties;
8. Supports the Commission in its efforts to achieve the greatest possible transparency in energy pricing, so as to enable the energy consumer to make a real choice between energy sources and thus promote the most rational use of energy.
9. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI BACKGROUND

1. This motion for a resolution, tabled in March 1981, has in certain respects been overtaken by events. In October 1981 the Commission submitted a communication to the Council on 'Energy pricing - policy and transparency'.¹ The Council discussed this communication at its meeting of 27 October and at its next meeting of 4 December 1981 adopted the draft Council resolution contained in the communication.

The Community's energy pricing policy

2. The following principles were to govern the Community's energy-pricing policy:

- consumer prices should reflect representative conditions on world markets, taking into account long-term trends;
- one of the factors determining consumer prices should be the cost of replacing and developing energy resources;
- energy prices should be characterized by the greatest possible degree of transparency.

To implement these principles:

- consumer prices must ensure adequate investment in energy supply and encourage energy efficiency, and not prevent recognition of reliable market signals. Where differences in prices could not be justified by the existence of natural advantages or the pursuit of the Community's general energy objectives, they must be clearly identified, and reduced;
- price transparency, full knowledge of the factors and methods determining prices and tariffs was essential.

3. At the last Council meeting on 16.3.1982, the Commission was requested to continue its work on the basis of the guidelines laid down in the resolution and to analyse each fuel sector separately.

¹ COM(81) 539 final,

The motion for a resolution

4. While the Council and the Commission are thus concentrating on ways of encouraging price transparency in general - naturally with the longer-term aim of proposing more solidly-based Community rules - Mr MORELAND and others have tabled a motion for a resolution, more limited in scope but not in conflict with the Council's recommendations. It points out that as energy is accounting for a growing share of industrial costs, as there are different approaches to pricing policy and in some cases various forms of subsidy, pricing structures in the Community in some cases amount to unfair competition.

5. This committee will not concern itself with the question of whether the Treaty of Rome's provisions on competition should be applied to enforce more uniform pricing criteria, or the extent to which differences in energy prices have given rise to distortions of competition in the Community. It leaves these matters to the appropriate committee.

On the other hand, the Committee on Energy and Research will be examining the problem of pricing in relation to the Community's and the individual Member States' energy situation. Agreement in principle on Community energy objectives and their implementation may yet result in different energy prices, primarily because of the widely varying energy situations in the individual Member States.

II. THE COMMUNITY'S ENERGY OBJECTIVES

6. Although the Community's energy objectives are only too well known, we shall restate those which are relevant to energy pricing.

In brief they are:

- reduced dependence on oil and thus reduced imports (target: oil no more than 40% of total energy consumption);
- energy efficiency and energy saving;
- more coal-fired and nuclear power generation, rising to 70-75%, including conversion of ~~power~~ stations to coal firing.

III. THE MEMBER STATES' ENERGY POLICIES

7. In the rapporteur's view the energy-pricing policies of the individual Member States depend primarily on the following (not in order of importance):

- the country's energy supplies;
- the country's domestic energy production;
- the country's energy consumption, dependent on the structure of its economy, and especially energy consumption in export industries;
- demand for energy for heating;
- other political objectives, e.g.:
 - social policy,
 - employment policy,
 - economic policy,
 - fiscal policy,

and - to be a little controversial -

- possibly, the Community's energy policy objectives, where they can be complied with and coincide with national interests (disregarding the Council's myriad resolutions, which can be described as at best the lowest common denominators).

IV. THE ENERGY SITUATION IN THE MEMBER STATES

8. The tables below illustrate what the rapporteur believes to be the deciding factors in the individual country's energy policies and to a certain extent in their pricing policies, and throw into relief the relationship between industry and energy. (All statistics taken from the Statistical Yearbook for Energy 1979 and EUROSTAT 1981).

TABLE 1	Primary energy production in MTOE and % (1981: provisional figures)				Gross domestic consumption in MTOE and % (1981: provisional figures)			
	1981	1980	1980	1975	1981	1980	1980	1975
	MTOE	MTOE	%	%	MTOE	MTOE	%	%
GERMANY								
Hard coal	62,9	62,2	51,2%	56,7%	55,6	55,4	20,5%	20,0%
Brown coal	29,1	26,5	21,8%	19,7%	30,0	27,2	10,1%	9,9%
Crude oil	4,5	5,0	4,1%	4,9%	114,1	128,9	47,7%	52,3%
Natural gas	14,6	14,3	11,7%	12,3%	41,8	44,6	16,5%	14,3%
Electrical energy	2,5	2,5	2,1%	1,2%	3,2	3,0	1,1%	0,8%
Nuclear	13,5	11,1	9,1%	4,6%	13,5	11,1	4,1%	2,2%
Total	127,0	121,4	100 %	100 % (117,5 MTOE)	258,2	270,1	100 %	100 % (240,0 MTOE)
FRANCE								
Hard coal	11,9	11,7	26,6%	41,7%	28,1	30,2	20,5%	15,4%
Brown coal	0,9	0,8	1,9%	2,8%	0,9	0,9	10,1%	0,6%
Crude oil	2,5	2,6	5,8%	5,4%	95,8	109,2	47,7%	67,2%
Natural gas	5,9	6,3	14,4%	18,3%	21,6	21,6	16,5%	9,9%
Electrical energy	6,4	6,2	14,1%	15,4%	6,0	6,4	1,1%	3,4%
Nuclear	27,0	16,3	37,2%	16,2%	27,0	16,3	4,1%	3,5%
Total	54,6	43,9	100 %	100 % (33,8 MTOE)	179,3	184,6	100 %	100 % (158,0 MTOE)
ITALY								
Hard coal	-	-	-	-	11,5	10,6	8,0%	6,6%
Brown coal	0,3	0,3	1,8%	1,8%	0,3	0,3	0,2%	0,3%
Crude oil	1,5	2,0	11,4%	5,8%	91,0	92,9	70,4%	73,5%
Natural gas	11,6	10,3	58,6%	64,6%	22,2	22,7	17,2%	15,2%
Electrical energy	4,1	4,3	24,4%	20,1%	4,9	4,8	3,7%	3,3%
Nuclear	0,8	0,7	3,8%	6,2%	0,8	0,7	0,5%	0,9%
Total	18,3	17,5	100 %	100 % (18,6 MTOE)	130,8	132,0	100 %	100 % (120,4 MTOE)

TABLE I	Primary energy production in MTOE and %				Gross domestic consumption in MTOE and %			
	1981 MTOE	1980 MTOE	1980 %	1975 %	1981 MTOE	1980 MTOE	1980 %	1975 %
<u>HOLLAND</u>								
Hard coal	-	-	-	-	4,1	4,2	6,4%	4,2%
Brown coal	-	-	-	-	-	-	-	-
Crude oil	1,6	1,6	2,3%	2,2%	27,0	29,1	44,8%	40,5%
Natural gas	60,9	66,7	95,7%	96,2%	28,9	30,4	46,8%	53,4%
Electrical energy	0,3	0,3	0,5%	-	0,4	0,3	0,3%	-
Nuclear	0,9	1,1	1,5%	1,2%	0,9	1,1	1,7%	1,5%
Total	63,8	69,6	100 %	100 % (71,4 MTOE)	61,2	65,1	100 %	100 % (58,8 MTOE)
<u>BELGIUM</u>								
Hard coal	4,6	4,7	59,3%	72,3%	11,2	11,0	24,0%	22,0%
Brown coal	-	-	-	-	-	-	-	-
Crude oil	-	-	-	-	20,8	22,9	50,0%	54,3%
Natural gas	0,0	0,0	0,4%	0,6%	8,3	8,9	19,5%	19,6%
Electrical energy	0,1	0,1	0,9%	0,3%	-	0,2	0,3%	0,1%
Nuclear	3,2	3,1	39,4%	26,3%	3,2	3,1	6,8%	4,2%
Total	6,8	7,9	100 %	100 % (6,6 MTOE)	43,5	45,7	100 %	100 % (41,6 MTOE)
<u>LUXEMBOURG</u>								
Hard coal	-	-	-	-	1,5	1,8	50,7%	51,0%
Brown coal	-	-	-	-	-	-	-	0,5%
Crude oil	-	-	-	-	1,0	1,1	30,3%	34,0%
Natural gas	-	-	-	-	0,3	0,4	11,7%	8,9%
Electrical energy	-	-	-	84,6%	0,3	0,3	7,3%	5,5%
Nuclear	-	-	-	-	-	-	-	-
Total	-	-	-	100 % (0,0%)	3,2	3,6	100 %	100 % (3,8 MTOE)

TABLE I	Primary energy production in MTOE and %				Gross domestic consumption in MTOE and %			
	1981 MTOE	1980 MTOE	1980 %	1975 %	1981 MTOE	1980 MTOE	1980 %	1975 %
<u>U.K.</u>								
Hard coal	73,3	74,7	38,1%	63,9%	67,2	69,9	34,9%	34,9%
Brown coal	-	-	-	-	-	-	-	-
Crude oil	90,4	79,7	40,6%	1,5%	72,5	79,4	39,7%	44,8%
Natural gas	30,4	30,9	15,8%	26,4%	40,5	39,9	19,9%	15,6%
Electrical energy	0,4	0,3	0,2%	0,3%	0,4	0,3	0,3%	0,2%
Nuclear	10,6	10,4	5,3%	8,0%	10,6	10,4	5,2%	4,5%
Total	205,6	196,1	100 %	100 % (116,2 MTOE)	191,3%	199,9	100 %	100 % (201,2 MTOE)
<u>IRELAND</u>								
Hard coal	0,0	0,0	1,7%	1,9%	0,9	0,8	9,1%	6,6%
Brown coal	0,9	1,1	57,2%	94,6%	0,9	1,2	14,2%	13,1%
Crude oil	-	-	-	-	5,1	5,6	66,7%	79,7%
Natural gas	1,1	0,7	37,4%	-	1,1	0,7	8,7%	-
Electrical energy	0,1	0,1	3,7%	3,5%	0,1	0,1	1,0%	0,7%
Nuclear	-	-	-	-	-	-	-	-
Total	2,2	2,0	100 %	100 % (1,3 MTOE)	8,1	8,4	100 %	100 % (6,4 MTOE)
<u>DENMARK</u>								
Hard coal	-	-	-	-	5,1	5,8	30,6%	12,0%
Brown coal	-	-	-	-	-	-	-	0,1%
Crude oil	0,8	0,3	99,0%	98,6%	11,5	13,2	69,2%	87,5%
Natural gas	-	-	-	-	-	-	-	-
Electrical energy	0,0	0,0	1,0%	1,4%	0,6	0,1	0,2%	0,5%
Nuclear	-	-	-	-	-	-	-	-
Total	0,8	0,3	100 %	100 % (0,2 MTOE)	17,2	19,1	100 %	100 % (17,5 MTOE)

TABLE II		Final energy consumption in the principal sectors, by % and in MTOE									
		Germany	France	Italy	Holland	Belgium	Luxembourg	U.K.	Ireland	Denmark	
<u>Energy</u>	1975	%	8,0	7,0	6,8	7,8	7,1	0,6	7,8	3,6	3,6
	1980		9,7	8,6	8,5	16,1	8,1	1,1	5,4	2,0	2,7
	1975	MTOE	14,5	8,7	6,3	3,4	2,2	0,0	10,9	0,2	0,5
	1980		19,4	12,1	8,9	8,4	2,8	0,4	7,4	0,1	0,4
<u>Industry</u>	1975	%	34,3	34,0	38,6	27,9	39,5	75,2	35,2	29,6	18,0
	1980		32,4	31,9	35,6	30,9	37,4	68,4	31,0	30,8	19,8
	1975	MTOE	62,1	42,5	35,9	11,9	12,6	2,8	49,3	1,4	2,6
	1980		65,0	44,8	37,3	13,9	12,9	2,3	41,4	1,9	3,8
<u>Transport</u>	1975	%	18,3	21,1	20,9	17,0	15,2	9,5	20,4	29,3	21,9
	1980		20,1	22,6	23,6	16,6	16,7	14,6	24,0	26,6	21,1
	1975	MTOE	33,2	26,4	19,4	7,3	4,8	0,3	28,5	1,4	3,2
	1980		40,4	31,7	24,6	8,6	5,8	0,5	33,1	1,7	3,1
<u>Households</u>	1975	%	39,4	38,0	33,7	47,3	38,1	14,1	36,7	37,4	56,4
	1980		37,8	36,9	32,2	40,5	37,9	17,4	40,6	41,7	50,8
	1975	MTOE	71,4	47,5	31,2	20,2	12,2	0,5	51,4	1,8	8,2
	1980		75,8	51,6	33,8	21,0	13,1	0,6	56,1	2,7	7,6
<u>Total MTOE</u>	1975		181,1	125,1	92,8	42,8	31,9	3,6	140,1	4,8	14,6
	1980		200,7	140,2	104,5	51,9	34,7	3,4	138,0	6,5	14,9

TABLE III		Industrial consumption of energy analysed by source, 1975 and 1980							Total
		Hard coal	Brown coal	Oil	Natural gas	Derived gases	Electricity	Heat	
<u>Germany</u>									
1975	%	17,7	0,9	34,6	20,1	7,8	17,8	1,1	
1980	%	20,0	0,6	28,2	22,7	7,7	19,6	1,2	
1980	MTOE	13,0	0,4	18,3	14,7	5,0	12,7	0,8	65,0
<u>France</u>									
1975	%	16,6	0,2	49,6	11,1	5,9	16,6	-	
1980	%	17,5	0,2	41,9	16,7	5,2	18,5	-	
1980	MTOE	7,8	0,1	18,8	7,5	2,3	8,3	-	44,8
<u>Italy</u>									
1975	%	9,7	0,0	45,5	23,0	3,4	18,3	-	
1980	%	10,1	0,0	41,9	24,5	1,9	21,6	-	
1980	MTOE	3,8	0,0	15,6	9,1	0,7	8,1	-	37,3
<u>Holland</u>									
1975	%	9,0	-	15,0	55,1	3,5	16,5	0,9	
1980	%	6,9	-	21,9	50,5	1,6	17,5	1,6	
1980	MTOE	0,9	0,0	3,0	7,0	0,2	2,4	0,2	13,9
<u>Belgium</u>									
1975	%	24,2	-	26,2	23,6	9,7	13,8	2,5	
1980	%	31,4	-	18,0	22,9	8,1	15,9	2,9	
1980	MTOE	4,1	-	2,4	3,0	1,1	2,0	0,4	13,0
<u>Luxembourg</u>									
1975	%	47,2	-	18,5	8,0	18,8	7,5	-	
1980	%	57,8	-	7,3	10,8	15,1	9,0	-	
1980	MTOE	1,3	-	0,2	0,3	0,3	0,2	-	2,3
<u>U.K.</u>									
1975	%	18,4	-	39,2	22,5	5,1	14,8	-	
1980	%	14,2	-	32,4	32,6	3,0	17,8	-	
1980	MTOE	5,9	-	13,4	13,5	1,2	7,4	-	41,4
<u>Ireland</u>									
1975	%	1,7	0,2	83,0	-	1,5	13,6	-	
1980	%	3,5	0,1	63,4	18,0	0,8	14,2	-	
1980	MTOE	0,1	0,0	1,2	0,3	0,0	0,3	-	1,9
<u>Denmark</u>									
1975	%	14,6	-	70,7	-	0,5	14,2	-	
1980	%	14,1	-	53,5	-	0,3	12,7	19,4	
1980	MTOE	0,5	-	2,0	-	0,0	0,5	0,7	3,8

TABLE IV		Member countries' total imports in 1975 current prices - (100) in 1979 and in m ECU					
		All goods		All fuels		Of which petroleum	
		1975	1979	1975	1979	1975	1979
<u>Germany</u>	ECU	60.442	116.310	10.598	22.550	8.994	19.365
		100	192	100	213	100	215
<u>France</u>	ECU	43.682	77.999	9.873	16.786	7.921	14.188
		100	179	100	170	100	179
<u>Italy</u>	ECU	31.122	56.763	8.285	13.509	6.960	12.164
		100	182	100	163	100	175
<u>Holland</u>	ERE	28.389	49.053	4.967	9.907	4.406	9.256
		100	173	100	199	100	210
<u>Belgium</u>	ECU	24.819	44.055	3.488	6.258	2.419	4.645
		100	178	100	179	100	192
<u>U.K.</u>	ECU	42.905	74.762	7.696	8.754	6.982	7.894
		100	174	100	114	100	113
<u>Ireland</u>	ECU	3.046	7.177	427	852	369	761
		100	234	100	200	100	206
<u>Denmark</u>	ECU	8.383	13.470	1.553	2.659	1.315	2.341
		100	161	100	171	100	178

TABLE V	Total net production of electrical energy - % breakdown by source					
	Nuclear	Hard coal	Brown coal	Oil	Natural gas & derivatives	
Germany	1973	4,0	34,3	24,9	14,5	
	1980	13,0	31,4	27,1	6,6	18,9
France	1973	8,0	15,2	0,4	39,5	
	1980	32,5	27,7	1,5	21,1	-5,8
Italy	1973	2,2	1,2	0,8	60,5	
	1980	2,0	8,8	1,0	67,2	8,1
Holland	1973	2,0	2,9	-	1,2	79,3
	1980	7,7	9,8	-	37,6	40,1
Belgium	1973	0,2	12,4	-	52,0	
	1980	24,8	23,7	-	32,4	Gas 18,5
Luxembourg	1973	-	0,6	-	17,5	42,5
	1980	-	3,5	-	8,9	82,2
U.K.	1973	9,3	62,4	-	24,7	
	1980	14,9	71,9	-	11,7	
Ireland	1973	-	1,0	23,4 (peat)	66,4	9,2
	1980	-	1,0	24,3	56,5	15,4
Denmark	1973	-	35,7	-	64,2	
	1980	-	81,0	-	18,9	

TABLE VI	Nuclear as % of total electricity production						
	Germany	France	Italy	Holland	Belgium	U.K.	E.E.C.
1980	11,9	23,5	1,2	6,4	23,3	12,1	12,4
1981	14,3	37,7	1,5	5,7	25,3	12,7	16,7
1981:1980	+ 20,1	+ 71	+ 19	+10	+ 2,5	+ 2,8	+ 34,2

Comments

9. The importance of the individual energy sources to the various countries is immediately apparent, in terms of both production and consumption. Analysis of trends since 1973 (roughly speaking the beginning of the energy crisis) provides a fair quantitative idea of the various countries' energy policies. There have been two crucial factors: soaring energy prices and the constraints or possibilities offered by domestic sources of energy.

10. Some comments:

Federal Republic of Germany

- in 1980 coal and lignite accounted for over 70% of primary energy production, but only 30% of gross consumption, which is dominated by oil (48%),
- industrial energy consumption is dominated by oil at almost 30% (34.6 in 1975), followed closely by gas and coal (barely 20%),

France

- 30% of energy production in 1980 was accounted for by coal and lignite, a drop of 12% since 1975, while over the same period nuclear power generation has risen from 16 to 37%. However, oil still represents 60% of gross consumption (a drop of 7% since 1973);
- industrial energy consumption is dominated by oil at 42% (49.6% in 1975), followed by gas and electricity, (22% and 17% respectively);

Italy

- natural gas accounted for about 60% of production in 1980, but only 17% of gross consumption, which is completely dominated by oil at 71.3% (73.5% in 1975),
- 42% of industrial energy consumption was met by oil (1980), as against 45.5% in 1975, followed by gas (26%) and electricity (21.7%);

Holland

- gas accounted for 96% of production, but only 41% of gross consumption in 1980 (53.4% in 1975), 52% of consumption being covered by oil (up from 40.5% in 1975),
- industrial consumption in 1980 was met mainly by gas (52%), oil accounting for 22% (15% in 1975),

Belgium

- coal accounted for 59% of production in 1980 (72% in 1975). Nuclear power covered no less than 39% of energy production in 1980 as against 26% in 1975. However 63% of gross consumption was met by oil, followed by coal at 23%.

- 31% of industrial consumption of energy was met by coal, 19% by oil (26.2% in 1975) and 31% by natural gas;

U.K.

- Coal accounted for 38% of energy production in 1980, as opposed to 64% in 1975, oil accounted for 40.6% as against 1.5%, and natural gas 1.6% as against 26.4%. 40% of gross energy consumption was met by oil and 35% by coal, while energy for industry was provided by natural gas (36%) oil (32% in 1980), and coal (14%);

Ireland

- In 1975 peat accounted for 95% of energy production, but by 1980 this had fallen to 57%. Peat met 14% of gross energy consumption in 1980 (13% in 1975), oil being dominant with 67%, a decline from 80% in 1975.

Industrial energy consumption was also dominated by oil, 63% in 1980, as against 83% in 1975, gas (19%) and electricity (14%);

Denmark

- Denmark is still almost completely dependent on imported energy (although a start has been made on oil and gas production). In 1980 70% of gross energy consumption was met by oil, a drop of 17% since 1975, the share taken by coal having risen from 12% to 30% over the same period,

Oil continues to dominate energy consumption in industry, 53% in 1980 (70% in 1975), followed by coal at 14% (14.6% in 1975) and electricity at barely 13%.

11. In general : while oil consumption has declined as a percentage of total consumption in all Member States other than Italy and Holland, the quantities involved increased until 1979. This trend reversed in 1980 and 1981, in which oil consumption actually fell appreciably

Oil consumption by industry generally fell in all Member States by an average of 3-7% between 1975 and 1980, but by 15-20% in Ireland and Denmark

There has been a sharp fall in the percentage of electricity generation based on oil, albeit to a varying extent from one country to another.

The substantial rise in the share held by nuclear power between 1973 and 1981 should be noted: Germany (14.3%), France (37.3%), Belgium (25.3%), and the UK (12.7%), and the rising share taken by coal over the same period in France (10.2%), Belgium (11.6%), the UK (5.6%) and Denmark (25.9%).

V. ENERGY PRICES

12. Energy prices in the Member States, where they are known, present a confused picture; the confusion is compounded if one attempts to compare price levels for individual energy sources in the various countries. It is fairly clear, and probably not surprising, that prices are probably determined by

whether or not the country concerned is a producer, regardless of the type of energy source concerned. Some comparisons are given below, broken down by energy source, concentrating on energy intensive industries in selected Member States¹.

A. Energy prices and operating costs in industry in general

13. The example here is British industry (which may differ from the other Member States).

Individual energy sources in relation to total energy costs in industry

TABLE VII	Coal & Coke	Fuel oil & derv	Gas % (inter-ruptible in brackets)	Elec-tricity %	LPG	Total	Fuel costs as % operating costs
Iron and steel	37	16	15 (35)	32		100	20 - 25
Paper and board	25	40	24 (94)	11(60)		100	11 - 18
Chemical industry	6	40	12 (70-80)	40 (40-80)	2	100	6
Bricks, pottery, glass & cement	20	34	12	24	10	100	18
Textiles	11	46	6	37		100	6
Fisheries	-	100	-	-		100	ca. 30
Glasshouse production (horticulture)	6	93	1	-		100	40

(a) Comments: There are wide variations between the energy intensive industries. Rising energy prices will push up these percentages even more, which will affect their profitability; this becomes even more important in the case of export industries or industries competing with imports. (For example: Holland, as a major gas producer, supplies cheap gas to its horticultural industry (an export industry); this is understandable, but unacceptable to her competitors).

¹ Figures from the latest report by the National Economic Development Council, NEDC (81) 59); which is why more information is available regarding the British situation

Energy costs for British industry as a whole account for no more than 4-5% of total operating costs.

B. Oil and petroleum products

14. Without going into too much detail, the principal points to be noted are as follows:

- prices for petroleum products in general, including taxes and duties, have been higher in the UK than in the other countries since the end of 1980.

Petrol: Consumer prices (including tax) in the UK are generally lower than in the other Member States. The same applies to before-tax prices.

Heavy fuel oil

15. For most of 1979 and 1980 consumer prices in the UK (including tax) were higher than in the other Member States. The situation in 1981 is shown in the table below, prices in \$/ton to small consumers; the trends alone are indicated as exchange rate fluctuations make comparisons difficult

1981	U.K.	Germany	France	Italy
15 Jan.	241,89	228,65	219,48	209,56
15 Aug.	216,83	193,54	178,68	187,80
19 Oct.	226,00	212,31	205,19	201,68

16. Estimated prices for heavy fuel oil to the British steel industry between the 4th quarter of 1980 and the 3rd quarter of 1981, in £/ton

TABLE VIII	4th quarter 1980	3rd quarter 1981	average (incl. tax)	average (before tax)
U.K.	92.60	115.60	104.38	96.28
Belgium	99.15	100.66	99.76	99.76
Germany	90.76	108.46	101.85	98.62
France	100.62	103.09	101.66	101.58
Italy	89.28	108.87	99.29	98.86
Holland	84.81	108.63	99.17	96.24

17. Taxes and duties play a large part in determining prices on the Community's oil market, as shown in the table below (it should be borne in mind that VAT rates vary too: UK, 15% - Belgium, 25% (17% on heating oil) Denmark, 22% - Germany, 13% - France, 17.6% - Ireland, 15% (on petrol only) - Italy, 15% (18% on petrol) - Holland 18%).

Real prices as at 15.2.1982

Motor fuel

Price i \$ per 1000 l

TABLE IX	Premium grade motor spirit			Regular motor spirit			Derv		
	Average prices			Average prices			Average prices		
	Selling price	Taxes and duties	Before taxes and duties	Selling price	Taxes and duties	Before taxes and duties	Selling price	Taxes and duties	Before taxes and duties
BELGIUM	634,18	357,00	277,18	613,36	352,84	260,52	502,93	204,65	298,28
DENMARK	689,25	368,90	320,35	679,06	367,07	311,99	459,93	128,80	331,13
GERMANY	559,68	277,07	282,66	533,33	273,98	259,35	541,00	246,52	294,48
FRANCE	710,35	378,69	331,66	672,53	356,46	316,07	517,96	228,39	297,57
IRELAND	728,98	349,21	379,75	721,12	348,20	372,92	598,48	249,31	349,17
ITALY	750,43	449,27	301,16	711,35	443,31	268,04	356,45	59,23	297,22
LUXEMBOURG	575,41	260,28	315,13	555,82	257,10	298,72	420,66	106,51	314,15
HOLLAND	645,23	319,84	325,39	623,92	316,59	307,33	461,86	143,57	318,29
U.K.	614,23	332,91	281,32	603,25	331,44	271,81	635,81	300,71	335,10

- 21 - PE 76.994/fin.

Exchange rates as at 15.2.1982

1 \$ = 40,84 BF - 7,8490 dkr. - 2,3985 DM - 6,0815 FF - 6,815 £ IRL. - 1279,25 Lire - 2,6285 FL - 0,5467 £ Eng.
 BEL. DK Germany FRA. IRL. ITA. HOLL. U.K.

Prices of petroleum products

Real prices as at 15.2.1982

Price in \$.

OTHER FUELS

TABLE X	Heating oil			Heavy fuel oils (high sulphur)			Heavy fuel oils (low sulphur)		
	Average prices			Average prices			Average prices		
	Selling price	Taxes and Duties	Price before taxes and duties	Selling price	Taxes and Duties	Price before taxes and duties	Selling price	Taxes and Duties	Price before taxes and duties
BELGIUM G.	316,60	46,00	270,60						
F.L.	315,13	45,79	269,34	177,42	-	177,42			
K.									
DENMARK	428,08	123,06	305,02	251,36	52,23	199,13	273,66	52,23	221,43
GERMANY	311,36	42,74	268,62	199,11	6,25	192,86			
FRANCE	362,41	78,27	284,14	189,92	7,72	182,20	216,88	7,72	209,16
IRELAND G.	328,76	22,45	306,31						
K.	353,33	22,45	330,88	232,70	14,96	217,74			
ITALY G.	342,17	57,37	284,80						
F.L.	258,30	38,95	219,35	175,73	0,79	174,94			
LUXEMBOURG	313,66	14,93	298,73	178,94	2,45	176,49			
HOLLAND	363,40	68,52	294,88	199,31	4,23	195,08			
U.K. G.	356,68	14,08	349,60						
F.L.	372,41	4,02	368,39	219,79	14,65	205,14			

Exchange rates :- see table IX

G. = Diesel oil

FL = Heavy-fuel oil

K = Kerosene

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PE 76.994/fin.

Other factors which have a varying effect on prices include:

- the tendency for rising prices to depress demand and divert it to substitutes, i.e. lighter products;
- greater competition because of increased supply;
- the fact that UK oil prices are more rigid because based more on annual contracts than continental practice;
- the increasing influence of prices on the spot market, within limits set by geographical and transport considerations.

C. GAS

In 1981 gas prices in the Community, which are largely determined by consumption, load factors and interruptible supplies, tended to converge, especially for large industrial consumers. Smaller consumers in the UK paid lower prices than on the continent. Large consumers in the UK with interruptible supplies paid less than their counterparts in the rest of the Community, by about 8 - 10%. Reasons for this price convergence included:

- the freezing of gas prices in the UK (ceiling price for newly discovered gas),
- general price rises in the rest of the Community, following rising fuel oil prices,
- rising export prices for Dutch gas.

D. COAL

20. British coal is generally cheaper than continental, although there are special price arrangements for consumers in coastal areas where there is competition from imported coal. It is also felt that retail prices in the UK are lower than in the rest of the Community.

Another point is that the UK imports far less coal than do the other Community coal-producing countries.

However the most striking feature is the subsidization of coal production in the Community, which does however vary considerably, as the following table shows:

National subsidies to the coal industry in £ million (1981)

	UK	BELGIUM	FRANCE	GERMANY
1. Aid to current production (£/tonne)	457 (3,7)	152 (24,9)	218 (12,5)	628 (6,7)
2. Social security aids	49	380	766	1,448
3. Other	23	-	52	102
4. Total (£/tonne)	529 (4,2)	532 (87,2)	1,036 (59,2)	2,178 (23,3)

21. Productivity is another factor. The 1981 figures were:

Germany: 535 kilos per man/hour (-0.7% 1981/80)

UK : 392 kilos per man/hour (+2.6% 1981/80)

France : 380 kilos per man/hour (+8% 1981/80)

Belgium: 267 kilos per man/hour (+4.3% 1981/80)

In 1981 the numbers employed in the four countries fell by 10,000, of which 9,000 in the UK. Employment in Germany rose.

E. THE MARKET IN ELECTRICITY

22. On average, the price paid by British industry for its electricity is similar to those paid in the other EEC countries, but there are some differences:

- prices in France are 10 - 30% lower than in the UK, depending on consumption (difference greater in the past),

- British consumers with high load factors pay 10 - 15% more than the largest German undertakings and up to 30% more than those with special arrangements;
- British prices are lower than Italian, other than for undertakings whose load factor is over 80%.

23. The reasons for these differences and the shifts that have occurred in them are as follows:

- prices have risen less steeply in the UK than in the other Community countries;
- lower prices in France may be ascribed to relatively high percentages of hydroelectric and nuclear power generation;
- favourable rates are granted to large undertakings in Germany with high load factors, and in the case of certain large consumers, with special supply contracts, especially in the steel industry. This also applies in Belgium. (The terms of these contracts are regarded as commercially confidential information.)

VI. COMPARISON OF ENERGY PRICES

24. The price comparisons given above have been calculated on the basis of current exchange rates on the dates quoted. Exchange rate fluctuations may produce price variations apparent only on comparison (although they do very much affect the individual countries' ability to compete).

VII. PRICING PRINCIPLES

25. Since the beginning of the energy crisis it has been clearly demonstrated that the trend in oil prices has been the major factor in determining energy prices in general, partly because of the limited opportunities for substitution for oil, at least in the short term, and the fact that even where it is possible, conversion requires investment.

One general feature, which is not unique to energy, is that prices rise to the level the market will bear. The security of their markets is the only restraint on the energy producers, i.e. what counts is the ability to compete with other sources of energy.

26. It is clear that a country's own production of an energy source is frequently sold at lower prices than prices for the same energy source abroad, perhaps by subsidies, either on the production or consumption side.

27. Major consumers of a given energy source receive favourable treatment by comparison with other consumers (general marketing practice, not restricted to energy).
28. Price differences may have objective causes (geographical proximity, higher productivity, varying profitability of various energy undertakings on account of e.g. their ratio between overheads and operating costs).
29. Other factors may come into play, pushing prices up or down. Some examples taken at random:
- fiscal policy. 'Energy saving' is frequently claimed as justification for taxes and levies. They might have that effect, but their real reason is frequently to replenish the ever-hungry national coffers;
 - employment policy. There can be doubt that the need to support employment, not simply in the energy industries but also in energy-intensive industries (especially export industries) plays a major part and is crucial where energy prices are subsidized in various ways (especially at the production stage);
 - economic and export policies. (see above)
- One major factor in economic policy is the incidence of domestic energy production and imports on the sectors of the national economies.
30. Several other factors influencing pricing could be mentioned; the list given above is far from exhaustive. Prices are affected both as between and within individual countries. The picture is further complicated by the varying energy supplies available to the individual countries, so much so that a brief consideration of energy policy objectives is enough to explain the Community's energy policy, or lack of one. This in turn brings distortions of the market in its train.

VIII. PRICE TRANSPARENCY

31. It will be seen why your rapporteur takes a pessimistic view of the scope for uniform pricing methods in the Community (leaving aside their desirability). However, the lack of uniformity in pricing does not rule out price transparency in the energy market. It is both desirable and necessary. That is true at both national and Community level. The Community's long-term energy policies can only be served by the competition that only a knowledge of true energy prices and their composition can make possible. That must be the safest policy in the long term, whatever Member State is involved, and security of supplies could be the only possible constraint here.

IX. DECLARATION ON THE MOTION FOR A RESOLUTION

32. The Committee on Energy and Research agrees with the authors of the motion that rising energy prices increase industrial costs, and share their concern over those cases where variations in energy prices are so wide as to lead to unfair competition.

The views of Parliament and the committee on electricity pricing structures in the Community are also clear¹, as large consumers of electricity pay too little for the service they receive or smaller consumers pay too much. It is to be feared that existing electricity prices are not doing enough to encourage the rational use of energy, and that there is distortion of competition.

33. The committee concurs with the authors of the motion in their condemnation of artificially low prices and supports efforts to achieve fair competition. However it is clear that the term 'artificially low prices' must be qualified by an examination of how much of any energy price is 'real' (based on development, production, processing, marketing and delivery costs) and how much of what is not, is artificial.

34. When the question of artificially high prices is raised, justifications can always be found in energy policy objectives, e.g. need for investment, production of substitute energy sources, import curbs, energy savings etc.; but they frequently include other factors such as policies regarding employment, the collection of state revenue and the like. The result is distortion of competition.

Artificially low prices occur when production subsidies are given (to the coal industry for example), operating subsidies to energy-intensive industries, favourable terms to customers depending on either the quantity or type of energy source used (where substitutes are available) etc. Objectives not related to energy policy are involved in the pricing here, and the result is again distortion of competition.

35. Many important and frequently conflicting social policy factors play a part in the approach to energy pricing, as is clear from comparisons between countries. The rapporteur therefore considers it unrealistic to hope that energy prices can be established throughout the Community which will not distort competition. This makes the introduction of price transparency even more important, offering consumers a real choice between real prices. The Committee on Energy and Research will support any action by the Community towards this end.

¹ ADAM report, OJ C 144, 15.6.1981

36. In its opinion¹, the Committee on Economic and Monetary Affairs does not depart substantially from the views expressed by the Energy Committee. It recognizes that there will be enormous difficulties in implementing common pricing principles and stresses the danger of undermining the internal market unless there is intervention, but is more optimistic as regards the possibility of constructive Community measures, at least in the short term.

¹ PE 77.079/fin., draftsman: Mr BEAZLEY

tabled by Mr MORELAND, Mr PURVIS, Mr PRICE,
Mr SELIGMAN, Mr NORMANTON, Mr KELLETT-BOWMAN,
Mr BEAZLEY

pursuant to Rule 25 of the Rules of Procedure
on a Common Approach to Energy Pricing Structures

The European Parliament,

- Concerned that the increasing cost of energy inevitably results in energy contributing a growing share of industrial costs,
 - Concerned at the diversity of energy prices between Community countries,
 - Concerned that different approaches between Member States to energy pricing policy conflicts with the basic principles of fair industrial competition in the Community,
 - Concerned, particularly, about the different approaches as regards interruptible supplies, bulk users of energy and off-peak pricing,
 - Concerned at reports of artificially low prices being given to certain users as, for example, in the case of supplies of gas for Dutch horticulture,
1. Urges the Commission to utilize the competition clauses of the Treaty of Rome with more vigour to ensure that the variety of energy pricing structures does not give artificial benefits to certain national industries;
 2. Asks the Commission to propose as a matter of urgency proposals for Community legislation on pricing structures in the best interests of energy conservation and fair competition;
 3. Asks the President to forward this resolution to the Commission.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr BEAZLEY

At its meeting on 20-21 October, 1981 the Committee on Economic and Monetary Affairs appointed Mr Beazley, draftsman of the opinion for the Committee on Energy and Research.

It considered the opinion at its meeting of 27-28 April 1982 and adopted it on that occasion by a unanimous vote with 10 abstentions.

PARTICIPATED IN THE VOTE:

Mr MOREAU, chairman, Mr BEAZLEY, draftsman, Messrs. ALBERS (replacing Wagner), von BISMARCK, BONACCINI, CABORN, CAROSSINO (replacing Fernandez), Mrs DESOUCHES, Messrs. DELOROZOY, ESTGEN (replacing Collomb), FRANZ, Mrs FORSTER, Messrs. GIAVAZZI, HERMAN, LEONARDI, MIHR, PAPANTONIOU, PURVIS, Sir Brandon RHYS WILLIAMS, Messrs. ROGALLA (replacing Schinzel), RUFFOLO, von ROMPUY, SEAL (replacing Rogers), WEDEKIND (replacing Schnitker), WELSH.

INTRODUCTION

1. The need for a common approach to be taken to energy pricing structures has already been recognised by a number of reports submitted by the Commission to the Council in the course of the past 2 years (see 11 and 12 below).
2. The resolution (Doc. 1-32/81) examined by this opinion was tabled on 20 March 1981, whereafter the Commission submitted a communication to the Council and a draft resolution COM (81) 539/final on 1 October 1981 entitled "Energy pricing - policy and transparency".
3. The resolution (Doc. 1-32/81) in question urges the Commission to utilise its competition policy to ensure that the varieties of energy pricing structures should not provide artificial benefits to certain national industries. It also asks the Commission to make proposals for Community legislation on pricing structures in the best interests of energy conservation and fair competition.
4. The Commission, as indicated above has now already met this requirement in terms of general principles, which the Council accepted on 3 December 1981. COREPER will report to the Council meeting on 16 March 1982, when it is expected that the Council will call for the Commission to analyse the position of each fuel sector by sector and to make detailed proposals on what action should be taken in each case.
5. The prices considered however are pre-tax prices. It is clear that the different tax policies of Member States themselves greatly add to market distortion.
6. From an economic point of view the need for a common approach to energy pricing arises from:
 - (i) the necessity to ensure fair competition between Member States;
 - (ii) the need to make faster progress in the creation of a real common market.
7. Different policy objectives pursued may clash with one another: for example the desire to maintain high energy pricing to promote energy conservation as compared with the need to reduce the cost of industry in order to re-stimulate the economy.

8. Likewise lack of transparency in pricing not only causes market distortion between producers but does not promote a sufficiently clear picture of the energy market that an individual producer can make a best choice between different types of fuel.
9. Finally, the Committee on Economic and Monetary Affairs recognises the difficulty which the Commission will face in achieving consistency in its detailed proposals fuel sector by fuel sector - because of the different factors affecting oil and gas on the one hand and coal and nuclear power on the other - and in achieving energy conservation at an acceptable cost to energy users and so helping to stimulate the internal and external market.
10. The Committee is nevertheless convinced that a common approach to energy pricing structures and transparency is an essential means of achieving both the aims of a common market and of an energy policy capable of promoting economic growth. Accordingly it urges the Council to implement the necessary proposals as soon as possible.

COMMUNITY INITIATIVES IN THE FIELD OF ENERGY PRICING

11. A number of initiatives have been taken at Community level in recent years in the increasingly important policy area of energy pricing. In June 1980 the Council, in an annex to its Resolution (OJ C 149/3) concerning new lines of action by the Community in the field of energy saving established a set of energy pricing guidelines. Subsequently the Council also adopted a set of general guidelines on electricity tariff structures in the Community, and ways of putting these guidelines into practical application are currently being examined. Finally, and most recently, the Council adopted a set of conclusions on December 3, 1981, on energy pricing on the basis of a Commission paper on "Energy pricing - policy and transparency" (COM (81) 539 fin.), and again a Council working party is currently examining ways of implementing these conclusions.
12. The Commission has also emphasized the importance of establishing Community ground rules on energy pricing in its paper on Energy and Economic policy of 15 October, 1980 (COM (80) 583 fin.), in the 5th Medium-term programme (COM (81) 344 fin.) that it submitted to the Council, and in its paper on the development of an energy strategy for the Community (COM (81) 540 fin.) prepared in the context of the 30 May Mandate. Among the specific new initiatives being taken by the Commission are ways of improving transparency of energy prices, proposals in the field of petroleum product taxation, and proposals for the harmonization of gas tariff structures.

OBSERVATIONS

13. Energy pricing policy currently varies considerably between Member states of the Community and is responsive to a number of quite different policy objectives which often directly clash:

energy policy objectives such as keeping oil prices high to promote conservation, stimulate the development of alternative energy sources, and reduce dependence on imported petroleum products;

social policy objectives such as establishing tariff structures which discriminate in favour of lower-income consumers;

fiscal policy objectives such as the need to maximise government revenues through high excise taxes;

industrial policy objectives such as enhancing the competitiveness of specific industries by granting them exemptions or subsidies to reduce the energy price burden;

and also more general macro-economic goals such as the need to keep inflation in check.

The emphasis put on these various objectives, and the balance struck between them, clearly differs considerably in individual Member states.

14. There are clearly valid reasons why prices for the different forms of energy should not be uniform in the Community. As the Council has itself acknowledged in its conclusions adopted on December 3, 1981, differences in prices may be justified by comparative advantage or by the existence of national priorities consistent with the Community's own objectives. And as the Commission further pointed out in reply to a written question to Mr. Ansquer (62/81 in OJ C 153/17 of 22.6.81) "The cost of energy varies significantly both within and between Member states because of differences in transport and distribution costs, wage rates, productivity, and historic levels of investment" and "... the Commission does not therefore consider that uniform energy prices are either desirable or practicable."

15. The object of Community policy instead, should be to promote a common approach towards energy pricing policy, to establish guidelines in particular areas where necessary, and to identify specific cases where distortions have been created, and also where prices have been deliberately held below economic levels, either in general or to particular consumers.

16. The Commission has identified a number of cases of departure from realistic pricing principles in its paper on "Energy pricing - policy and transparency" (COM (81) 539 fin). It cites, for instance, individual large-scale consumers being granted long-term contracts at very favourable prices, such as electricity supply in the Ruhr in West Germany in the case of certain contracts for the steel and chemical industries, and counter-inflationary strategies followed in some countries involving short-term restraints in the adjustment of prices in line with inflation, such as the freezes on gas and electricity prices in the United Kingdom in 1978-9 and in France in 1981.

It also cites domestic production of coal in certain Member States as often uncompetitive and highly subsidized, and estimates the budgetary cost of the subsidy in 1980 as 2,200 million ECU for the four Member states concerned.

Particular problems are also posed by state aids that are incompatible with the common market pursuant to Article 92 of the Treaty.

17. The issues posed by the taxation of petroleum products are also explored in some detail in the Commission's paper (COM (81) 511 fin.) referred to above. Among the summary findings of the Commission are that (paragraph 3.2) "certain differences in rates of taxation have provoked distortion of competition and have impeded the proper allocation of resources". The paper shows that the level and trend of excise duties for the different categories of petroleum products vary greatly between Member states. A striking example is that of heavy fuel oils, which are exempt in some countries and are subject to high duty in others, with obvious implications for competition between industries in the states concerned.

Subsidies and tax exemptions are indeed widespread. The Commission's paper lists (page A-5) some of the special arrangements in force in the Member states for different types of use including aviation, the own use of oil products by refineries and the petrochemical sector, and public transport, and notes that the justifications for these various reductions is not always obvious.

18. A particular example of abuse is the case of energy subsidies to Dutch horticultural producers which is cited in the motion for a resolution, under consideration. Parliament has on three occasions deplored the delays in removing these subsidies (1). It appears that the Dutch government has still not accepted the Commission's deadline.
19. The Commission is clearly faced with a difficult task in implementing the general energy pricing guidelines that have been set, and in determining which are justified and which are unjustified causes of energy price disparities. Member states who are prepared to endorse vague general principles will not be so cooperative in specific cases affecting their own national interests. No-where will this be more true than in implementing the third general principle accepted by the Council in June 1980 (2) that energy prices on the market should be characterized by the greatest possible degree of transparency. Without meaningful progress on this front it will be impossible to effectively monitor the other guidelines.

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- (1) Paragraph 26 of its resolution on the tenth Commission report on competition policy (C11/72 of 18.1.1982), a resolution on energy prices in the horticultural sector (C11/90 of 18.1.1982), and a further resolution tabled pursuant to Rule 49-5, and which obtained 218 signatures, on the subsidization of gas prices to Dutch horticulturalists (C11/83 of 18.1.1982).
- (2) OJ C 149/3 cited above. The other two key principles are that consumer prices should reflect representative conditions on the world market, taking account of longer-term trends, and that one of the factors determining consumer prices should be the cost of replacing and developing energy resources.

20. The current situation as regards transparency as outlined by the Commission in its document on "Energy pricing - policy and transparency" (OP.Cit.) appears to be far from satisfactory in a number of respects particularly with regard to prices to industry. For instance in the United Kingdom and in parts of Germany industrial gas tariffs are not published. The Commission also receives no systematic data on industrial gas supplied under interruptible contracts, and no information of any kind on the price at which suppliers acquire gas nor on the costs of handling and distribution ⁽¹⁾. Transparency of electricity prices, especially in the steel and chemical industries, is poor, and many electricity producers publish no data on the costs of generation and distribution. Clearly the degree of transparency of energy pricing in all its aspects needs to be considerably improved.

CONCLUSIONS

21. The Committee on Economic and Monetary Affairs points out the dangers of unjustified disparities in energy prices between Member states undercutting the internal market, and distorting competition within the Community. It, therefore, welcomes the energy pricing guidelines and recommendations that have been put forward by the Commission, and urges the Council to ensure that the guidelines adopted are effectively implemented without delay, in order to lead to a greater consistency in energy pricing policy within the Community as a whole. It points out that the Commission is faced with a major challenge in ensuring that these general principles are not allowed to become a dead letter, and that specific cases of abuse are followed up, and made the subject of vigorous action. The Committee deplores the fact that once again Member States have not managed to pursue a common policy as regards supplies of raw materials, oil, coal and gas.
22. The Committee further endorses the objective of aiming for the fullest possible transparency of energy prices as the first necessary step in identifying unjustified pricing disparities, and in ensuring conformity

(1) OP. Cit. Page 9

with the general goals that have been set. It also believes that the need to monitor the complex field of state aids reinforces the case for additional resources to be granted to the Commission's Directorate-General for competition. Finally in the specific case of Dutch subsidies to the horticultural industry the Committee reiterates the position previously adopted by Parliament, deplores the attitude persistently adopted by the Netherlands Government, protests against the compromise procedure initiated by the Commission and calls upon the latter to take vigorous action.