

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1983 - 1984

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20 February 1984

DOCUMENT 1-1386/83

SECOND REPORT

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

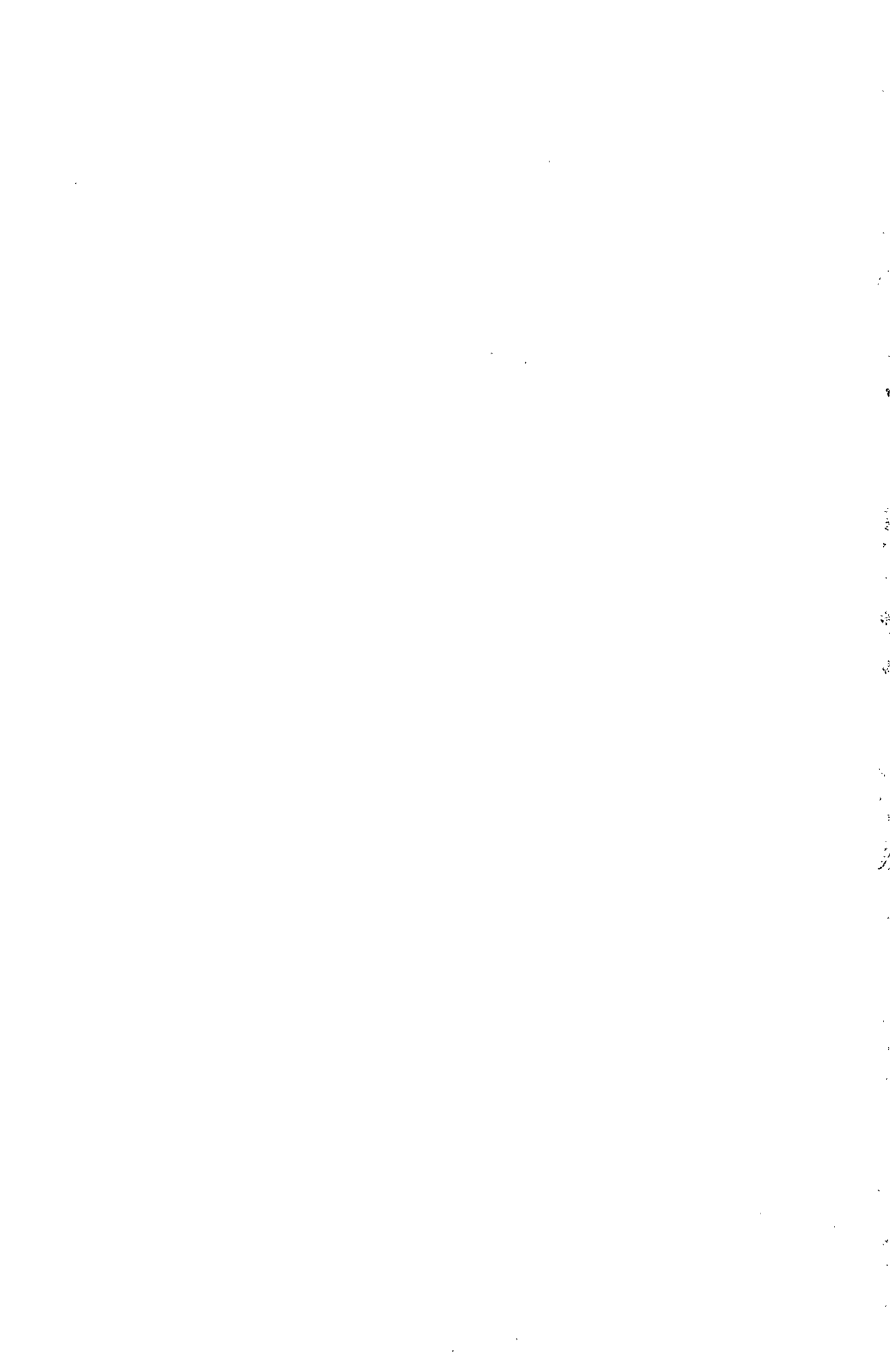
on the proposal from the Commission of the European  
Communities to the Council (Doc. 1-647/83 - COM(83)  
447 final)

for a regulation concerning financial support of the  
Community in favour of industries producing solid fuels  
and

on the proposals for a balanced solid fuels policy

Rapporteur: Mr D. ROGALLA

PE 86.262/fin.II



By letter of 26 August 1983, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation concerning financial support of the Community in favour of industries producing solid fuels.

On 12 September 1983, the President of the European Parliament referred this proposal to the Committee on Energy, Research and Technology as the committee responsible and to the Committee on Budgets and the Committee on Economic and Monetary Affairs for an opinion.

By letter of 15 September 1983, the Committee on Energy, Research and Technology requested authorization to draw up a report on the proposals from the Commission for a balanced solid fuels policy.

By letter of 10 October 1983, the committee was authorized to report on this subject. The Committee on the Environment, Public Health and Consumer Protection was asked for an opinion.

At its meeting of 21 September 1983, the Committee on Energy, Research and Technology decided to include both subjects in one report and appointed Mr Dieter ROGALLA rapporteur.

At its meetings of 21 September, 18 October and 24 November 1983, the committee considered the Commission's proposal and the draft report. At the last meeting it decided by 8 votes to 6 to recommend to Parliament that it approve the Commission's proposal with the following amendments.

The Commission informed the committee that it was not prepared to accept Amendments Nos. 1 - 4.

The committee subsequently adopted the motion for a resolution as a whole by 8 votes to 6.

The following took part in the vote: Mrs WALZ, chairman; Mr GALLAGHER, vice-chairman; Mr ROGALLA, rapporteur; Mr BERNARD, Mr HERMAN (deputizing for Mr PEDINI), Mr LINKOHR, Mr MORELAND, Mrs PHLIX, Mr PROTOPAPADAKIS, Mr PURVIS, Mr RADOUX (deputizing for Mr PERCHERON), Mr SHERLOCK (deputizing for Sir Peter VANNECK), Sir Jack STEWART-CLARK (deputizing for Mr NORMANTON) and Mr WURTZ.

The opinions of the Committee on Budgets, the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Consumer Protection are attached.

On 18 January 1984 the European Parliament decided to refer the report back to the Committee on Energy, Research and Technology pursuant to Rule 85 of the Rules of Procedure.

At its meeting of 2 February, the committee considered the amendments that had been tabled and decided by 16 votes to 4 with 5 abstentions to recommend that Parliament should approve the Commission's proposal with the following amendments. The Commission informed the committee that it was not prepared to accept amendments Nos 1-7. The committee then adopted the motion for a resolution as a whole by 16 votes to 4 with 5 abstentions.

The following took part in the vote: Mrs WALZ, chairman; Mr GALLAGHER and Mr SELIGMAN, vice-chairmen; Mr ROGALLA, rapporteur; Mr ADAM, Mr BERNARD, Mr CALVEZ (deputizing for Mr GALLAND), Mr CERAVOLO (deputizing for Mr IPPOLITO), Mr FUCHS, Mr GAUTHIER, Mr GHERGO (deputizing for Mr DEL DUCA), Mr Edward KELLETT-BOWMAN (deputizing for Mr NORMANTON), Mr LINKOHR, Mr MARCHESIN (deputizing for Mrs LIZIN), Mr MORELAND, Mr PEDINI, Mr PFLIMLIN, Mrs PHLIX, Mr PROTOPAPADAKIS, Mr PURVIS, Mr RINSCHÉ, Mr ROGERS (deputizing for Mr HALLIGAN), Mr SALZER, Mr VERONESI, Mrs VIEHOFF (deputizing for Mr SCHMID), and Mr WURTZ;

The report was tabled on 6 February 1984.

The deadline for tabling amendments to this report will appear in the draft agenda for the session at which the report will be considered.

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

Proposal from the Commission for a Council Regulation concerning financial support of the Community in favour of industries producing solid fuels

Amendments tabled by  
the Committee on Energy,  
Research and Technology

Text proposed by the Commission  
of the European Communities

Preamble and I (recitals)  
unchanged

II (recitals) unchanged  
up to 3rd paragraph

Amendment No. 1  
4th paragraph  
to read as follows:

Whereas in the case of hard-coal mines, this support must relate to potentially highly-productive capacity, whether already in operation or yet to be opened up, or capacity producing types of coal particularly in demand or playing a decisive role in the regional economic balance;

Whereas in the case of hard-coal mines, this support must concentrate on potentially highly-productive capacity, whether already in operation or yet to be opened up;

II (recitals) 5th paragraph unchanged

Amendment No. 2  
6th paragraph  
to read as follows:

Whereas the eligibility for aid of investment projects in existing mines must be assessed from case to case on the basis of various criteria, such as the potential for improving productivity, the importance of coal-mining for the relevant regional structure, and the type and quality of the coal;

Whereas in order to qualify, investment projects in hard-coal mines must concern underground capacity where the average underground output before investment is at least 380 kg per man/hour or, in the case of new capacity, where the planned output is at least 600 kg per man/hour;

Amendments tabled by  
the Committee on Energy,  
Research and Technology

Text proposed by the Commission  
of the European Communities

Amendment No. 3

II (recitals), 7th paragraph

7th paragraph  
to read as follows:

Whereas the structures, machinery and buildings directly associated with the extraction and the preparation of the coal are eligible.

Whereas the structures, machinery and buildings directly associated with the extraction and the preparation of the coal are eligible together with electricity generators or gasification equipment for the processing of untreated coal or the use of non-marketable coal by-products.

III and IV (recitals) unchanged

Amendment No. 4  
Delete V (recitals)

V (recitals)

VI (recitals) unchanged

SECTION I: MODERNIZATION OF HARD-COAL PRODUCTION

Article 2 unchanged

Amendment No. 15

Article 3

Article 3

To qualify for the aid provided for by Article 2, coal undertakings must first have obtained Commission approval for the modernization and restructuring programme for their workings, covering the period from 1984 to 1988 at least.

To qualify for the aid provided for by Article 2, coal undertakings must first have obtained Commission approval for the modernization and restructuring programme for their workings, covering the period from 1984 to 1988 at least and possibly entailing the closure of highly uneconomic and obviously uncompetitive capacities.

The programme must indicate forecasts for the following in particular:

The programme must indicate forecasts for the following in particular:

- technically-exploitable hard-coal reserves, location of the deposits and grades of coal;
- the deposits being prepared;

- technically-exploitable hard-coal reserves, location of the deposit and grades of coal;

Amendments tabled by  
the Committee on Energy,  
Research and Technology

- the annual production schedule for each pit;
- estimated average productivity at each pit (underground output per manhour);
- estimated sales;
- changes in annual stock levels;
- total annual investment by the undertaking.
- jobs available and further professional training

Text proposed by the Commission  
of the European Communities

- the deposits being prepared;
- the deposits where closure is planned for the period 1984 to 1988;
- the annual production schedule for each pit;
- estimated average productivity at each pit (underground output per manhour);
- estimated sales;
- changes in annual stock levels;
- total annual investment by the undertaking.

Articles 4 and 5 unchanged

Amendment No. 6

Article 6

1. Investment projects shall be eligible for the aid provided for in Article 2 where it is established that they will result in improvements in humanizing the work involved.

Article 6

1. Investment projects shall be eligible for the aid provided for in Article 2 where they concern underground capacity which has, before investment, an average annual underground output of at least 380 kg (kg=kg) per man/hour or, in the case of new capacities, for which the planned output is at least 600 kg (kg=kg) per man/hour.

Amendment No. 7

Article 6

2. Structures and equipment, machines and buildings directly associated with the preparation (washing, screening, blending) of the coal together with electricity generators or gasification equipment for the processing of untreated coal or the use of non-marketable coal by-products shall be eligible investments.

2. Structures and equipment, machines and buildings directly associated with the preparation (washing, screening, blending) of the coal shall be eligible investments.

Articles 7 - 12 unchanged



Amendments tabled by  
the Committee on Energy,  
Research and Technology

Text proposed by the Commission  
of the European Communities

Amendment No. 8

After 12, insert the following  
new Article 12 a:

For the purpose of increasing  
national coal reserves in the  
Member States, the Community shall  
grant aid for the increased costs  
of storage.

Articles 13 - 25 unchanged

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation concerning financial support of the Community in favour of industries producing solid fuels and on the proposals for a balanced solid fuels policy

The European Parliament,

- having regard to the communication from the Commission to the Council<sup>1</sup>,
- having been consulted by the Council (Doc. 1-647/83),
- having regard to the proposals from the Commission for a balanced solid fuels policy,
- having regard to its previous resolutions on energy policy, in particular
  - the resolution of 14 May 1982 on the role of coal in a Community energy strategy (MORELAND report)<sup>2</sup>,
  - the resolutions of 19 February 1982 on aspects and requirements of coal supplies for the European Communities (RINSCHÉ report)<sup>3</sup> and on the Decision amending Decision No. 73/287/ECSC concerning coking coal for the iron and steel industry in the Community (ROGALLA report),<sup>4</sup> respectively,
- having regard to the second report of the Committee on Energy, Research and Technology and the opinions of the Committee on Budgets, the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Consumer Protection (Doc. 1-1386/83),
- having regard to the result of the vote on the Commission's proposal,

<sup>1</sup> OJ No. C 232 of 30 August 1983, p.6

<sup>2</sup> OJ No. C 149 of 14 June 1982, p. 134

<sup>3</sup> OJ No. C 66 of 15 March 1982, p. 106

<sup>4</sup> OJ No. C 66 of 15 March 1982, p. 104

- A. aware that coal, lignite and peat represent the Community's most important indigenous energy reserves,
1. Welcomes the proposals by the Commission for a balanced solid fuels policy and the proposal for a Council Regulation concerning financial support by the Community in favour of industries producing solid fuels, provided that the Commission takes account of the amendments proposed by Parliament;
  2. Notes with regret that despite the obvious need for a common energy policy the Community is still a long way from converting the Council's past declarations of intent into practical measures;
  3. Regrets also that more than a year has passed since Parliament's resolutions without the Council and the Member States being able to agree on effective Community action;
  4. Reaffirms its view that coal, which is still the Community's most important indigenous source of energy, must be given an ever-increasing role in future energy supplies, especially as the International Energy Agency believes that a revival in coal demand from 1990 is more than likely;
  5. Recalls in this connection that, when laying down energy policy objectives for 1990 all Member States were in favour of priority being given to coal as a substitute for oil<sup>1</sup> and that the public have a right to expect that, given an unchanged overall situation, priorities, once fixed, will actually be put into effect by the appropriate authorities in the Member States;
  6. Believes that Community solidarity in establishing coal policy is essential in order to anticipate future world energy crises, that it is in the interest of all Member States to agree timely measures for coal so that it is available whenever the need for it may arise, and that to this end all Member States, whether or not they are coal producers, shall contribute towards the financing of the Community's coal policy and likewise towards the implementation of an international strategy, which is the only means of guaranteeing the Community a supply at the lowest cost and major industrial markets connected with its presence in the international coal chain;

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<sup>1</sup> OJ No. C 149 of 18 June 1980, p. 1

7. Regrets that the action programmes are not fully commensurate with energy policy objectives such as those set by the Community for its coal policy which, together with nuclear policy and the policy for the rational use of energy constitutes one of the bases of Community energy strategy;
8. Considers that because of the continuing energy challenge technological research programmes ought to be proposed for the coal sector so that the objective of enabling Community products to compete with those from third countries can be pursued;
9. Believes that the Commission proposal for a regulation does not take sufficient account of the fact that the competitiveness and the profitability of coal mining cannot be measured simply by reference to a momentary situation on the world market, which is artificial, unstable and affected by the fluctuations of the dollar;
10. Deplores the fact that the Commission proposal for a regulation fails to refer - as regards the eligibility of investment projects in coal mines - to the following essential criteria;
  - the scope for improving output,
  - the role played by coal mining in the regional balance,
  - the type and quality of the coal produced;
11. Strongly urges the Commission and the responsible Ministers in the Member States, therefore, to create an atmosphere of solidarity and joint responsibility with a view to introducing genuine Community preference arrangements as part of its policy in respect of coal;
12. Strongly recommends, therefore, that intra-Community trade in coal be encouraged by arranging for the increased demand that has arisen in recent years, particularly in Italy and Denmark, to be met as far as possible from indigenous Community coal resources; the consumer countries such as Denmark and Italy, should be accorded suitable financial incentives for the conversion of oil fired power stations to the use of coal and for the construction of new coal fired power stations to replace oil fired power stations;

13. Recommends for this purpose the implementation, where appropriate, of Article 72 of the ECSC Treaty together with appropriate measures to help non-coal producing Member States to obtain supplies within the Community;
14. Recognizes that imports of coal from third countries are necessary to satisfy the Community's needs but emphasizes the importance of investment in indigenous coal to provide the Community with an assured source of supply;
15. Reiterates, therefore, the view which it has frequently expressed that the share of the Community coal market taken up by imports must not be allowed to rise further;
16. Welcomes the measures proposed by the Commission to safeguard investment in coal mining and the financing of stocks and thinks it reasonable for these measures to cover a period of at least 15 years;
17. Believes that the Community's commitment to support investment in the sinking of new mines or in the modernization of existing mines is an essential precursor of a Community coal industry capable of facing competition and developing employment;
18. Stresses the importance of channelling investment into new indigenous sources of supply of coal rather than into non-viable mines and recognizes the need to phase out mines that have become non-viable through depletion or through geological factors;
19. Believes that the Community should take an increased share in financing the costs of restructuring the coal sector, including comprehensive social, retraining and appropriate educational measures, with accompanying regional programmes to provide replacement jobs and also improvements in infrastructure, and that for this purpose the ECSC budget will require new sources of revenue from the general Community budget;
20. Is concerned about the high level of coal stocks in the Community; believes it is important that such stocks be made available for use as soon as possible; consequently supports the Commission's initiative for reducing coal stocks;

21. Expects the Commission at last to propose suitable measures to improve price transparency on the coal market;
22. Recommends that the production of lignite and peat be included in the investment subsidy programme to be proposed;
23. Expects the Commission to urge certain Member States to apply the existing directives on limiting the use of natural gas and oil in electricity generation and to make every effort to convert from natural gas and oil to coal in the heat supply sector in general (particularly district heating);
24. Supports the Commission in its aim of encouraging the Member States by means of appropriate financial measures and practical pointers to increase incentives for consumption of solid fuels by municipalities and small-scale users;
25. Sees great potential for the increased use of coal with the introduction of new technologies for environmentally safe use, gasification and liquefaction;
26. Expects the Council to adopt soon the regulation granting financial incentives for certain categories of investment in the rational use of energy;
27. Calls on the Council to finally adopt the regulations on extending the new five-year programme for demonstration projects on the liquefaction and gasification of solid fuels and on new combustion processes;
28. Believes that the Community should seek to increase the use of combined heat and power production from coal-fired power stations;
29. Expresses its concern about air pollution from industrial plants but does not believe that such pollution represents an insuperable obstacle to increased use of coal in the Community;

30. Agrees with the general objectives of the Commission's proposals;
31. Believes that the Community should take an increasing share of the public financing of the coal industry and requests the Commission to make future budgetary proposals in this context;
32. Instructs its President to forward to the Commission and the Council and to the Parliaments of the Member States, as Parliament's opinion, the proposal from the Commission as voted by Parliament and the corresponding resolution.

EXPLANATORY STATEMENTI. Introduction\*

1. The communication from the Commission to the Council on 'proposals for a balanced solid fuels policy' is one of a series of documents drawn up by the Commission in this field in recent years, but which have not yet produced any perceptible and effective consequences in the Community's energy strategy.
2. Most recently, the Council Resolution of 9 June 1980<sup>1</sup> on energy policy objectives for 1990, in which all Member States were in favour of priority being given to coal, ought to have formed the starting point for practical and speedy follow-up measures.
3. As a result of the subsequent apparent stagnation in the deliberations and decision-making procedure in the Council of Ministers, in February 1982 Parliament itself adopted a resolution on aspects and requirements of coal supplies for the European Communities (RINSCHÉ report)<sup>2</sup>, in which it presented its ideas and made a number of recommendations to the Commission as to how coal could become a central element in European energy policy.
4. In the same month (but two years after the Council resolution) the Commission combined a communication on the role of coal in Community energy strategy with proposals for two Council recommendations on the conversion of industrial combustion plants to coal firing and the conversion of district heating systems and those in public buildings to coal and coke<sup>3</sup>.

In its resolution of 14 June 1982, Parliament (MORELAND report)<sup>4</sup> welcomed the 'recognition by the Commission of the importance of coal for the future energy needs of all Member States of the Community', but called on the Commission to produce more effective measures than mere Council recommendations.

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\* The following explanatory statement deals with both Commission documents, as the proposal for a regulation simply fleshes out some previous Commission proposals

<sup>1</sup> OJ No. C 149 of 18 June 1980, p. 1

<sup>2</sup> OJ No. C 66 of 15 March 1982, p. 106

<sup>3</sup> OJ No. C 105 of 26 April 1982, p. 1

<sup>4</sup> OJ NO. C 149 of 14 June 1982, p. 134



5. In fact, in the meantime it became apparent that the Council itself needed a great deal of time to adopt these recommendations<sup>1</sup> and not until April 1983, on the basis of a working programme on solid fuels<sup>2</sup> submitted by the Commission in February 1983, did it conduct a policy debate and endorse the need to arrive at early agreement on practical proposals for a comprehensive and balanced strategy on solid fuels<sup>3</sup>. It remains to be hoped that the Member States and the Council of Ministers will be aware of this need in the future and will not block a speedy, unified procedure for short-sighted nationalistic reasons.

## II. On the Commission proposals

6. The present Commission document addresses four basic issues:

- the nature of the obstacles to the greater use of solid fuels;
- the role of research and development in the use of solid fuels;
- the importance of satisfactory Community production from the economic point of view and that of security of supplies;
- the social consequences of rationalization of the coal industry;

which were given as guidelines by the Council on 21 April 1983 and on which the Commission lists its present proposals and measures and its future proposals.

7. Without giving any detailed and justified grounds for the obstacles standing in the way of the greater use of solid fuels, the Commission notes in general that particularly in the case of the non-producing Member States there are still additional opportunities for the use of solid fuels.

It is to be regretted here that the Commission did not feel it necessary to provide a more comprehensive survey of the situation.

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<sup>1</sup> see OJ No. L 140 of 31 May 1983, p. 25

<sup>2</sup> COM(83) 54 final

<sup>3</sup> EC Bulletin 4 - 1983, p. 51

8. In this connection the rapporteur wonders whether the Commission should not have adopted another approach, namely, deciding what measures ought to be taken to overcome the drop in coal sales and what are their prospects of success. In view of the tragic situation in the regions badly affected by pit closures and high unemployment, such as the Bochum/Dortmund area and Wales, one really should go further and ask what sacrifices the Member States would be prepared to accept to achieve long-term rationalization of the Community mining industry.
9. As it is the rapporteur's view that it is not the causes of the coal crisis which should be primarily under discussion, but initiatives to overcome it, this report is mainly concerned with the measures and action proposed by the Commission for the improvement and modernization of production, problems of high imports from third countries, increased promotion of consumption, the financing of demonstration projects and protection of the environment.

#### Modernization of production

10. Rising coal imports with stagnant coal production and growing stocks are features of the current situation. The profitability of Community production is therefore central to the Commission's considerations. The Commission takes the view that only 20 to 25% of Community production (50 to 60 m tons) is fully profitable and can compete with imported coal. 60 to 65% (about 140 m tons) of Community production is classed as marginally profitable, while 15% of production (i.e. some 40 m tons) is produced at a high deficit and cannot be described as competitive by the Commission.
11. The Commission proposes a programme of subsidies for the modernization of production extending over 5 years (1984-1988), but this is to be limited to the profitable and marginally profitable pits. These non-repayable investment subsidies would represent up to 25% of the total investment costs. There is an appropriation of 300 m ECU for this in the Community budget for 1984 alone.
12. This investment subsidy to promote production is basically to be welcomed, although implementation of this programme would mean abandoning 15% of Community coal production and a number of pits would have to be closed.

In view of the length of time needed for new mines to start up production, the closure of pits cannot be considered separately from the creation of new capacity and must form part of a phased plan.

13. It has to be taken into account here that partial reductions in sales should not be reflected in wholesale pit closures. In view of the foreseeable medium-term energy requirements, it would probably be better from the economic viewpoint to sustain a certain capacity through the crisis rather than lose this production irrevocably and at the same time aggravate the unemployment problem by mass redundancies.

The Commission should therefore consider carefully whether, instead of shutting down 15% of capacity, it would not be possible to just about cover production costs by improvements in productivity and appropriate investment.

#### Imports from third countries

14. In this connection it is striking that by the year 2000 the Commission expects imports of coal from third countries to account for three times their present share of consumption. Such imports already account for 22% of consumption (i.e. 70 m tons) and are thus approximately equivalent to current stocks in the Community.

In its resolution to the RINSCHÉ report, Parliament advocated the development of 'a stable relationship between domestic coal production and imported coal'<sup>1</sup> and insisted that 'domestic production and imports from third countries must be coordinated, in particular in such a way as to prevent domestically produced coal from being subject to inordinate pressure from imports in periods of slack economic activity'<sup>2</sup>.

15. It must therefore be clear to all concerned that a temporary fall in consumption in the Community should not be borne solely by Community coal and should affect imported coal at least to the same extent.

There must also be a redistribution in favour of indigenous coal when safeguarding supplies (i.e. Italy's predicted extra needs should only be covered from Community production).

<sup>1</sup> See paragraph 7

<sup>2</sup> See paragraph 12

### Reduction of coal stocks

16. The exchange of coal within the Community, which so far has been slight - only 16.5 m tons of coal and 5.5 m tons of coke in 1982 (compared with imports from third countries of 80 m tons of coal) - can be increased by improving its competitiveness, in particular by suitable measures to reduce prices. The premiums proposed by the Commission to reduce stocks will also help by improving sales, the intention being to run down stocks by some 30 m tons over the next three years. The Commission is providing 100 m ECU in the Community budget in 1984 for this purpose, representing a subsidy of 10 ECU per ton.
17. The rapporteur is strongly opposed to a reduction in stocks, which are currently equivalent to three months' Community production. The principle that only 45 days' coal stocks should be stored above ground may possibly have been valid in earlier times, but should not be taken as an article of faith. In fact, the stocks held should correspond to stocks that may be held in other energy sectors (oil, for instance). To ensure security of supplies and meet the additional demand forecast by 1990, coal stocks should therefore not be reduced but increased up to the equivalent of 6 months' Community production. Such strategic stockpiling requires at least co-financing by the Community. The Commission is therefore urged to amend its proposal for a regulation accordingly.
18. The proposed concurrent examination by the Commission of measures to improve the transparency of price quotations for Community coal meets a long-standing demand by this committee and Parliament, which unfortunately so far has not found any concrete expression.

### Lignite and peat

19. A special problem in the field of solid fuels is the production and consumption of lignite and peat in the Community. For three Member States - the Federal Republic of Germany, Greece and Ireland - these fuels represent an important indigenous source of supply. In 1981, for example, in Germany and Greece lignite accounted for 10.7% and 22.4% respectively of their total primary energy consumption, while in Ireland peat accounted for 10%.

Particularly in the case of Greece and Ireland, both of which at present import large quantities of oil, increased production of lignite and peat represents a logical alternative which ought to be subsidized in line with the Commission's proposals for subsidizing the improvement of coal production.

#### Increased consumption

20. Stagnant production and growing stocks are not just the result of rising imports from third countries: above all they reflect the stagnant consumption of coal in electricity generation, industry and the public sector. In its communication the Commission points out that power stations, which account for 60% of the total consumption of solid fuels, represent the biggest market. It has to admit, however, that two directives dating from 1975<sup>1</sup> designed to limit the use of natural gas and mineral oil products, have not been fully applied everywhere. It therefore seems necessary to press for stricter application, especially in the case of Italy and Ireland.
21. In other industrial sectors - with the exception of the cement industry, where conversion to coal has largely been successfully completed - the Commission still sees a considerable theoretical potential for substitution, although this is again mainly a question of cost. In its resolution to the PURVIS report of 12 April 1983<sup>2</sup>, Parliament gave its agreement to the Commission proposal for a regulation on the payment of financial incentives in support of certain categories of investment in the rational use of energy and called for its scope to be widened 'to give more enterprises in all Member States the chance of applying for an interest rebate'<sup>3</sup>.

It is now up to the Council to adopt this regulation as soon as possible in order to promote the consumption of solid fuels by this means.

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<sup>1</sup> OJ No. L 178 of 9 July 1975, pp. 24-26

<sup>2</sup> OJ No. C 128 of 16 May 1983, p. 34

<sup>3</sup> See paragraph 9

### Demonstration projects

22. The Committee on Energy, Research and Technology has been urging the Community for a long time to give priority to coal research, new combustion processes and coal processing. It is therefore all the more regrettable that the new five-year programme submitted by the Commission in August 1982 for demonstration projects in the field of solid fuels has not been fully adopted by the Council, but is only to run for one year. In its resolution of 29 October 1982 to the NORMANTON report<sup>1</sup>, Parliament had already stated its intention 'to regard the demonstration projects programme as a test case of the Council's willingness to take seriously its responsibilities to the peoples of the Community in the sphere of energy'.

The Council must finally recognize its responsibility and translate the declarations of intent into decisions binding on all Member States.

### Protection of the environment

23. Pollution of the environment by coking plants, coal gasification and liquefaction plants, thermal power stations and other combustion plants is dealt with more fully elsewhere, but it is very interesting to note that in the Commission's opinion the extra costs of the measures set out in its new proposal for a directive on combating the air pollution from industrial plants<sup>2</sup> could be afforded by the industry concerned in view of the competitiveness of coal compared with oil.

Efforts must in any case be made to reduce the pollution caused by coal production and consumption. Attention is drawn in particular to Parliament's resolution to the MORELAND report which calls for 'the most effective technical treatment of waste gas in new coal-fired power stations and the greatest possible reduction of waste gas at existing plants'<sup>3</sup>.

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<sup>1</sup> OJ No. C 304 of 22 November 1982, p. 263, paragraph 12

<sup>2</sup> COM(83) 173

<sup>3</sup> See paragraph 17

### III. CONCLUSIONS

24. In general it is to be welcomed that the Commission's views on solid fuels are in keeping with Parliament's previous demands and recommendations.

It is now mainly a question of the Commission approaching the Council with concrete proposals for regulations; the present approach, involving recommendations and directives, has not proved to be a suitable instrument for really tackling the problem on a Community-wide basis.

25. In view of the Community's long-term coal requirements, decisive action is needed by the Community and all Member States to take advantage of the important contribution which Community mining can make to maintain security of supplies and towards the extensive replacement of oil.
26. Parliament in turn must be aware that in the budget deliberations it must fulfil the obligations arising from its previous reports and resolutions on energy strategy, in particular the role of solid fuels, and enter the relevant appropriations in the Community budget, if necessary at the expense of other sectors and activities.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr Konrad SCHÖN

On 21 September 1983, the Committee on Budgets appointed Mr Konrad SCHON draftsman of the opinion.

The committee considered the draft opinion at its meeting of 7 December 1983 and adopted it unanimously.

The following took part in the vote: Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mr Konrad SCHÖN, draftsman; Mr ABENS, Mr BALFE, Mr BLANEY (deputizing for Mr BONDE), Mrs BOSERUP, Mr HARRIS (deputizing for Mr R. JACKSON), Mrs HOFF, Mr LANGES, Mr MEGAHY (deputizing for Mr O'MAHONY), Mr Kalliopi NIKOLAU, Mr PRICE and Mr PROTOPADAKIS.



## I. ROLE OF THE PROPOSAL IN THE NEW, REVISED SOLID FUELS POLICY

1. The main objectives of the Community's energy strategy are:

- reduction of dependence on imported oil,
- diversification of sources of supply,
- greater security of supply.

The solid fuels policy (hard coal, brown coal and peat) has an important part to play here.

2. The revised solid fuels policy of which this proposal forms a part, covers the following aspects:

- stimulation of consumption,
- stimulation of intra-Community trade,
- modernization of production capacity, partly through new investment and partly through closures,
- social measures in the event of closures,
- elimination of constantly increasing stocks,
- research and development into the production and use of solid fuels and into environmental side effects.

3. Taken as a whole the revised solid fuels policy will have very serious budgetary implications. In the preliminary draft budget for 1984, the Commission has entered 769.3 million ECU in commitment appropriations in the chapter on energy policy, of which 572 million ECU would be earmarked for hard coal and 400 million ECU for the measures considered here. In the draft budget, this appropriation of 400 million ECU was replaced by a token entry.

## II. PREVIOUS OPINIONS

4. When the RINSCHÉ report on aspects and requirements of coal supplies for the European Communities was being prepared, the Committee on Budgets delivered an opinion (7.7.1981) which stressed the following aspects:

- the need to formulate an overall policy for the production and use of coal,
- rejection of the concept of maintaining unprofitable production units,
- the need to formulate social measures to compensate the employees affected by closures.

Bearing in mind that other proposals relating to the policy on coal are in preparation an analysis of this proposal shows that these requirements are being met.

### III. CONTENT OF THE PROPOSAL

5. The main problem facing Community hard coal is that it is not competitive with coal imported from third countries. The aim of the measures is, therefore, to modernize and rationalize production extensively whilst maintaining existing production capacity, with the Community bearing one quarter of the cost of the investment needed. Production capacity for brown coal and peat is to be expanded in Greece and Ireland, and here, too, the Community will provide one quarter of the investment costs. Finally, in recent years, the imbalance between production and consumption has led to increased hard coal stocks. The cost and burden of maintaining these stocks weigh heavily on undertakings' finances. Successful rationalization of production will therefore depend on these stocks being reduced to a normal level.

Investment aid and subsidies for destocking will be dependent on prior approval from the Commission of the modernization and restructuring plans submitted by the undertakings.

6. The terms and conditions for investment aid to the hard coal sector are as follows:

- duration : five years (1984-88)
- a direct subsidy of up to 25% for investment costs (interest subsidies on repayable loans, which are successful elsewhere, are not considered adequate in this case),

- aid to be granted only for projects relating to economic or only marginally uneconomic mines. This is described more specifically as coalmines with an adequate production potential and where output is at least 380 kg per man/hour. For investment in new capacity, output is expected to be at least 600 kg per man/hour.

The Commission estimates that 70% of Community production would be eligible for this aid.

7. Similar terms and conditions apply for measures to expand production capacity for brown coal and peat in Greece and Ireland: a direct subsidy of up to 25% of total investment cost. The measures must also form part of long-term programmes.

8. The aid to reduce excess stocks will only be granted to undertakings already receiving Community investment aid and the undertaking must also submit a destocking programme. Aid will amount to a maximum of 10 ECU per tonne over the planned three-year period (1984-86). The aim is to reduce current stocks by 10 million tonnes a year, which would bring stocks down to a normal level of approximately 45 days' output.

9. The closure of uneconomic mines and investment to increase productivity, while capacity remains constant, will naturally involve job losses. The corollary of this proposal is, therefore, the adoption of social measures. The proposal on these measures does not fall within the scope of this opinion but it is clear that both issues are closely linked. The Commission has entered 60 million ECU for social measures in the preliminary draft budget for 1984.

#### IV. BUDGETARY EFFECTS

10. Two new budget headings are to be included in the general budget:

		Budget 1984				estimated costs for the
		Prelim. draft		draft and final		duration of the measures
7024	Aid to investment for the production of solid fuels in the Community	PA 75,000,000	CA 300,000,000	PA p.m. <sup>1</sup>	CA p.m. <sup>1</sup>	1,500,000,000 (1984-88)
7025	Operations relating to coal stocks	PA 75,000,000 <sup>2</sup>	CA 100,000,000 <sup>2</sup>	PA p.m. <sup>1</sup>	CA p.m. <sup>1</sup>	300,000,000 (1984-86)

<sup>1</sup> An overall reserve of 24.6 m ECU PA and 30 m ECU CA for new policies (Chapters 70, 73, 75, 77 and 78) appears in Chapter 100

<sup>2</sup> In Chapter 100

702	total hard coal policy	PA 259,200,000	PA 7,700,000
		CA 572,000,000	CA 9,000,000

These figures demonstrate clearly that implementation of the new solid fuels policy (of which these two measures are only a part) will have considerable financial implications.

11. According to the Commission there should be no difficulty in financing these measures, and indeed the whole range of measures relating to the coal policy, provided that own resources are increased in line with its proposal for raising VAT contributions to a maximum of 1.4% of VAT assessment basis. Under the present circumstances, however, they cannot be financed.

#### V. CONCLUSION

12. The whole range of measures in the revised coal policy, of which investment aid for modernization of production and subsidies to normalize stocks are only two aspects, will make considerable demands on budgetary resources for several years. However, this seems justified. Now that prices are lower, relatively speaking, the Community must be careful not to relax its vigilance with regard to dependence on imported energy. The proposed policy is also a good example of a policy where national expenditure is replaced by Community expenditure.

Greater Community involvement in the policy also reduces the risk of distortion of competition through national aid measures. Lastly, it should be remembered that the experts consulted by Parliament, Mr Albert and Professor Ball, consider that one way of achieving economic recovery should be through extensive investment in the energy sector.

13. The Committee on Budgets:

- (a) notes that because the proposed solid fuels policy is an integrated policy, a favourable opinion on this proposal necessarily determines the view which must be adopted with regard to other aspects such as social and environmental protection measures;
- (b) points out that the proposed measures should be supported because of their objectives in the context of energy and economic recovery;

- (c) considers that the proposed measures replace national measures and thus justify an increase in Community resources; under the present circumstances, however, they cannot be financed;
- (d) considers that the closure of uneconomic production capacity, given appropriate social measures, is a reasonable option in the context of an attempt to create a competitive coal sector;
- (e) approves the provisions for investment aid in the coal sector;
- (f) approves the provisions to reduce coal stocks, provided that when they are applied emphasis is placed on improving the undertaking's financial position;
- (g) considers that the expansion of production capacity for peat and brown coal is justified.

OPINION

(Rule 101 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs

Draftsman: Mr VAN ROMPUY

At its meeting on 19-20 September 1983 the Committee on Economic and Monetary Affairs appointed Mr Van Rompuy as draftsman of an opinion for the Committee on Energy and Research.

The Committee considered the draft opinion at its meeting of 27-28 September 1983 and adopted it unanimously.

The following took part in the vote:

Mr MOREAU (Chairman); Mr Van ROMPUY (Draftsman); Mr BEAZLEY; Mr BEUMER (replacing Mr Vergeer); Mr BONACCINI; Mr DAMSEAUX (replacing Mr Nordmann); Mrs DESOUCHES; Mr WEDEKIND (replacing Mr Franz); Mr von WOGAU

## Background

1. The Commission is proposing strengthening Community action to carry out two sets of priority objectives, to modernize and restructure coal production within the Community as a whole, and to permit the expansion of production capacity for brown coal and peat in Greece and in Ireland.

With regard to the coal producing sector as a whole, the Commission is proposing aid for investments in modernization and also aid to reduce the current very high level of stocks, both sets of action being subject to previous approval by the Commission of modernization plant and output restructuring plans submitted by each enterprise. The Commission estimates that a minimum of 300 million ECU per year will be required to aid the modernization investments and, also, the investments in capacity expansion in the brown coal and peat industry and that 100 million ECU will be required to aid destocking. The maximum aid envisaged for individual investments is 25% of total cost in the form of direct non-repayable aid.

## Conclusions

2. It is clearly of great importance to Community industry that there be a strong competitive coal industry within the Community, reducing unnecessary dependence on imported energy supplies and also solving some of the problems implied in an over-rapid expansion of nuclear power capacity. It is also highly important that rationalisation of the Community coal industry be seen within a Community perspective, and not just within a national framework.

In this context, the Committee on Economic and Monetary Affairs supports the Commission's current proposals that would appear to help meet the above objectives. It notes that this will also entail hard decisions, such as the closure of highly uneconomical and uncompetitive facilities but underlines that this will be necessary if Community restructuring is to have any chance of success. The Committee also notes with approval that the proposals should improve the energy position of two of the poorest countries within the Community, Greece and Ireland, through the enhancement of brown coal and peat production respectively. The Committee also supports, however, the Commission's view that Community aid in such increased production should also be accompanied by a commitment from the two governments concerned that they apply Community principles of price setting to the production of brown coal and of peat.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT,  
PUBLIC HEALTH AND CONSUMER PROTECTION

Letter from the Chairman of the Committee to Mrs WALZ, Chairman of the  
Committee on Energy, Research and Technology

Subject: Communication from the Commission to the Council on "Proposals for  
a balanced solid fuels policy" COM(83) 309 fin. - doc. 1-647/83)

Dear Madam Chairman,

The Committee on the Environment, Public Health and Consumer Protection  
considered the above proposals from the Commission at its meeting of  
24 November 1983.

The Committee on the Environment, Public Health and Consumer Protection  
stresses the need, in the context of the objectives proposed by the Commission,  
for close attention to be paid to the emissions of sulphur dioxide as a result  
of the use of coal. It calls for a reduction of these emissions and for the  
research required to this end to be carried out within the Community, if  
necessary with Community aid. In this context it refers to the report by  
Mrs SQUARCIALUPI (doc. 1-992/83) and the report by Mr MUNTINGH (PE 86.241)  
on air pollution.

Please consider this letter as the opinion of the Committee on the  
Environment, Public Health and Consumer Protection.

Yours sincerely,

(sgd) Kenneth D. COLLINS  
Chairman

The following took part in the vote: Mr COLLINS, Chairman; Mrs WEBER,  
vice-chairman; Mr ALBER; Mr BOMBARD; Mr FORTH; Mr GHERGO; Mrs LENTZ-CORNETTE;  
Mrs SCHLEICHER; Mrs SEIBEL-EMMERLING; Mrs SQUARCIALUPI and Mrs VAN HEMELDONCK.