

## EUROPEAN PARLIAMENT

# Working Documents

1982-1983

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11 October 1982

DOCUMENT 1-670/82

## Report

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

- I. the communication from the Commission of the European Communities to the Council on evaluation of the Community demonstration programmes in the energy sector
- II. the proposals from the Commission of the European Communities to the Council for
  - a Regulation (EEC) on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy-saving and the substitution of hydrocarbons
  - a Regulation (EEC) on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels

Rapporteur: Mr T. NORMANTON

OR : EN/FR

PE 79.971/fin.



On 7 July 1982 the communication from the Commission of the European Communities to the Council on evaluation of the Community demonstration programmes in the energy sector, accompanied by the assessment report on the Community demonstration programmes, was referred to the Committee on Energy and Research as the Committee responsible and to the Committee on Budgets and the Committee on Economic and Monetary Affairs for their opinion.

On 7 June 1982 the Committee appointed Mr NORMANTON rapporteur.

On 21.9.1982, the proposals from the Commission of the European Communities to the Council for I. a regulation on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy-saving and the substitution of hydrocarbons and II. a regulation on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels, were referred to the Committee on Energy and Research.

On 23 September 1982 the Committee decided that these proposals should be dealt with in the report already being prepared by Mr NORMANTON on the abovementioned communication.

It considered the motion for a resolution at its meeting on 29 and 30 September 1982 and at that meeting unanimously adopted the motion for a resolution with the explanatory statement.

The following took part in the vote: Mr GALLAGHER, acting chairman; Mr SELIGMAN, vice-chairman; Mr NORMANTON, rapporteur; Mr ADAM, Mr CALVEZ (deputizing for Mr Pintat), Mr. FLANAGAN, Mr FUCHS, Mr GALLAND, Mr GHERGO (deputizing for Mr Sassano), Mr PURVIS, Mr RINSCHÉ, Mr SCHMID, Mrs THEOBALD-PAOLI, Mr VERONESI, Mr VIEHOFF (deputizing for Mrs Lizin).

The opinion of the Committee on Budgets is attached. The opinion of the Committee on Economic and Monetary Affairs will be printed separately.

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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

closing the procedure for consultation of the European Parliament on

- I - the communication from the Commission of the European Communities to the Council on evaluation of the Community demonstration programmes in the energy sector,
- II - and on the proposals from the Commission of the European Communities to the Council for
  - a Regulation on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy saving and the substitution of hydrocarbons
  - a Regulation on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels.

The European Parliament,

- A. having regard to the communication and proposals from the Commission of the European Communities,
- B. having been consulted by the Council (Docs. 1-449/82, 1-639/82),
- C. having regard to its resolution of 17.11.1977 approving the establishment of the existing demonstration projects programme<sup>1</sup>, and to its subsequent resolutions on the substance of this matter,

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<sup>1</sup> OJ No C 299, 12.12.1977, p. 50.

- D. having regard to its resolutions on the financial and budgetary aspects of this matter, in particular that of 23.4.1982<sup>1</sup>,
- E. having regard to the Joint Declaration by the European Parliament, the Council and the Commission on various measures to improve the budgetary procedure of 30.6.1982<sup>2</sup>,
- F. having regard to its various resolutions on matters closely related to the substance or the rationale of the demonstration projects programme, which have recently included the following:
- (i) new lines of action in energy saving (18.4.1980)<sup>3</sup>
  - (ii) energy-saving in transport (15.10.1981)<sup>4</sup>
  - (iii) wind energy (12.3.1982)<sup>5</sup>
  - (iv) coal in energy strategy (14.5.1982)<sup>6</sup>
  - (v) rational use of energy (14.5.1982)<sup>7</sup>
  - (vi) biomass (17.9.1982)<sup>8</sup>
  - (vii) combined heat and power (17.9.1982)<sup>9</sup>
- G. having regard to the report of the Committee on Energy and Research and the opinions of the Committee on Budgets and the Committee on Economic and Monetary Affairs (Doc. 1-670/82)

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<sup>1</sup>OJ No. C 125 of 17.5.1982, p. 175

<sup>2</sup>OJ No. C 194 of 28.7.1982, p. 1

<sup>3</sup>OJ No. C 117 of 12.5.1980, p. 37

<sup>4</sup>OJ No. C 287 of 9.11.1981, p. 66

<sup>5</sup>OJ No. C 87 of 5.4.1982, p. 107

<sup>6</sup>OJ No. C 149 of 14.6.1982, p. 134

<sup>7</sup>Ibid., p. 137

<sup>8</sup>minutes of proceedings of the European Parliament of 17.9.1982, (PE 79.887), P. 21

<sup>9</sup>Ibid., p. 26

1. Welcomes the positive conclusions of the assessment recently carried out by the Commission, assisted by independent experts, of the Community's programme of support to demonstration projects in the fields of energy saving and alternative energy sources,
2. Applauds the Commission's decision to propose new regulations designed not only to continue but also to expand the scope of the programme,
3. Emphasises the vital role of Community action in this sphere, given the imperative need to find ways of reducing the Community's dependence on imported energy supplies, to avoid wasteful duplication of effort and to stimulate the open exchange of technical information and experience,
4. Notes with satisfaction the cost-effectiveness of the programme, which has stimulated investment worth nearly 900 m ECU for an outlay by the Community of only some 205 m ECU,
5. Recalls that this cost-effectiveness ratio may be rendered even more favourable to the Community as and when occasion arises to implement the contractual provision for reimbursement of the Community contribution in the event of projects enjoying commercial success,
6. Draws attention, accordingly to the need for great care in monitoring projects so as to ascertain whether or not the criteria of commercial success have been met,
7. Points out that the successful promotion of programmes such as this is a prerequisite for a genuine and effective Community energy policy,
8. Recalls with dismay that the many pronouncements by the Heads of State or Government and by the Council in favour of a Community energy policy have not resulted in action of significance,
9. Reiterates its own whole-hearted commitment to the idea of a Community energy policy,

10. Commits itself, further, to regard the demonstration projects programme as a test case of the willingness of the Council to take seriously its responsibilities to the peoples of the Community in the sphere of energy,
11. Expresses its conviction that the conclusion on 30 June this year of the Joint Declaration by the European Parliament, the Council and the Commission on various measures to improve the budgetary procedure means that the practice of seeking to circumvent the lawful powers of the Budgetary Authority by using regulations to fix levels of expenditure has ended<sup>1</sup>,
12. Condemns utterly the practice whereby provisions in the original regulations establishing the demonstration projects programme which gave the Council a voice in the qualitative evaluation of submitted projects, were used for an extraneous purpose, namely to limit expenditure,
13. Considers that a practice of this kind, which brings into disrepute both the Community and the rule of law, is irresponsible,
14. Applauds warmly the leadership shown by the Commission in omitting from the proposed new regulations provision either for the setting of financial limits in implementing regulations or for allowing decisions on the qualitative merits of submitted projects to be taken by bodies other than those with special competence,
15. Agrees with the Commission that the size and duration of most solid-fuel liquefaction and gasification projects justifies their being dealt with in a separate regulation, but hopes that there will be sufficient latitude in interpretation of the relevant criteria to permit support to be given to smaller projects as well as large ones, particularly those involving gasification at the point of consumption.

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<sup>1</sup>Section IV, paragraph 3(b) reads: "In order that the full importance of the budget procedure may be preserved, the fixing of maximum amounts by regulation must be avoided, as must the entry in the budget of amounts in excess of what can actually be expended"



16. Emphasizes that the demonstration projects programme must not be considered in isolation from other energy policy issues,
17. Trusts, accordingly, that in their present and future deliberations on this programme the Commission and Council will take into account the various resolutions of the European Parliament on related energy issues, such as, for instance, those on new lines of action by the Community in the field of energy saving, on energy savings in the transport sector and on investment in the rational use of energy<sup>1</sup>,
18. Approves the Commission's proposals and at the same time requests that, should the Council form the intention of departing from the proposals of the Commission as approved in the present resolution, the conciliation procedure be opened,
19. Instructs its President to forward this resolution and the report of its committee to the Council and Commission and to the parliaments and governments of the Member States.

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<sup>1</sup>See Recital F, above

EXPLANATORY STATEMENTI. GENERAL POLITICAL ASSESSMENT(i) Introduction

1. This report deals with (a) the recent technical assessment of the Community's demonstration projects programme in energy saving and alternative energy sources, and (b) the current proposals for reviewing the programme.
2. The first section of this report, which serves as a political assessment, sets out to identify the major constitutional issues, the political factors, the budgetary considerations, the administrative procedures of the Commission, and the salient technical aspects.
3. A subsequent section will summarise the troubled history of Community legislation in this sphere.
4. The third and fourth sections will take up specific points arising from, respectively, the assessment of the existing projects and the proposals for new regulations.
5. An annex to the report recalls some of the principal authoritative pronouncements on the need for a Community energy policy made since 1972, chiefly by the Heads of State or Government of the Member States. The time has come to document the flagrant discrepancy between exhortation and achievement in this matter.

(ii) Constitutional

6. There can be no doubt but that the Commission has under the Treaty of Rome a constitutional duty and a right to initiate proposals for policies aimed at promoting, inter alia, the greater economic health of the Community as a whole. Where Commission proposals are seen to be in response to general declarations of principle from the European

Council, especially when made repeatedly and over many years, such proposals acquire an added "legitimacy" which should logically be reflected in their consideration by the Council of Ministers

7. In the case of demonstration projects it could justifiably be claimed that the way in which the Council of Ministers has acted would suggest that there was and never had been any connection between the Ministers (Energy or Finance) and their Prime Ministers meeting and pontificating in such places as Copenhagen and Venice.
8. It is therefore not suprising that the Energy and Research Committee has constantly castigated the Council of Energy Ministers for their failure to reach Community decisions either relevant or timely to the crucial need for a Community energy policy. Such decisions as have been taken, in response to initiatives from Commission and from Parliament, have often been cosmetic, or of minimal effectiveness.
9. The initiative taken by the Commission in the field of demonstration projects was and is an imaginative, relevant, and positive contribution towards resolving some of the problems of the Community. Where the contribution has been small, that is by comparison with the need, part of the responsibility lies with the Council of Ministers for their unwillingness to match need with money.
10. A study of the history of demonstration projects reinforces the constant criticism by the Committee of the cumbersome, tedious stultifying procedures for reaching Community decisions for action, particularly where Community finance is required.

(iii) Budgetary

11. The authority and procedures for budgetary provisions have always been quite clear to both Parliament and Council. But the study of the history of demonstration projects provides a glaring example of violation of budgetary powers which the Council perpetrated largely because of the hiatus related to the ending of one Parliament and the assembling of a new one. Such violation must never be allowed to go unchallenged again, though it is not likely to occur now that the Parliament and Council have clarified their respective competences as the Budgetary Authority.

12. The new regulations on which the Committee is to report should be made to serve as a test case of the Council's integrity. They must be watched most carefully.

(iv) Political

13. The Committee has been consistently pressing upon the Parliament, ever since the late '60's, the critical vulnerability of the Community as its dependence on imported energy (oil) increased. Parliament has invariably endorsed this concern, but to little avail. Most of the Community's economic difficulties are directly attributable to the indifference of the Council over many years to Parliament's views. The Council Members, past and present, bear a heavy responsibility for the extremely grave state of our economy. "Too little and too late" epitomises the Community's policy towards energy.

(v) Administration

14. It should be stated that the Committee enjoys, and has done so for many years, a relationship with the Commission on energy which has been close and constructive. It does not preclude the Committee from calling for a still closer collaboration over the Commission's implementation of policies and programmes. This particularly relates to the need for monitoring and progressing, and the fullest compliance by recipients with terms and conditions of funds covered by regulations relating to demonstration projects. The Committee notes the assurances of the Commission that progress will in future be brought regularly to the attention of the Committee.
15. The Committee welcomes the proposal for Community support to be available in 'exceptional circumstances', for projects situated in whole or in part in non-Community territories. The over-riding consideration must of course be the benefit which will flow from such aid to the Community. This could be the case in both energy-saving and new energy sourcing.
16. Shortcomings in administration have been drawn to the Commission's attention by the Committee as well as by the Court of Auditors, and assurances obtained to correct these. The Committee expects to receive progress reports on measures taken by the Commission to effect improvements in the administration of these schemes.

(vi) Demonstration Projects

17. The Committee fully supports the principles underlying the policy, but feels strongly that the schemes should be expanded both in scope and allocation of financial resources. On the evidence of the Assessment Reports (COM (82) 324) and personal enquiries by the rapporteur, lies the justification.
18. The Committee strongly endorses the ways in which the Commission tries to apply slightly different criteria in assessing the appropriateness of support for energy saving projects compared with those relating to alternative energy sourcing. The latter, involving as they do longer periods for implementation and greater financial support, must inevitably be more "Community projects" than the former.
19. The Committee is aware of the large number of advisory panels and assessors appointed by the Commission to assist in supplementing the work of their own staff. The question has been raised by the Committee increasingly as to the role they play and their composition. The Committee wishes to be more fully informed on both these points.
20. Whilst in no way wishing to inhibit the Commission in its pursuit of the development of a "common energy policy" to which demonstration projects should contribute, the Committee invites the Commission to consider carefully where a line might be drawn between energy policy and industry policy. As presently drafted the regulations do not make provision for the application of the latter criteria, nor should they so long as commercial confidentiality is not enforced.
21. As far as demonstration projects in the field of exploitation of alternative sources of energy are concerned the Committee calls on the Commission to consider widening the scope for eligibility. For example coal gasification at a central point, perhaps integrated with a coal source, is eligible for support. A smaller plant at the point of consumption of the gas may not be eligible. It should be.
22. Although the Commission has responded recently to the Committee's requests for improved dissemination around industry of the availability of Community support, there is still far too little awareness of this among the greater part of Community potential applicants. The Commission should urgently review this aspect of the schemes.

## II. HISTORY

### (i) Introduction: Purpose of the programme

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23. With the aim of making rational and economic use of all the energy supplies available to it, the European Community gives financial support to demonstration projects in the fields of energy-saving and of the exploitation of alternative sources of energy.

24. A demonstration project is conceived of as being more than a technical experiment. There comes a point when new innovative technologies can be shown to be prima facie feasible, but when there is insufficient evidence of their practical or commercial viability to justify substantial levels of investment in them by public or private bodies.

25. The philosophy behind the demonstration project programme is that, by providing just enough Community financial support to tip the balance between a negative and a positive decision by investors, the Community can help to provide the evidence that is needed to enable public and private enterprises to make confident investment judgments with respect to these technologies.

26. Accordingly, the Community does not provide the whole cost of a demonstration project. Its contribution is, in fact, only from a quarter to a half of the total, and there are provisions for reimbursement of the Community's contribution if a project ultimately becomes a commercial success.

27. This strategy is designed to secure two advantages at once: first, it is intended that the Community's funding should have a gearing or "multiplier" effect, and, second, it enables available funds to be spread over the largest possible number of projects.

28. There are held to be important advantages in Community action in this sphere. One of these is that having a Community programme helps to avoid unnecessary duplication of effort. This is important in a time of general economic difficulties, when there may be a shortage of investment finance.

29. Partly because of the shortage of investment finance, there can be a tendency for Member States to follow certain fashions in allocating resources to different types of energy projects, favouring some but neglecting others. The advantage of action on a Community scale is that this is one way of making sure that no avenue is left unexplored, and that the Community as a whole can benefit from practical experience with the full range of modern developments in energy-saving and alternative energy sources.

30. This leads on to a most important point. It could be argued that the development of new technology in this sphere could be left to the normal processes of competition in the market place. However, even if it was certain that individual private and public concerns would take the necessary investment decisions, which cannot be guaranteed given prevailing economic conditions in Europe, the information gained from such projects would be subject to normal commercial secrecy. This is not the case with projects receiving Community support under the demonstration projects programme.

(ii) From the two basic Regulations proposed in 1977 to the end of 1980

31. The two Regulations establishing the Community demonstration programmes in the energy sector were adopted by the Council on 12 June 1978<sup>1</sup>.

32. The Regulation on alternative energy sources (1302/78) concerned in particular "the exploitation of geothermal fields, the liquefaction and gasification of solid fuels, and the exploitation of solar energy, wave energy, tidal energy and wind energy".

33. The preamble to the Regulation on energy saving (1303/78) noted that the Community and the Member States had already adopted research and development programmes in the fields of energy saving and argued that a Community programme of aid for demonstration projects "should contribute to a thorough application of the results of such research and development".

34. Both of these Regulations derived inspiration from the Council Resolution of 17 September 1974 concerning a new energy policy strategy for the Community<sup>2</sup>. In this the Council approved the aim of a "reduction of the rate of growth of internal consumption by measures for using energy rationally and economically without jeopardising social and economic growth objectives".

35. The adoption of the two Regulations came seven months after the European Parliament had delivered an opinion on them. In its Resolution adopted on 17 November 1977 on the basis of a report by Mr R. BROWN<sup>3</sup>, Parliament gave a favourable opinion (with one amendment) on the Commission's proposals. When the Council finally adopted the Regulations, however, they incorporated significant changes to the original proposals, on which Parliament had not had the opportunity to express an opinion.

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<sup>1</sup> Council Regulations (EEC) Nos. 1302/78 and 1303/78 -

OJ No. L158, pp 3-9

<sup>2</sup> OJ No. C153, 9.7.1975, p1

<sup>3</sup> OJ No. C299, 12.12.1977, p50



36. The most important of these related to the procedure for funding the programmes. The Council inserted a provision which gave it the power to fix (by unanimity) the maximum amount of aid to be made available by means of a special, subsequent Regulation.

37. Regulations 1302 and 1303/78 were adopted, as stated above on 12 July 1978. After it had come apparent what had occurred, the President of Parliament sent a telex to the President of the Council on 14 July 1978 requesting that the conciliation procedure be opened for these two items. In a letter of 10 October 1978, the Council refused to open the conciliation procedure on the grounds that the Regulations had already been passed<sup>4</sup>.

38. Apart from the controversial Regulations on the funding of the programme, there were to be three regulations on the implementation of the alternative energy sources Regulations (1302/78) in the three sectors concerned. These were ultimately adopted on 9 April 1979. The three regulations related to:

- a) solar energy (727/79)
- b) solid fuel liquefaction and gasification (728/79)
- c) geothermal energy (729/79)

39. To recapitulate, the two basic Regulations, 1302 and 1303/78, were to be put into effect by means of no less than five further regulations. Of these, two were to set financial ceilings, and three were to be implementing regulations in the respective sectors. Out of these 5 regulations, the European Parliament was only consulted on one: the implementing Regulation on solar energy (727/79)

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<sup>4</sup>The telex and letter here referred to are set out in the Annexes to the DALYELL report, already cited.

40. Parliament gave its opinion on the implementing regulation relating to solar energy on 17 January 1979<sup>5</sup>, on the basis of a report drawn up for the Committee on energy and research by Mr DALYELL<sup>6</sup>. Parliament expressed serious reservations with regard to the decision-making procedures introduced by the Council in Regulation 1302/78. It considered that these procedures would be detrimental both to the European Parliament's budgetary powers and to the Commission's executive responsibilities for the administration of programmes.

41. In the same Resolution, Parliament informed the Council of its intention to call for the initiation of the conciliation procedure should the Council attempt to adopt a regulation, pursuant to Article No. 11 of Regulation 1302/78, which would enable it to fix unilaterally the maximum amount of aid to be made available for projects to exploit alternative energy sources.

42. In the event, the Committee on budgets decided not to initiate the conciliation procedure, and, on 9 April 1979, the Council adopted the controversial Regulations fixing the maximum amount of aid to be made available. These were Council Regulations (EEC) Nos. 725/79 (energy-saving) and 726/79 (alternative energy sources)<sup>7</sup>.

43. Regulation 725/79 set the ceiling for energy-saving at 55 million EUA over four years. Regulation 726/79 set the following ceilings in the three alternative energy sectors:

	(million EUA)
Liquefaction and gasification of solid fuels	50
Exploitation of geothermal fields	22.5
Exploitation of solar energy	22.5

The overall maximum was thus fixed at 95 million EUA over five years.

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<sup>5</sup>OJ No. C39, 12.2.1979, p38

<sup>6</sup>Doc. 1-557/78

<sup>7</sup>OJ No. L93, 12.4.1979, pp. 1 and 2

44. By the end of 1979 the appropriations available for liquefaction and gasification were almost exhausted and the Commission proposed a new regulation to amend 726/79 so as to double the appropriations in this sector, to 100 million EUA. Parliament's opinion was given on the basis of a report by Mr SASSANO which approved the increase, while regretting the numbers proposed for the two other alternative energy sectors.

45. On the procedural issue, the SASSANO report noted that the Commission had tried to meet Parliament's objections to the unilateral fixing of ceilings by the Council, by adding the words "for guidance purposes" to the sums of money mentioned in the proposed new regulation. However, the report also noted that ceilings were in effect still being fixed and that in this and in other respects the procedure being used was detrimental to the budgetary principles of the European Communities.

46. The Energy Committee, in its report, and the Committee on Budgets in its opinion, were united in the view that the conciliation procedure should be invoked if the Council persisted in trying to fix levels of expenditure on demonstration projects other than by the budgetary procedure.

47. On 5 December 1980, the Commission submitted to the Council proposals for two new regulations amending 725/79 and 726/79 raising the aid maxima.

(iii) The most serious phase of the dispute over financial ceilings, 1981-1982

48. In the explanatory statements accompanying these proposals the Commission recalled that it had "formally and repeatedly made known its objections to the unilateral fixing, by the Council, of financial ceilings in the provisions of its Regulations and Decisions". The Commission further recalled that in a declaration which had been noted in the Council's minutes, it had expressed the view that figures should not be included in the Council Regulation (except by way of illustration) out of "the respect due to the Powers of Parliament with regard to non-obligatory expenditure".

49. There ensued a protracted difference of opinion between Parliament and the Council on the budgetary implications of the procedure that was being followed. In brief, the outcome was that Parliament rejected the proposals for the two new financial regulations on 23 April 1982<sup>8</sup>, on the basis of the report drawn up by Mr PFENNIG for the Committee on Budgets.

50. By the middle of 1982, this particular issue was overshadowed by the general scope of the tripartite discussions among Parliament, the Commission and the Council which resulted in the Joint Declaration of 30 June 1982 on measures to improve the budgetary procedure. One of the provisions of this Declaration states that the fixing of levels of expenditure in regulations "must be avoided".

51. On 19 July 1982 the Council adopted the two texts amending Regulations Nos. 725/79 and 726/79, raising the overall amount available from 150 to 205 million ECUs<sup>9</sup>. The new texts used a modified wording, which spoke, not of maxima, but of estimated necessary amounts.

52. Article 11 in Regulation 1302 and Article 10 in 1303/78 were not the only ones used by the Council to influence the level of spending on demonstration projects. It also used Article 6, paragraph 2 of 1302 and Article 5, paragraph 2 of 1303.

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<sup>8</sup>OJ C125, 17.5.1982, p175

<sup>9</sup>OJ No. L 219, 28.7.1982, p. 8 and p. 9

53. These provisions of the two Directives were not originally intended to have a bearing on financial aspects of the implementation of the Regulations but relate to the procedure for deciding whether to grant or refuse support for projects. The procedure that the original regulations lay down is that this decision lies with the Commission. The Commission must communicate its decision to the Council and the Member States. There is then a period of 20 working days during which a Member State may refer the matter to the Council. If a Member State does this the Council must rule on the Commission's decision. In the case of the first set of projects, the Council was to act unanimously if this occurred; in the case of subsequent projects it was to act by qualified majority.

54. This procedure has never been invoked by a Member State on grounds connected with the merits of a particular project. It was however, invoked in respect of a certain number of decisions taken by the Commission later in 1981 and early in 1982. These decisions were blocked as a means of keeping spending within the limits set unilaterally by the Council.

55. Immediately after the Council had adopted the new Regulations setting the "estimated necessary amounts" these decisions were unblocked.

56. The new Regulations increased by 55 million ECUs the money available for the demonstration projects programme. However, about 45 million ECUs was already accounted for by the blocked decisions. The Commission decided to allocate the remaining 10 million ECUs to projects in energy-saving, and prepared a call for tenders.

57. On 23 July 1982 the Commission adopted proposals for two new regulations to replace the original ones, 1302 and 1303/78

### III Assessment of the demonstration projects programme

58. Each of the original regulations setting up the demonstration projects programme in energy-saving and alternative energy sources placed an obligation on the Commission to "report periodically on the application of this Regulation to the European Parliament and to the Council, which shall both express an opinion of the report"<sup>10</sup>

59. The Commission's first reports on the application of Regulations 1302 and 1303/78 were published together in one document on 17 July 1981<sup>11</sup>. These have been the subject of a report drawn up for the Committee on energy and research of the European Parliament by Mr PETERSEN<sup>12</sup>.

60. On 11 June 1982 there followed a more substantial and detailed assessment of the programme. This was in three parts:

- (i) a Communication from the Commission to the Council entitled "Evaluation of the Community demonstration programmes in the energy sector";<sup>13</sup>
- (ii) an Assessment Report on the Community demonstration programmes in the fields of energy-saving and alternative energy sources;<sup>14</sup>
- (iii) annexes I, II and III to the foregoing Assessment Report. Annex I comprises a full list of the projects supported, with a description and assessment of each. Annex II is a list of experts. Annex III comprises statistics for the programme.<sup>15</sup>

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<sup>10</sup> Regulation (EEC) No. 1302/78, Article 9 and Regulation (EEC) 1303/78, Article 8.

<sup>11</sup> Doc. 1-980/81 (COM (81) 397 final

<sup>12</sup> Draft Report PE 77.996/rev

<sup>13</sup> COM (82) 324 final

<sup>14</sup> COM (82) 324/final/2

<sup>15</sup> COM (82) 324/final/3

61. In its communication to the Council, the Commission states that, up to the time of writing, it had selected a total of 331 projects for financial support. Subsequently, 49 of these projects had been withdrawn by their proposers, either, because of their difficulties in finding finance for that part of the investment not provided by the Community, or because the proposers had not initially become aware of the contingent repayment requirements.

62. The Commission states that the selected projects represent a total investment of nearly 900 m ECU. Assuming that investment projects take an average of 3 years, the Commission suggests that the volume of new investments stimulated by the Community demonstration programme has been 300 m ECU per year.

63. This total investment of nearly 900 m ECU has been stimulated at very modest cost to the Community. Commitment appropriations in the Community Budget for demonstration projects over the whole 5 year period, 1978 - 82, have only totalled 243 m ECU, while the expenditure actually authorised by the Council under its controversial unilateral procedure, has only totalled 205 m ECU.

64. The 205 m ECU approved by the Council includes the 55 m ECU approved only on 23 July 1982. For all practical purposes, therefore, the Commission has been working with a financial limit of 150 m ECU (smaller than the budgetary allocation) set by the Council in 1979.

65. The Commission reports in its Communication that this financial limit "has caused major difficulties in programme management".

"Since November 1981", states the Commission, "the programme has effectively been hampered as a result of the dispute between the budgetary authorities".

66. As regards the assessment of the programme, the Commission reports that all the projects for which contracts had been signed were assessed. However, only about 60 projects were sufficiently advanced as of 30 April 1982 for results to be clear and for initial conclusions to be drawn.

67. The technical evaluation was performed by Commission departments, including the Joint Research Centre, with the help of high level independent experts.

68. An idea of the specific sectors in which demonstration projects are being conducted is given by the various headings under which the findings of the Assessment Report are set out.

69. In Energy Saving, the headings are: Buildings, Heat pumps, District heating, Power stations and Combined heat and power production, Industry, Fluidised beds, Energy from waste, Transport and Agriculture.

70. In Alternative Energy Sources, the headings are Solar Energy, (Solar heating, Photovoltaic techniques and Biomass), Geothermal energy, and Liquefaction and gasification of coal.

71. It would be superfluous to recapitulate here the various findings set out in the Commission's documents. Moreover, it should go on record that there is a measure of artificiality in attempting to evaluate a programme of this type after it has been running for so short a time. This is not a criticism of the Commission. The question arises whether Member States having programmes of their own in this sphere would consider such a time-span reasonable as a basis for assessing those programmes.

72. The results of the assessment were broadly consistent with what should have been expected of a programme of this type, at this stage. A point which should not be overlooked is the following. Since the purpose of the projects is to test various systems and processes, the failure of one of the systems or processes involved can represent just as much a success for the programme as a whole as if it had worked. The purpose of a programme of this kind is as much to eliminate the techniques which are not worth pursuing as to identify those which are. That said, it is encouraging that the Commission had succeeded in identifying such a wide range of techniques which it considers worthy of further investigation.



#### IV The proposals for new regulations

73. Pursuant to paragraph 64 of the Commission's Communication on the evaluation of the demonstration projects programme, the Commission has proposed two new regulations to replace 1302 and 1303/78. These are:

- (i) Proposal for a Council Regulation (EEC) on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy-saving and the substitution of hydrocarbons;
- (ii) Proposal for a Council Regulation (EEC) on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels.

74. It will be seen that the two new Regulations do not exactly match their two predecessors in scope. Instead of energy-saving on the one hand and alternative energy sources on the other, there is now alternative energy, energy-saving and oil substitution on the one hand, and coal liquefaction and gasification on the other.

75. The introduction of hydrocarbons substitution is an innovation. In the past the status of projects in this area has sometimes been unclear, since oil substitution does not necessarily involve either a saving of energy or the use of an alternative energy source. The Commission nevertheless believes that the merits of such projects are obvious in the context of the general objectives of the programme to reduce the Community dependence on oil imports. Another innovation is the extension of Community action to cover industrial pilot projects and feasibility studies for which the question of reimbursement does not arise.

76. The Commission is further providing for the possibility of carrying out projects outside the Community. It has in mind, for example, the desirability of locating solar energy projects in hotter climates.

77. As regards the question of finance, the Commission is proposing, simply, that

'the amounts of financial support to be granted pursuant to this Regulation shall be entered in the general budget of the European Communities.'

78. This provision, with identical wording in each case, appears in both the proposed regulations. (It forms Article 8 of the Regulation on alternative energy sources and Article 9 of that on Liquefaction and gasification).

79. In line with the Joint Declaration on measures to improve the budgetary procedure, therefore, the Commission is proposing that the practice of fixing financial ceilings for this programme in special regulations should cease.

80. The Commission is also proposing an end to the procedure whereby the Council can intervene in decisions on which projects should receive Community support. Article 5(2) of each of the two proposed regulations leaves the right of decision here to the Commission alone, after consultation of the Advisory Committee on the Management of Demonstration Projects.

AUTHORITATIVE COMMITMENTS TO A EUROPEAN COMMUNITY ENERGY POLICY  
SELECT REFERENCES

This summary of select references is divided into two parts. The first covers the period around the outbreak of the oil crisis (1972-1974). The second covers the most recent period (1980-1982).

PART I - 1972-1974

1. In Paris in October 1972, the Heads of State or Government of the Member States emphasised that the aim of Community energy policy must be to guarantee "safe and lasting supplies under satisfactory economic conditions".
2. In Copenhagen in December 1973, they acknowledged the "urgent" need for a Community energy policy as a result of the oil crisis of that year.
3. These pronouncements resulted in the Council Resolution of 17 September 1974<sup>1</sup>.
4. In this Resolution, the Council "affirms its political will to draw up and implement a Community energy policy". It "emphasises that this Community energy policy implies close coordination of the positions of the Member States".
5. In the Resolution, the Council adopted specific guidelines. The first of these required the reduction "of the rate of growth of internal consumption by measures for using energy rationally and economically without jeopardising social and economic growth objectives".
6. In a further Resolution of 17 December 1974, the Council laid down Community energy policy objectives for 1985<sup>2</sup>.
7. In Part 1, paragraph 2, of this Resolution, the Council "approves the objective of reducing Community dependence on imported energy to 50% and if possible to 40% by 1985 (63% in 1973)".

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<sup>1</sup>OJ C 153, 9.7.1975, p.1

<sup>2</sup>Ibid., p.2

8. In Part 1, paragraph 3, the Council notes the Commission's opinion that the "more ambitious" objective of 40% is feasible, and it "requests Community institutions to keep the means of achieving this objective under constant review".

#### PART II - 1980-1982

9. Meeting on 27-28 April 1980, the European Council considered that:

"In the longer term, the Community and the Member States must press ahead with action to reduce the Community's dependence on oil imports, making the most of the Community's own energy resources and taking further steps to develop a co-ordinated policy on the conservation and rational use of energy."

10. The European Council further considered it 'essential' that the

"Community pursue a policy of structural changes directed towards greater use of alternative sources of energy. Agreement on a strategy for 1990 is of the utmost importance in this connection".

11. It also

"invited the Council of Ministers to consider as a matter of urgency the steps proposed by the Commission to stimulate the development of a coherent energy policy within the Community".

12. In Venice on 12-13 June 1980, the European Council affirmed:

"We must break the existing link between economic growth and consumption of oil, and we mean to do so in this decade. This strategy requires conserving oil and substantially increasing production and use of alternative energy sources".

13. At that meeting, the European Council committed itself, inter alia, to accelerate the substitution of oil in industry, to encourage oil-saving investments in residential and commercial buildings and to promote the introduction of increasingly fuel-efficient vehicles.

14. The European Council also stated:

"Our comprehensive energy strategy is designed to meet the requirements of the coming decade. We are convinced that it can reduce the demand for energy, particularly oil without hampering economic growth. By carrying out this strategy we expect that, over the coming decade, the ratio between increases in collective energy consumption and economic growth of our countries will be reduced to about 0.6 that the share of oil in our total energy demand will be reduced from 53% now to about 40% by 1990, and that our collective consumption of oil in 1990 will be significantly below present levels so as to permit a balance between supply and demand at tolerable prices.

15. In Maastricht (23-24 March 1981), the European Council came to the conclusion that

"The pursuit of a coherent energy policy remains of great importance for the reinforcement of the European economy. Reduction of dependence on imported oil and the utilization of alternative fuels are vital to employment and the balance of payments".

16. In June the same year (29-30 June, Luxembourg), it said it 'was convinced that investment in energy conservation and production is of vital importance.'

17. In Brussels the following spring (29-30 March 1982) it decided:

"The industrial, energy and research policies and the agricultural policy were amongst those where the Community dimension could make the greatest contribution.

The European Council asked the Council, in all its compositions, to reinforce those policies on the basis of Commission proposals.

A report on the follow-up to these guidelines would be drawn up for the meeting of the European Council at the end of the year."

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr G. PFENNIG

At its meeting of 22 September 1982, the Committee on Budgets appointed Mr PFENNIG draftsman.

It considered the draft opinion at its meeting of 30 September and adopted it unanimously.

The following took part in the vote: Mr Lange, chairman; Mrs Barbarella, second vice-chairman; Mr Pfennig, draftsman; Mr Adonnino, Mr Barbagli, Mr Kellett-Bowman, Mr Langes, Mr Newton Dunn, Mr Orlandi, Mr Ryan, Mr Konrad Schön and Mr Simonnet.

1. Two series of documents from the Commission have been referred to the European Parliament :
  - a communication from the Commission to the Council on the evaluation of the Community demonstration projects in the energy sector<sup>1</sup>, of 11 June 1982,
  - two proposals for Council regulations of 3 August 1982<sup>2</sup> replacing the old regulations, which expire in April 1983 in the case of Regulation no. 1303/78 and April 1984 in that of no. 1302/78.

Before looking at these documents we should trace the history of the existing regulations, which have been the subject of a dispute between Parliament and the Council that has still not been settled.

#### I. The budgetary dispute between Parliament and the Council

2. The Commission's initial proposals<sup>3</sup> concerned the granting of financial support firstly to demonstration projects allowing energy savings, and secondly to projects to exploit alternative energy sources. The Committee on Budgets was consulted and delivered a favourable opinion<sup>4</sup>. It was stated that the granting of Community financing came within the appropriations intended for this purpose in the Communities' general budget. Parliament delivered a favourable opinion<sup>5</sup>.
3. On 12 June 1978<sup>6</sup> the Council adopted Regulations no. 1302/78 (alternative energy sources) and no. 1303/78 (energy savings), making significant amendments to the Commission proposals that had been approved by Parliament :
  - Regulation no. 1302/78 states that 'the provisions for implementing this Regulation ..... shall be adopted by the Council acting unanimously on a proposal from the Commission' (Art.3);
  - Regulations no. 1302/78 and 1303/78 both state (Articles 11 and 10 respectively) that 'this Regulation shall enter into force ..... after the adoption by the Council of a Regulation fixing by unanimity the maximum amount of aid to be made available'.

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<sup>1</sup> Doc. 1-449/82

<sup>2</sup> Doc. 1-639/82

<sup>3</sup> Doc. 1-158/77

<sup>4</sup> Doc. 1-362/77

<sup>5</sup> OJ C 299 of 12 December 1977

<sup>6</sup> OJ L 158 of 16 June 1978

4. On 9 April 1979<sup>1</sup>, the Council, on a proposal from the Commission, adopted a complex series of Regulations (nos. 725 to 729/79) organized as follows :

	Alternative energy sources	Energy savings
1. Basic Regulation	1302/78	1303/78
2. Implementing Regulations	727/79: solar energy 728/79: solid fuels 729/79: geothermal energy	-
3. Ceilings	726/79: 95 million ECUs	725/79: 55 million ECUs

5. The European Parliament was consulted only on the implementing Regulation on solar energy, and it expressed serious reservations about the decision-making procedures established by the Council and called for the initiation of the conciliation procedure 'should the Council attempt to adopt a regulation pursuant to Article 11 of the Council Regulation (EEC) No. 1302/78, which would enable it to fix unilaterally the amount of aid to be made available for projects to exploit alternative energy sources'<sup>2</sup>. This call was ignored by the Council.
6. The Commission displayed some reservations concerning the Council's attitude. It supported Parliament's view on the principles involved, saying that as far as non-obligatory expenditure is concerned, respect for the powers of Parliament implies that precise figures should be included in the Council decision purely for guidance, with the sole aim of providing the budgetary authority with a reasonable idea of the level of expenditure likely to be involved. It has, however, consistently refused to apply both the basic regulations and the implementing regulations solely on the basis of budgetary appropriations.
7. It must be admitted that it is difficult for the Commission to defy the will of the Council in this matter. Regulations 1302 and 1303/78 give the Council a genuine right of veto in specific decisions on the implementation of these regulations. The Commission is aided by an Advisory Management Committee made up of experts from the Member States. Most importantly, the Commission's implementing

<sup>1</sup> OJ L 93 of 12 April 1979

<sup>2</sup> OJ C 39 of 12 February 1979



decisions only apply if no Member State has referred the matter to the Council within 20 working days. If this has occurred, the Council acts by a qualified majority.

8. Subsequent developments have only served to make the differences between the Institutions even more extreme.

- a Commission proposal of 13 October 1980<sup>1</sup> to increase, for guidance, the ceilings laid down in regulations 725/79 and 726/79 was referred to Parliament. On 13 February 1981, on the basis of the Turcat report<sup>2</sup>, Parliament adopted a resolution<sup>3</sup> in which it 'urged the Council in the strongest possible terms to initiate discussions with the European Parliament on the extremely serious problems which these regulations raise for the budgetary powers of Parliament' and decided not to deliver an opinion on the Commission proposals pursuant to Article 235 of the EEC Treaty until these discussions had taken place.
- Parliament, wanting to spotlight the budgetary question in the debate on the Commission proposals, transferred responsibility from the Committee on Energy and Research to the Committee on Budgets.
- On 10 March 1982 the Council, still ignoring Parliament's call for conciliation, notified Parliament that if it did not deliver its opinion by 23 April 1982 'the consultation, which is optional, will end and the Council will adopt the acts concerned'.
- On the basis of the Pfennig report<sup>4</sup> Parliament on 23 April 1982 adopted a resolution<sup>5</sup> calling on the Commission to withdraw its proposals and on the Council, if it took them up, to institute the conciliation procedure.

9. Now that new proposals for regulations are being referred to Parliament, these various developments must cause it to stress two fundamental points:

- all regulations must respect the independent decision-making power vested in the Commission by the Treaty. The procedure of appeal to the Council acting by a qualified majority should not be included in future regulations;

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<sup>1</sup> Doc. 1-526/80

<sup>2</sup> Doc. 1-836/80

<sup>3</sup> OJ C 50 of 9 March 1981

<sup>4</sup> Doc. 1-99/82

<sup>5</sup> OJ C 125 of 17 May 1982

- the appropriations allocated to these projects may only be laid down in the framework of the budgetary procedure. The Council's attitude on this will be an essential indication of its readiness to implement the interinstitutional agreement of 30 June 1982, which explicitly rejects the ceiling mechanism.

## II. The Commission's new proposals

10. The Commission proposals aim to reorganize the existing regulations and expand the Community's scope for intervention.

### (A) General outline

11. The present regulations differentiate between two fields: alternative energy sources and energy savings. These two fields, along with that of the replacement of hydrocarbons, will now be included in a single regulation. There will be a separate regulation and projects in the field of the liquefaction and gasification of solid fuels.
12. This system of regulations is markedly less complex than that at present in force. Instead of a three-tier arrangement, with basic regulations, implementing regulations and financial ceilings, the Commission is proposing a single regulation laying down the ground rules for Community intervention. Implementing measures are the responsibility of the Commission under the terms of contracts concluded with undertakings, which will specify in particular the proportion of Community aid and the repayment arrangements. The Commission will be assisted by Advisory Committees made up of representatives of the Member States, and there is no provision for a procedure of appeal to the Council.

Finally, the level of aid will be decided within the framework of the Communities' general budget.

13. These provisions are fully in line with the concern voiced by the European Parliament over respect for the powers of the Institutions as laid down in the Treaties. It must nevertheless be stressed that they are identical to the proposals submitted by the Commission in 1977 and which were considerably amended by the Council in regulations no. 1302/78 and 1303/78.

14. National and Community projects will be more closely harmonized by means of regular communication with the Member States, who will provide the necessary information on demonstration schemes, even at national level.

(B) Extension of Community support

15. Two kinds of extension are planned, to cover all the fields involved:
- it will be possible to grant financial aid to projects outside the Community, in particular in the developing countries, if a project is of definite mutual benefit;
  - the feasibility study phase, which has hitherto been ineligible for Community support, will now qualify for financial aid.
16. The regulation concerning the liquefaction and gasification of solid fuels is extended to pilot projects, which are an intermediate stage between R and D and demonstration.
17. The possible areas in which the regulations might be applied as regards alternative energy sources are extended to:
- energy from the biomass
  - wind and wave power
  - hydroelectric power from small waterfalls (under 3,000 Kw).
18. Finally, financial aid will be granted to oil replacement projects: new technologies for burning solid fuels and disposing of coal waste, and electricity generation using fuels other than hydrocarbons

(C) Budgetary consequences

19. The financial support granted between 1978 and 1982 under the terms of the present regulations amounts to 184.7 million ECUs<sup>1</sup>.

This figure should be compared with the sums given in the general budget and the regulations laying down expenditure ceilings:

- commitment appropriations 1978-1982	243 million ECUs
- ceilings (regulations 725/79 and 726/79)	150 million ECUs
- Commission proposal of 8.10.80 <sup>2</sup>	310 million ECUs
- new ceiling accepted by the Council <sup>3</sup>	205 million ECUs

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<sup>1</sup> Evaluation of demonstration projects (COM) (82) 324 final)

<sup>2</sup> COM(80) 567 final

<sup>3</sup> Council meeting of 23 February 1982

20. The information provided by the Commission gives rise to the following rough estimates of commitments for the coming years:

- liquefaction and gasification of solid fuels ..... 81 million ECUs (1983-1985)
- alternative energy sources, energy savings ..... 735 million ECUs (1983-1987)

21. The Committee on Budgets takes note of this information. It notes the considerable increase in expenditure in this sector and, as provided for in Article 8 of the proposals for regulations, will reconsider the planned appropriations in the light of the assessment report for the period 1978-1982 presented by the Commission.

22. The same applies to the additional staffing considered by the Commission to be necessary (27 posts as against the 13 available at present).

### III. Conclusions

23. The Committee on Budgets:

- (a) approves of the general outline proposed by the Commission, which is clear-sighted and respects the powers vested in each institution by the Treaties;
- (b) warns the Council not to repeat the mistakes that have characterized the previous regulations and reminds it in this connection that the inter-institutional agreement of 30 June 1982 rejects the ceiling machinery;
- (c) expresses its satisfaction at the strengthening in the links between national and Community projects, which will increase the efficiency of the planned schemes;
- (d) approves of the Commission proposals and, at the same time, calls for the conciliation procedure to be initiated if the Council should intend to depart from the proposals of the Commission as approved in the present resolution.