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LORD BRIDGES ✓

c Sir John Hunt

## COPENHAGEN SUMMIT: ENERGY ISSUE - SPEAKING NOTES

In the light of the meeting with the Prime Minister yesterday evening, and in consultation with the FCO and DTI, I have prepared the attached Speaking Notes for what will be the principal issue at the Copenhagen Summit.

2. The Notes are arranged in three main sections:-

a. The Present Situation - The Problems Confronting the Community and Britain herself

This section is designed to be used by the Prime Minister as a basis for his first intervention - as early as possible - in the discussion.

b. Political Action by the Community

This section suggests the basis on which the Prime Minister can elaborate our view that European solidarity can best be pursued in the political field - both in the short and longer term - in relation to the Middle East and the Arab oil-producing States.

c. Community Co-operation on Energy Policy

This section can be the basis for the Prime Minister's contribution to the discussion about the immediate crisis and about the Community's future energy policy (President Ortoli's letter will be particularly relevant).

3. At whatever further briefing meeting may be held tomorrow morning in Copenhagen I suggest that the Prime Minister covers the following ground:-

a. General Tactics and Speaking Note

Does the Prime Minister wish any more material in addition to the attached notes? Mr Williams of DTI will be circulating as soon as possible a supplementary brief on Ortoli's letter.

attached

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b. Dr Kissinger's Speech

What action have we already taken to react to the proposal for an "Action Group"? Does the Prime Minister agree that, in discussion with his partners, he should emphasise the value we see in responding quickly and constructively for the purpose of doing what we can to get oil prices under control?

c. Visit to Copenhagen by Arab Foreign Ministers

How do the Danes plan to handle the five Arab Foreign Ministers at Copenhagen (eg can Foreign Ministers have a collective meeting with them)?

d. Confidential Conclusions

How do things stand? We have fed in to the Danes all the drafts we have prepared with the exception of a draft on the energy issue, on which we must be ready to provide, as necessary, a rapid counter-draft to what we expect the French (or the Danes influenced by the French) to present.

e. Summit Arrangements

It will be useful to check what changes, if any, have been made in the Copenhagen arrangements.

f. Press

What action (if any) has been taken already to brief British Press representatives in Copenhagen? How have arrangements for Press handling been finalised?

4. In addition to the points above, there may well be other last-minute Community developments affecting the Summit agenda and arrangements which need to be reported.

J. b. N.  
P D) NAIRNE

13 December 1973

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Copies have been sent to:-

- Mr R T Armstrong
- Sir Thomas Brimelow
- Sir Michael Palliser
- Mr J O Wright
- Mr D J Mitchell
- Mr L Williams
- Mr G R Denman
- Mr N Fenn
- Mr M Butler
- Mr R O'Neill

ENERGY IN THE COMMUNITYTalking Points for the Prime Minister's BriefA. PRESENT SITUATION FOR COMMUNITY AND BRITAIN

1. Gravity of energy situation - for Community as a whole, and in ways we cannot yet clearly foresee; for each Member State - with an impact that is bound to differ in character and intensity. Accept that Community must tackle the problems together to maximum degree possible.

2. Essential to understand the energy crisis for what it is - a problem with far-reaching political and economic implications. Compelling example of an issue vitally affecting the internal development of the Community and also at the centre of a major field of political co-operation. We shall not survive the problem, let alone solve it, if the Community does not grasp - and keep in balance - both its political and economic aspects.

3. That should be the basis of the Community's approach. In the light of it, the Summit discussion should embrace political action (short and longer-term); the immediate problem of supply and prices; the wider economic implications for the Community; and our future energy policy in all its aspects. [The President of the Commission's letter provides a valuable contribution, but is not an adequate basis in itself for discussion.]

4. Most pressing problem for Community is oil supply. From outset of crisis serious difficulty in clarifying facts of the situation - largely a consequence of discriminatory policy of Arab States.

5. Discriminatory impact of the Arab policy - Arab designated oil needs to reach its designated destination - to a considerable extent offset by diversion of non-Arab oil within the Community. We all recognise operating role of the oil companies. Important to emphasise that discreet de facto co-operation on oil supplies between Community partners will be understood by Arabs: public defiance of embargo might oblige them to react. Britain not obstructing the system of allocation which companies are now operating.

Our decision on specific licensing: to afford comprehensive statistical information of the kind other Governments have.

6. British Position. Especially serious situation - arising from inter-acting problems of energy supply (oil and coal) and its effects on industry and whole life of community, and of oil prices, with grave financial implications for a major importing country. Measures of restraint (more severe than those anywhere else in the Community?) now introduced on massive scale - as announced on 13 December. (Three days working for industry; petrol for cars a relatively minor aspect). Prospective need for wider economic measures with severe implications for Britain's economic plans. No Member State can appreciate the dangers for the Community as a whole better than Britain.

7. As to the Community as a whole, our economies inter-dependent. Serious economic difficulties in one Member State will rapidly be reflected in others. Solidarity on energy inseparable from solidarity on economic consequences. Community will need to work together - joint consultation and perhaps action - on a basis that goes much wider than the problem of oil supply: the consequential problems of inflation and potential recession. A major task for the economic and financial institutions of the Community.

8. A Communautaire approach to energy should be matched, as necessary, by an equally Communautaire approach in other fields of Community co-operation.

B. POLITICAL ACTION BY THE COMMUNITY

9. European solidarity best pursued in political field. The Community should play as constructive a part as possible in the search for a settlement in the Middle East (expand on the basis of Annex B - suggested formulation of a 'confidential conclusion' on Middle East).

10. Efforts must continue to persuade Arabs to remove the Dutch embargo. They will not advance their political purpose by inflicting hardship on their friends. Implications for Community aid to developing world. (Discussions with Arab Foreign Ministers at Copenhagen).

11. Longer-term aspects. Need for new political strategy towards oil-producing Arab States. Re-establishment of some measure of price stability; help producers to use resources constructively. Foster relationship between secure oil supplies and industrial and technological links with Arab States.

C. COMMUNITY CO-OPERATION ON ENERGY POLICY

12. Welcome President Ortoli letter about co-operation within Community (at Annex C) - though inappropriate for Summit to take decisions on the range of issues it raises.

13. In short term, continue to allow oil companies to operate their present arrangements for sharing oil equitably without risking preferential Arab supplies. If we were to lose the latter it would be a loss to the Community as a whole.

14. We would agree to set up a body on general lines suggested by M. Ortoli - though it would need to be publicly presented in a way that did not put Arab oil supplies at risk. It should be a consultative, not management, group to exchange information and work out ideas for co-operation on all aspects of energy; one senior energy official from each country, with Commission representation, working under COREPER and Council.

15. We would be ready to endorse M. Ortoli's proposals to:-

- a. harmonise (so far as practicable) fuel economy measures in Member States;

- b. improve and widen Europe's relations with the producing countries (paragraph 11 above);
- c. co-operate with other consumers, especially to achieve a stable system for oil prices, in the joint interests of both consumer and producing countries (consistent with Dr Kissinger's "Energy Action Group");
- d. co-operate within the Community on longer-term aspects - nuclear, R and D etc.

16. The Community should be ready to respond to Dr Kissinger's proposals. The consultative group (paragraph 14 above) could meet urgently in order to agree on handling of these proposals.

17. (Confidential Note: DTI providing a supplementary brief on Ortoli letter. Summit should avoid specific agreement to:-

- a. proposal for common oil market - it needs a lot more working out and is not relevant to the immediate crisis (Ortoli item 3);
- b. approval of both French and Anglo/Dutch/German uranium enrichment plans (Ortoli item 5)) - see brief ESM(73) 18.)

18. As to longer-term Community policy, consultative group (paragraph 14) should get to work with a view to a meeting of Energy Ministers in (say) Spring 1974. This will give Commission time to bring their various proposals up to date in the light of the new oil situation and developments relating to uranium enrichment. Earlier meeting might rouse public expectations unduly and have unpredictable effects on Arab oil supplies.

19. Proposals for longer term should cover aim of mobilising Community resources to reduce its dependence on Arab oil; eg rapid development of alternative sources of energy such as nuclear power and coal, including gasification; research and development (eg on residual heat from power stations and deep-sea drilling); and energy conservation.

20. (Confidential note. Avoid any implication of weakening our control over North Sea oil. This may be more valuable than any help Community can offer us.)

The High Level of Government agreed on the previous opportunities to the European Community of an early settlement of the Middle East problem. They agreed, further, that if the Community was to play its proper role in bringing such a settlement about it must continue to develop a joint position on the Middle East and to build on the Declaration of 6 November. They agreed that as a first step the political cooperation machinery should be used to mark out the modalities of a Community approach to the Israeli Government. They persuaded Israel that the Community has a genuine desire for peace, that the view of the Community is that this will be in Israel's best interests as well as its own, and that the Community genuinely believes that peace can only be achieved if Israel gives a commitment on withdrawal comparable to those commitments that the Arabs have given on peace. They agreed that if Israel was to be persuaded to withdraw she would have to be offered international guarantees and that the Community could play a part in such guarantees. To this end it was agreed that the political cooperation machinery should be used to produce a unified plan for a Community intervention to a guarantee system based on the work already done by the UN in 1947 and separately by the United Kingdom.

NOTE: Following Prime Minister's approval, this passage has now been made available to Board authorities as contribution to confidential discussions.