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27 NOVEMBER 1979

EUROPEAN COUNCIL, DUBLIN

29/30 NOVEMBER 1979

ENERGY

Brief by the Department of Energy

OBJECTIVE

1. To avoid linkage between the budget and energy.

POINTS TO MAKE

COMMISSION PAPER (ANNEX D)

2. Commission's paper is useful survey of energy scene and outlook since Strasbourg and Tokyo; reaffirms conclusions and broad priorities outlined there; remains essential to keep developing situation under close review and to sustain follow-up action. Helpful for Council conclusions to reflect this. [If necessary] Energy Council is considering the further actions proposed by the Commission (summarised in para 15 of their paper). Until their examination is completed, premature for European Council formally to endorse the proposals; but European Council might wish to emphasise importance of these decisions and encourage early decisions.

IEA MINISTERIAL MEETING

3. Have agreed US proposal for an IEA Ministerial meeting in December. Important that its results strengthen the hand of the more moderate members of OPEC at the Caracas meeting and beyond. We should therefore emphasise continuing IEA efforts to restrain demand and make best use of scarce resources and avoid giving the the

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impression of a panic reaction to events in Iran.

OIL IMPORT TARGETS

4. Community's commitment to oil import targets broken down between member states is very important: to convince the oil producers that we are in earnest about saving oil, and to bolster the resolve of the US and Japan, in particular, to adopt sensible energy policies.

5. The UK has made a major contribution to this exercise by accepting a target of net imports of 12 mt for 1980 and net exports of 5 mt for 1985. This involves allowing other Member States to take into account in their own targets 29 mt extra oil for 1980 and 46 mt for 1985, within the agreed Community limit of the 1978 level of 472 m tons. (For Defensive Use if Necessary) If UK net exports are higher than 5 mt in 1985, and our partners simply increased their imports by that amount, the value of our commitment to oil saving would be in doubt. Vital underlying issue is seriousness of our efforts to restrain domestic consumption, to which UK fully subscribed.

REGISTER OF OIL IMPORTS

6. Wait to see how this works before deciding whether other measures are required. Confused spot market is a symptom. Main need is to tackle the cause - the underlying imbalance between supply and demand.

CONTACTS WITH PRODUCERS AND PRESIDENCY CONCLUSIONS

7. European Council should reaffirm its belief in long term advantages of contacts between consumers and producers. EEC/Gulf dialogue may be a useful opportunity for contact. Hope this will be reflected in the Presidency's conclusions.

8. More generally, Presidency's conclusions might underline the importance that the Council attach to energy matters.

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Conclusions should reaffirm commitment to energy conservation and development of other energy sources such as nuclear, coal, and in the long term, new sources. Should also reaffirm need for cooperation with other industrialised states in existing institutions.

LINKAGE BETWEEN THE BUDGET AND UK ENERGY POLICY

9. Our case on the budget stands on its own. We share with our partners an interest in securing access to adequate supplies of energy, and will play our full part in discussions to that end. Even when we produce as much oil as we use we shall need to export and import oil to ensure supplies of the varying qualities we need. We are not shielded from developments in the world oil market. We suffer from world energy shortages and economic and trade recession.

COAL (DEFENSIVE)

10. The UK is well aware of the role that coal can play. That is why David Howell wrote to Commissioner Brunner. We will do our best with our partners to take discussion of a Community coal policy forward.

NORTH SEA OIL - EXPORTS AND PRICES (DEFENSIVE)

11. (Speaking notes and background, including figures, on exports of North Sea oil are at Annexes A and B. A note on how we should help the Community in a subcrisis and crisis is at Annex C). About half our production is exported, and over half these exports - 28 per cent of total production - goes to our Community partners. Western Europe is natural outlet for North Sea oil. To seek to direct more oil to the Community (as distinct from our informal guideline that oil exports go to EEC and IEA) would provoke justified complaints from other countries.

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12. It is sometimes suggested that North Sea oil should be sold at less than the market price for term contracts. UK consumers do not receive North Sea oil at preferential prices; we cannot consider such arrangements for the Community. We do not have powers to fix North Sea prices, If we sought to do so, we would produce:

- (a) a reaction likely to diminish our production and exploration effort in the North Sea - to no-one's benefit;
- (b) a dual market system with all the disadvantages and distortions recognised at Tokyo in respect of US policies; and
- (c) profits to the first purchaser, of lower priced oil which, in conditions short of total market control, would be more likely to benefit trader than consumer.

Other member states are not expected to sell the products of their natural resources to the Community at below world prices.

See no reason why energy should be differently treated. North Sea oil does not lead the world market; it follows prices set by other producers of similar high quality crude. The recent announcement of price increases by North Sea producers followed announcements of rises by Algeria, Libya and Nigeria. They and other major North Sea producers do not sell on the spot market or at spot prices. This shows commendable restraint.

BNOC DISPOSALS (IF RAISED)

13. BNOC's direct sales to Community countries are relatively small. This is because when BNOC entered the market in 1978 oil was plentiful and most Community buyers preferred to stay with

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their traditional suppliers. Now that supplies are short, potential buyers find BNOC fully committed for the whole of next year and for some time beyond. There has been no discrimination against our Community partners - they simply failed to take their opportunity.

**BNOC/BP CONTRACT (IF RAISED)**

14. Understand that this contract subject of comment in 'Le Figaro' 24 November, was not an export, but sale to Total for refining in their UK refinery. BNOC were ready to renew but Total could not agree terms within the deadline. Consequently the oil was sold elsewhere.

**DEPLETION POLICY (DEFENSIVE)**

15. Production has developed rapidly since the first licences were issued in 1964. Would aggravate the problems facing both ourselves and the Community, when our production turns down in the late 1980's if we used up our limited hydrocarbon resources too rapidly. Impossible to estimate with certainty what our future production will be. Our published forecasts take no account of decisions on gas flaring. We made a significant contribution to easing the oil supply situation this year by allowing our production to go ahead without flaring restrictions. This increased North Sea oil production by 7 - 8 m tonnes. But this was a waste of resources which we could not, in the interests of the UK and the Community, allow to continue.

**BNOC FORWARD SALES (DEFENSIVE)**

16. The Government decided that BNOC should make a substantial contribution to reducing the PSBR. BNOC proposed and the Government accepted that this should be provided by their obtaining, as part of their normal commercial business, advance payments for

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a minor part of their deliveries for the coming year. The detailed arrangements are a matter for BNO and the companies concerned. Not a precedent for OPEC whose decisions will depend on their assessment of their own interests.

ECE (IF RAISED)

17. Not against East-West High Level Meeting at some stage and on the right conditions. Suggest that the Community should discuss this again next year when we can better judge how willing Eastern countries might be to discuss matter of concern to the West.

POSSIBLE MEETING OF SUMMIT ENERGY MINISTERS (IF RAISED)

18. We need to be careful about institutionalising the Summit which does not include all members of the Community. We should concentrate first on making as much progress as possible at the December IEA meeting and keep the situation under close review. Can later consider the need for any further meeting.

ENERGY OVERLORD (IF RAISED)

19. Energy is indeed important, but seems desirable to follow Community's normal procedures for dealing with it, through Presidency and other institutions. [If necessary] Idea could be examined by Energy Council if others wished, but frankly doubt whether it is a practical possibility.

BACKGROUND

IEA MINISTERIAL MEETING

1. The US have put forward ideas on how the demand limitation efforts of the IEA could be strengthened, based on establishment of national 1980 targets to be monitored regularly and possibly revised downwards, if the supply situation warranted it. These ideas are being examined by official working groups in advance of a December ministerial meeting. Though not an IEA member France may be involved, and we would welcome it.

OIL IMPORT TARGETS

2. Agreement has been reached in the Community on national targets for 1985. UK target of net exports of 5 m tonnes. This allows the remaining 8 collectively to exceed their import level of 1978 by 46 m tonnes in 1985 without exceeding the Community's imports of 472 m tonnes in 1978. Agreement is near on 1980 national targets with a UK target of 12 m tonnes net imports. The Germans have said that they do not believe that the UK is flexible enough in this exercise, claiming that their decision at Tokyo was based on an assumption of UK net exports of 23 m tonnes in 1985. We did not commit ourselves to this forecast at Tokyo or at Strasbourg. We made it clear at the meeting of Summit Energy Ministers on 26 September that if UK net exports exceeded 5 m tonnes in 1985 this would be a matter for UK and would not affect the individual national targets of other member states. This was an essential feature of the understanding reached then with the Americans and cannot be unpicked now. Moreover a commitment to export in excess of

5 m tonnes would limit the Government's freedom of action in decisions to be taken shortly on depletion policy. The French have criticised implied reduction in UK production forecasts underlying our 1980 target, and have suggested that increased North Sea production could provide a margin of security within the 472 m tonnes Community total, with individual national targets being revised downwards. (The Germans made a similar suggestion on 1985 targets). There has been no support for this idea from other Member States who are against changing the 1980 figures.

REGISTER OF OIL IMPORTS

3. This was the other main practical measure decided upon in Tokyo and Strasbourg. Community has adopted a regulation setting up the register in parallel with IEA register, dealing initially only with crude. The French have pressed for a register for products. Community aimed to take a decision on this before the end of 1979, but in practice this will not now be possible. The European Council should not get involved in discussion of an expanded register.

LINKAGE BETWEEN THE BUDGET AND UK ENERGY POLICY

4. Our partners suspect us of adopting a selfish attitude towards our energy resources. The Germans, in particular, have criticised us for allowing North Sea prices to rise while Saudi Arabia, for example, sticks to the price it accepted at the June OPEC meeting. Others may endeavour to link concessions to us on the budget with moves by us to help them over energy. For tactical reasons we may wish not to sound too negative at



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Dublin - but the helpful gestures which we could make are severely limited because of the importance of UK security of supply and for the reasons set out in the Points to Make. Our resources are such that supplies of oil from the UK Continental Shelf must of necessity always be small in relation to our partners levels of consumption. It is important, therefore, not to raise unrealistic expectations.

COAL

5. Discussion of proposals to support coal production and consumption have been under way in the Community for many months. The Energy Council has agreed to reach a decision in December on continuation of the coking coal aid scheme. We would like to see a scheme for supporting coal production since we would be likely to be net beneficiaries. But we recognise that we shall only get this in a package including consumption aid. Mr Howell wrote to Commissioner Brunner suggesting a fund to support coal production (250 meua per annum).

DEPLETION AND GAS FLARING

6. A report by officials which awaits consideration by E Committee recommends a more conservative depletion policy both for economic reasons and to maintain a higher security of supply over a longer period. Restrictions on flaring of gas in the Brent field which reduce oil production there by about one third were announced on 29 October, and are likely to be maintained or even increased during 1980. There is a decisive economic case for restrictions. We should probably have strengthened rather than relaxed restrictions earlier in the year if there had been no supply crisis.

BNOC FORWARD SALES

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7. BNOC is selling forward oil from 1980/81 to assist the PSBR in 1979/80. The sum raised could reach £600m although public statements so far have referred to £500m. Detailed terms are a matter between BNOC and the purchasers.

ECE

8. Senior Energy Advisers of the Economic Commission for Europe (ECE : both eastern and western Europe) met in Geneva at the end of October. The Russians have proposed a High Level Meeting (ministerial level) on energy. The Germans, French, and Scandinavians favour such a meeting; the Americans are sceptical. We want to ensure that the Soviet Union and its allies are prepared to enter into a genuine exchange of information on energy reserves, supply and demand before committing ourselves to such a meeting; and to avoid a final decision before the CSCE review conference in Madrid in November 1980. Immediate aim to avoid any European Council commitment to a High Level Meeting.

POSSIBLE MEETING OF SUMMIT ENERGY MINISTERS

9. President Giscard d'Estaing has suggested a spring meeting of Summit Energy Ministers (who met in Paris on 26 September to discuss Tokyo follow up). While not ruling out this possibility we should approach the suggestion with caution. It risks institutionalising the Summit; annoying the non-Summit members; and undermining the work of the Community and the IEA.

ENERGY OVERLORD

10. Germans may mention an idea, raised by Schmidt in Dublin on 15/16 October, that energy is too important to be left to rotating Presidency, and needs the continuity of an Energy Overlord or supremo, not necessarily an EEC Commissioner. Has

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not been formally raised in Energy Council and would need very careful consideration. We can see difficulties if this implied detailed Community intervention in rather than coordination of national policies. It could lead to an attempt to get control over UK North Sea policies.

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SPEAKING NOTE FOR THE PRIME MINISTER'S USE  
AT THE DUBLIN SUMMIT

1. We are glad to see our Community partners sharing, on an increasing scale this year, in the benefits of UKCS oil production. Exports of North Sea oil to our Community partners in the first nine months of this year were 97% up on the same period last year and represented 28% of our production. Community companies have a stake in ten of the oilfields in development or production and have built or made a substantial contribution towards nineteen of the thirty three major oil and gas platform structures so far ordered for the UKCS. Our transition from being a net importer to a net exporter of oil has put 46 million tonnes of oil at the disposal of the Community as a contribution to their agreement on import targets for 1985.

2. I expect sales of oil to our partners in the Community, which after all we regard as our natural market, to continue to increase over the next few years as our production increases.

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(COMMERCIAL IN CONFIDENCE)

BACKGROUND

ANNEX B

NORTH SEA OIL EXPORTS TO THE COMMUNITY

1. The attached table gives details of exports of UK oil to the Community. Most supplies are through the majors who adjust these to optimise their position worldwide. The majors through their trading companies buy from BNOC, so there is an indirect supply by BNOC to the Community. In cutting back external sales in 1979 BNOC had particular regard to the known destination of purchases by the majors and tried to avoid impact on EEC.
2. BNOC's direct sales to the Community are small (about 1 m tonnes in 1979, all to Germany), although they supplied a further 7 m tonnes to France, Germany and Holland through exchanges with BP. The direct sales to Germany will rise slightly next year, those to BP affiliates in France, Germany and Holland will (if the Principles of Understanding with BP form the basis of the final contract) be met directly by BP Trading, who will have access to a considerably increased volume of oil from BNOC. We cannot, however, say which of their affiliates BP may favour. Nor can we say with certainty what the pattern of UKCS oil sales will be in 1980. While it seems likely that the volume of sales to the Community will increase as production increases, this cannot be guaranteed.
3. The so-called BNOC]BP contract (which was the subject of an article in Le Figaro on 24 November) was one of several evergreen contracts falling due for termination/renewal on 31 December. The contract was actually with Total (GB) for use in their UK refinery.

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4. On 28 September as part of their forward sales strategy, BNOC gave notice of termination but said that 'Notice is given with the object of providing an opportunity for a review and restructuring of our existing sale and we hope and expect that this will result in the continuation of our commercial relationship, though possibly in a modified form, from 1 January 1980 onwards'. Total were resistant to the concept of forward payment and on 18 October BNOC asked for a decision in principle within the next few days if an agreement was to be reached.

2  
3  
4  
Total did not give this (very grudging) agreement until 31 October, by which time BNOC were committed elsewhere. BNOC had expected that during 1980 they might have had some 1.5 m tonnes uncommitted which could have been used to meet the needs of Total (0.5 m tonnes) and others, but the BP deal has taken up this potential surplus.

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EXPORTS OF UKCS OIL TO EEC

(Millions of tonnes)

	<u>1977</u>	<u>1978</u>	<u>Jan-Sept.1979</u>
Belgium	0.1	0.4	0.1
Denmark	1.0	2.2	2.3
France	1.6	1.7	1.9
Germany (FRG)	3.0	5.2	6.8
Italy	-	-	0.3
Netherlands	3.4	2.3	5.0
	<hr/>	<hr/>	<hr/>
	9.1	11.8	16.4
	<hr/>	<hr/>	<hr/>
Total Exports	15.6	23.9	28.9
Total Disposals	37.3	52.3	57.7

Jan - Sept. 1978      Jan - Sept. 1979  
(thousands of tonnes)

Belgium	344	104	
Denmark	1532	2314	
France	1205	1884	
Germany (FRG)	3505	6823	
Italy	-	285	
Netherlands	1721	4991	
Ireland	-	-	
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Total EEC	8307	16401	
Total Exports	16932	28877	-
UK use	20325	28803	-
Production	37257	57680	-

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UK ASSISTANCE TO THE COMMUNITY IN AN OIL SUB-CRISIS AND CRISIS  
(MAY BE USED)

In a Sub Crisis

1. In the oil sub crisis earlier this year the UK fully contributed to the arrangements for detailed data reporting and for international consultation which are now well developed in the EEC, as in the IEA. As a result the Community was able to monitor the supply situation as the basis for the required policy responses.
2. During the 1979 shortages the UK has maintained a high level of exports - about 50% of UKCS production - almost entirely to our EEC and IEA partners. We followed gas flaring policies which at some economic cost enabled additional oil to be produced at the height of the supply difficulties; although we cannot commit ourselves always to be able to do this.

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3. We would not preclude that at a time of sub crisis we may be able to help our Community partners with some additional oil. But what precisely may be possible could only be decided in the light of the circumstances at the time. We cannot make detailed commitments at this stage.

In a full scale crisis

4. In a full scale crisis the UK would honour its obligations under the EEC oil sharing scheme, which supplements that of the IEA. (A description of both schemes is attached).
5. Because the EEC scheme is based on a country's capacity to substitute other forms of energy (eg coal) for fuel oil burned in power stations the UK is very likely to be a contributor rather



than a beneficiary under the scheme. [Not for use : In practice we may be able to limit this commitment].

6. Under the IEA scheme, as major indigenous producers, we are also likely (but not certain) to be called upon to share our available oil, and some of our Community partners may well benefit from this. We are thus twice committed to help the Community in a full scale oil crisis.

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EEC AND IEA OIL SHARING SCHEMES

EEC EMERGENCY OIL SHARING ARRANGEMENTS

Council decision 77/706 provides that where oil supply difficulties occur in the Community the Commission may set targets for reducing consumption of petroleum products in 3 stages.

Stage 1

Member States will reduce consumption of all petroleum products by a maximum of 10% for a maximum of 2 months.

Stage 2

After 2 months there may be uniform demand restraint of non-substitutable products (eg motor spirit) and a differential reduction of substitutable products (ie fuel oil) having regard to a country's ability to use other products instead of fuel oil. Countries able to save greater than average amount of fuel oil would have an obligation to allocate the excess to the Community. The UK's obligation is not expected to exceed 50,000 tonnes a month.

Stage 3

If available oil supplies to the Community fell by over 10% the Commission may propose larger differential reductions and allocations would take place as in Stage 2. The operation of Stages 2 and 3 are dependent upon a qualified majority vote by the Council.

IEA EMERGENCY OIL SHARING ARRANGEMENTS

When the IEA Group as a whole or any Participating Country suffers a reduction in oil supplies exceeding 7% of that consumed in a base period the IEA oil-sharing scheme can be activated.

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If the Group as a whole suffers a shortfall exceeding 7% each country is given a Supply Right based upon its normal consumption. Where its Available Supplies of oil exceed its Supply Right it has an obligation to allocate the excess to the Group. Where its Available Supplies are less than its Supply Right it receives an allocation from the Group of the difference.

If one or more countries suffer a shortfall exceeding 7% but the Group as a whole is not so affected, those countries not suffering the shortfall of over 7% would allocate oil to the affected countries in proportion to their share of the Group's normal consumption.

GR 2320

FRAME ENERGY  
DESKBY 230900Z  
FM UKREP BRUSSELS 221743Z NOV 79  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 6288 OF 22 NOVEMBER

MIPT

EUROPEAN COUNCIL: ENERGY

1. FOLLOWING IS THE TEXT OF THE COMMISSION'S PAPER ON ENERGY.

BEGINS:-

INTRODUCTION.

1. THE LATEST EVENTS IN IRAN HAVE RENEWED THE THREAT TO THE FRAGILE BALANCE BETWEEN OIL SUPPLY AND DEMAND WHICH OCCURRED IN MID 1979. IN SPITE OF THE RESTORATION OF OIL STOCKS WHICH HAS TAKEN PLACE, THE COMMUNITY REMAINS HIGHLY VULNERABLE TO RENEWED INTERRUPTIONS AND RESTRICTIONS OF SUPPLY. IN THESE CIRCUMSTANCES THE COMMISSION BELIEVES THAT THE BEST THE COMMUNITY CAN DO IS TO MAINTAIN SOLIDARITY AND PURSUE RESOLUTELY THE POLICIES LAID DOWN BY THE EUROPEAN COUNCIL AT STRASBOURG. FURTHER MEASURES OF PRACTICAL ACTION ARE REQUIRED.

IMPLEMENTATION OF EXISTING OBJECTIVES.

2. WHEREAS SUCCESSIVE EUROPEAN COUNCILS HAVE URGED STRONGER MEASURES TO SAVE ENERGY, PARTICULARLY OIL, AND TO ENSURE A GREATER CONTRIBUTION TO COMMUNITY SUPPLIES FROM COAL AND NUCLEAR SOURCES, THE RESPONSE, IN TERMS OF COMMUNITY AND NATIONAL ACTION AND OF ACTUAL RESULTS, HAS NOT BEEN FULLY SATISFACTORY.

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3. FOLLOWING THE AGREEMENT BY THE STRASBOURG EUROPEAN COUNCIL TO MAINTAIN COMMUNITY (NEXT TWO WORDS UNDERLINED) OIL IMPORTS BETWEEN 1980 AND 1985 AT AN ANNUAL LEVEL NOT HIGHER THAN THAT FOR 1978, MEMBER STATES HAVE SINCE AGREED ON A NATIONAL ALLOCATION OF THE OBJECTIVE FOR 1985. BASIC AGREEMENT HAS ALSO BEEN ACHIEVED ON NATIONAL OBJECTIVES FOR 1980.

4. THE EUROPEAN COUNCIL AT PARIS AGREED ON A COMMUNITY OBJECTIVE FOR (NEXT TWO WORDS UNDERLINED) OIL CONSUMPTION OF 500 M TONNES IN 1979. ALTHOUGH FOR THE WHOLE YEAR, THIS OBJECTIVE WILL BE EXCEEDED, BY THE END OF THE YEAR COMMUNITY CONSUMPTION SHOULD BE REDUCED TO A DAILY RATE EQUIVALENT TO 500 M TONNES.

5. THE COMMUNITY HAS UNDERTAKEN SEVERAL MEASURES TO IMPROVE THE (NEXT FOUR WORDS UNDERLINED) TRANSPARENCY OF THE OIL MARKET. THE OPERATION OF A REGISTER FOR CRUDE OIL TRANSACTIONS WITHIN THE COMMUNITY HAS NOW BEEN AGREED. IN ADDITION, THE COMMISSION HAS BEEN EXAMINING THE TRANSACTIONS IN THE ROTTERDAM AND MEDITERRANEAN SPOT MARKETS. THE COMMISSION IS WORKING URGENTLY ON THE EXTENSION OF THE REGISTER TO INCLUDE OIL PRODUCTS, AND IS STUDYING THE ESTABLISHMENT OF AN OIL EXCHANGE AND A SYSTEM FOR THE CERTIFICATION OF CRUDE OIL PRICES.

6. THE TARGETS FOR (NEXT WORD UNDERLINED) COAL PRODUCTION AND CONSUMPTION FOR 1985 WILL NOT BE MET, IN SPITE OF THE RECOGNIZED NEED TO BE ABLE TO USE MORE COAL AS OIL BECOMES SCARCER. COAL CONSUMPTION AND PRODUCTION IN THE COMMUNITY HAVE DECLINED SINCE 1973.

7. THE STRASBOURG EUROPEAN COUNCIL STRONGLY REAFFIRMED THE IMPORTANCE OF (TWO WORDS UNDERLINED) NUCLEAR ENERGY FOR CONTINUED ECONOMIC GROWTH. BUT FOR VARIOUS REASONS, MEMBER STATES HAVE BEEN UNABLE TO BUILD SUFFICIENT NUCLEAR POWER STATIONS FOR OPERATIONS IN THE 1980S. THE RATE OF CONSTRUCTION OF NEW NUCLEAR CAPACITY WILL HAVE TO BE MARKEDLY INCREASED IF NUCLEAR IS TO MAKE MORE THAN A MODEST CONTRIBUTION TO OUR ENERGY SUPPLIES IN THE 1980S AND BEYOND.

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NEW DECISIONS REQUIRED.

8. PRESENT PRESSURES ON THE OIL MARKET WILL NOT BE EASED UNTIL DEMAND IS BROUGHT BETTER UNDER CONTROL. (TWO WORDS UNDERLINED) ENERGY SAVING MUST THEREFORE HAVE THE HIGHEST PRIORITY AS THE QUICKEST AND CHEAPEST MEANS OF CONTRIBUTING TO A RESTORATION OF THE BALANCE BETWEEN SUPPLY AND DEMAND. HOWEVER, THE ENERGY SAVING PROGRAMMES OF MEMBER STATES HAVE NOT BEEN OF UNIFORM INTENSITY. THE COMMUNITY SHOULD THEREFORE AGREE AS SOON AS POSSIBLE ON A MINIMUM PROGRAMME OF ENERGY SAVING IN EACH COUNTRY TO TAKE EFFECT IN 1980, REPRESENTING A BROAD EQUIVALENCE OF EFFORT AND ADEQUATE TO ACHIEVE OUR OIL IMPORT TARGETS. THE COMMISSION CONSIDERS THAT WITH WIDER USE OF BEST PRACTICE IN ENERGY SAVING EQUIPMENT AND IN DESIGN, ENERGY SAVINGS BY 1990 COULD BE 100 M TOE P.A. IN EXCESS OF MEMBER STATES' FORECASTS. TO AVOID A NEW SCRAMBLE FOR OIL AND EVEN HIGHER RESULTING PRICES, IT IS CLEAR THAT HARDER AND MORE DIRECT MEASURES TO RESTRICT OIL CONSUMPTION SHOULD BE READY FOR INTRODUCTION IN THE EVENT OF A FURTHER OIL SHORTAGE SUCH AS OCCURRED IN EARLY 1979.

9. THE COMMISSION URGES THAT AGREEMENT BE REACHED ON ITS PROPOSALS TO GIVE FINANCIAL AID FOR THE CONSUMPTION AND PRODUCTION OF (WORD UNDERLINED) COAL IN THE COMMUNITY. THESE CONCERN THE CONSTRUCTION, MODERNISATION AND CONVERSION OF COAL BURNING POWER STATIONS, EXTRA FINANCIAL AID FOR DEMONSTRATIONS PROJECTS IN THE FIELD OF COAL LIQUEFACTION AND GASIFICATION, THE PRODUCTION OF COKING COAL AND INVESTMENT IN NEW PRODUCTION CAPACITY. TOGETHER THEY INVOLVE COMMUNITY EXPENDITURE IN EXCESS OF 150 M ECU P.A.

10. COMMUNITY AND NATIONAL ACTION MUST AIM AT REVERSING THE SLIPPAGE, IN (WORD UNDERLINED) NUCLEAR PROGRAMMES. MORE PUBLIC DEBATE IS NECESSARY TO RESOLVE DOUBTS ABOUT NUCLEAR POWER IN THOSE COUNTRIES WHERE POLICY IS STILL IN QUESTION, AND TO PAVE THE WAY FOR FIRM GOVERNMENT DECISIONS. IN THOSE COUNTRIES WHERE NUCLEAR PROGRAMMES HAVE BEEN DELAYED, TECHNICAL, FINANCIAL AND POLITICAL EFFORTS SHOULD BE CONCENTRATED TO RESTORE A SATISFACTORY RATE OF CONSTRUCTION AND COMMISSIONING.

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THE HARRISBURG INCIDENT IN THE USA HAS DEMONSTRATED THE NEED FOR THE HIGHEST POSSIBLE STANDARDS OF CERTIFICATION, TRAINING AND SURVEILLANCE OF OPERATORS, ALTHOUGH THE INHERENT SAFETY OF CURRENT REACTOR DESIGN HAS NOT BEEN CALLED INTO QUESTION. IN VIEW OF THE IMPORTANCE OF THE SAFETY OF NUCLEAR OPERATIONS, THE COMMISSION URGES ACCEPTANCE OF THE PROPOSED FOUR-YEAR RESEARCH PROGRAMME OF THE JOINT RESEARCH CENTRE. IN ADDITION TO WORK ON NEW ENERGY SOURCES AND THE HIGH FLUX REACTOR, THIS COVERS EXPENDITURE OF ABOUT 320 M EUA ON NUCLEAR SAFETY AND FUEL CYCLE. THE COMMISSION ALSO ASKS FOR EARLY AGREEMENT ON THE PROPOSED SECOND PROGRAMME FOR RESEARCH INTO CONTROLLED THERMONUCLEAR FUSION, COSTING ABOUT 220 M EUA.

**INTERNATIONAL RELATIONS.**

11. ENERGY PROBLEMS AFFECT ALL COUNTRIES IN THE WORLD. THE COMMUNITY CANNOT, THEREFORE, SOLVE ITS PROBLEMS IN ISOLATION. PRACTICAL MEASURES BY THE COMMUNITY WILL INCREASINGLY NEED TO BE MATCHED BY OR COORDINATED WITH PARALLEL ACTION BY THE OTHER INDUSTRIALISED COUNTRIES. MOREOVER, NO LASTING SOLUTION TO WORLD-WIDE PROBLEM CAN BE ACHIEVED WITHOUT CLOSER UNDERSTANDING AND COOPERATION BETWEEN THE INDUSTRIALISED, THE OIL PRODUCING AND THE NON-OIL DEVELOPING COUNTRIES.

12. INCREASED EFFORTS BY THE COMMUNITY TOWARDS THE BETTER USE OF SCARCE ENERGY RESOURCES WILL ENCOURAGE OIL EXPORTING COUNTRIES, AS MEMBERS OF THE WORLD COMMUNITY, TO MANAGE THEIR RESOURCES IN SUCH A WAY AS TO PROMOTE BOTH THEIR OWN DEVELOPMENT AND THE BROADER ECONOMIC STABILITY OF THE WORLD AT LARGE. THE COMMISSION HOPES THAT THE OPEC COUNTRIES WILL RECOGNIZE THIS ESSENTIAL IDENTITY OF INTERESTS AT THEIR FORTHCOMING MEETING AT CARACAS.

13. THE COMMUNITY SHOULD DEFINE ITS ATTITUDE ON WAYS AND MEANS TO PROMOTE DISCUSSION ON ENERGY WITH OIL PRODUCING COUNTRIES, IN CONCERT WITH OTHER INDUSTRIAL AND DEVELOPING COUNTRIES, WITH THE OBJECT OF ADOPTING POLICIES IN BOTH CONSUMER AND PRODUCER COUNTRIES WHICH ENABLE THE WORLD TO EFFECT THE TRANSITION AWAY FROM OIL WITHOUT GROSS ECONOMIC DAMAGE.

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1990 OBJECTIVES.

14. AS AN IMPORTANT PART OF THE LONGER-TERM CONVERGENCE OF ENERGY POLICY WITHIN THE COMMUNITY, AGREEMENT SHOULD BE REACHED ON POLICY GOALS FOR 1990, PARTICULARLY CONCERNING: THE EXTENSION TO 1990 OF THE LIMIT ON COMMUNITY OIL IMPORTS, THE GENERATION OF AT LEAST 70 PER CENT OF ELECTRICITY FROM COAL AND NUCLEAR SOURCES, THE FURTHER REDUCTION OF THE RATIO BETWEEN GROWTH IN ENERGY DEMAND AND ECONOMIC GROWTH; AND THE ADOPTION OF COMMON PRINCIPLES FOR ENERGY PRICING POLICIES IN ALL MEMBER STATES.

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CONCLUSION.

15. THE COMMISSION RECOMMENDS THAT THE EUROPEAN COUNCIL SHOULD AGREE ON THE LINES OF ACTION OUTLINED ABOVE AND, ON THE BASIS OF COMMISSION PROPOSALS, REQUEST THE COUNCIL OF MINISTERS:

- (I) TO AGREE ON A SUPPLEMENTARY PROGRAMME OF ENERGY SAVING, REPRESENTING BROAD EQUIVALENCE OF EFFORTS IN ALL MEMBER STATES, AND STRENGTHENED MEASURES FOR THE REDUCTION OF CONSUMPTION IN THE EVENT OF A SHORTAGE;
- (II) TO GIVE COMMUNITY FINANCIAL SUPPORT FOR MEASURES TO INCREASE COAL CONSUMPTION AND PRODUCTION;
- (III) TO FACILITATE THE REMOVAL OF OBSTACLES TO THE CONSTRUCTION OF NEW NUCLEAR CAPACITY;
- (IV) TO ESTABLISH CLOSER CONTACT AND COOPERATION BETWEEN THE INDUSTRIALISED COUNTRIES, THE PRODUCING COUNTRIES AND THE NON-OIL DEVELOPING COUNTRIES;
- (V) TO SET NEW POLICY GOALS FOR 1990.

ENDS

FCO ADVANCE TO:

FCO - MISS BROWN FALL

CAB - FRANKLIN

D/EN - D LE B JONES WHALEY

BUTLER (ADVANCED AS REQUESTED)

FRAME ENERGY  
ES & SD  
EID (1)

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