

## CONSULTATION OF THE ECONOMIC AND SOCIAL COMMITTEE

on a proposal for a Council Regulation establishing a common system applicable to imports of hydrocarbons from third countries

## A. REQUEST FOR AN OPINION

At its 210th meeting held on 30 October 1972, the Council decided to exercise its option of consulting the Economic and Social Committee on the above proposal for a Regulation.

The request for an Opinion was sent by the President of the Council to the Chairman of the Economic and Social Committee on 2 November 1972.

## B. TEXT WHICH WAS THE SUBJECT OF THE CONSULTATION

The text which was the subject of the consultation was published in the *Official Journal of the European Communities*, No C 134 of 27 December 1972, pages 21 and 22.

## C. OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE

At its 112th Plenary Session held in Brussels on 26 and 27 June 1973, the Committee unanimously adopted its Opinion on the text referred to under B, with one abstention out of the members present or represented.

The text of the Opinion is as follows:

## THE ECONOMIC AND SOCIAL COMMITTEE,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 113 and 198 thereof;

Having regard to the letter of 2 November 1972 in which the President of the Council of the European Communities asked the Economic and Social Committee to deliver an Opinion on the 'Proposal for a Council Regulation establishing a common system for imports of hydrocarbons from third countries';

Having regard to the Rules of Procedure of the Economic and Social Committee and in particular Article 22 thereof;

Having regard to the Decision by its Bureau on 28 November 1972 to instruct the specialized Section for Energy Questions to prepare an Opinion and a report on the matter;

Having regard to the Decision by its Bureau on 25 January 1973 to instruct the Section for Nuclear Questions and Energy to continue work on the matter;

Having regard to the Opinion delivered by the Section for Nuclear Questions and Energy at its meeting on 7 June 1973;

Having regard to the report presented by the rapporteur, Mr Bonomi;

Having regard to the discussions at its 112th Plenary Session on 26 and 27 June 1973, sitting of 27 June 1973;

Whereas the Community's dependence on hydrocarbon imports requires a supply policy which guarantees continuous and cheapest possible supply;

Whereas a supply policy must accordingly take into account the present structural trends of the industry and of the international oil market which is substantially altering the traditional relationships between oil companies and producer countries and affecting the relationships between consumer countries and the aforementioned countries and companies;

Whereas the hydrocarbon trade policy is an aspect of the supply policy;

Whereas the Community has yet to frame a common supply policy,

## HAS ADOPTED THE FOLLOWING OPINION:

The Economic and Social Committee believes that the extension of Regulation (EEC) No 1025/70 to cover hydrocarbons is inappropriate without the scope and detailed rules of a common supply policy having previously been specified. In any case, it feels that the system for imports from third countries, established under Regulation (EEC) No 1025/70, does not adequately meet the circumstances and problems of hydrocarbon imports, especially if it is applied indiscriminately to crude as well as refined products.

1. In 1970, the hydrocarbons listed under headings 27.09 to 27.14 of the Brussels Nomenclature were not included in Annex 1 (list of products) to Regulation (EEC) No 1025/70 because the Community had not yet framed a common policy for hydrocarbons: Since, in this respect, the present situation is the same as it was three years ago, the Economic and Social Committee feels that the essential premise for establishing whether hydrocarbon imports must be liberalized rather than subjected to a licence and/or quota system is missing. The fact that the prevailing system for hydrocarbon imports in the Member States is liberalization does not, in the Economic and Social Committee's Opinion, justify its formal extension to include hydrocarbons by means of Regulation (EEC) No 1025/70, which would enable the outcome of the present processes to be anticipated, but far removed from formulating a Community supply policy and hence the essential part of the common oil policy.

The Economic and Social Committee feels that events since the second half of 1970 have substantially altered the situation in the hydrocarbon sector and that this can justify Community or, failing this, national decisions which do not necessarily conform to the principle of liberalization of imports.

The Economic and Social Committee also feels that neither Article 113 of the Treaty, nor Article 2 of Regulation (EEC) No 1025/70, lays down specific dates for including in the common liberalization list those products not yet covered by such a system. Moreover, the Community has not yet worked out a common definition of origin for hydrocarbons.

2. Regulation (EEC) No 1025/70 does not only establish freedom of import for the products to which it applies; it also establishes a Community information and consultation procedure not to mention a surveillance procedure and safeguard measures for cases where the increase in imports

threatens to adversely affect Community producers of like and/or competing products.

The Economic and Social Committee does not feel that such surveillance procedures and systems for protecting the domestic market justify the formal extension of the liberalization system to cover hydrocarbon imports.

In fact, the consultation, surveillance and safeguard procedures and measures can only apply to the refined products and not to crude oil since the very limited domestic production of the latter precludes a situation of risk or prejudice to Community producers justifying the procedures in question and any eventual resultant measures. Recourse to such measures in respect of natural gas is also most unlikely because in spite of considerable Community production it is generally thought that increased imports are justified by the need to diversify energy supplies, the fight against pollution and technical and economic advantages offered by natural gas. Such imports, moreover, are unlikely to take place in conditions which would be harmful to domestic producers.

Hence the surveillance and protection measures as provided for in Regulation (EEC) No 1025/70 would be applicable basically to refined products, imports of which only represent a small proportion of the total Community consumption, whilst the mechanisms of this Regulation would be irrelevant to the problems which freedom of import of crude products and natural gas could raise for the Community.

3. The Commission is aware of this situation since it brings into the explanatory memorandum and proposes in the actual regulation the concept of 'security of supply' which has a very precise meaning in the case of hydrocarbon imports but is not taken into consideration in the system laid down by Regulation (EEC) No 1025/70. In fact, the Commission realizes that for the products in question Regulation No 1025 does not entirely protect certain Community interests, and this is why it is grafting on to a measure of commercial policy a specific oil policy element.

This is done by means of Article 2 of the proposed regulation which states that:

- (a) the information and consultation procedure and the Community surveillance procedure provided for in Regulation (EEC) No 1025/70 shall be

applied with due regard to the information already in possession of the Commission through notifications of import required under Regulation (EEC) No 1055/72;

- (b) the surveillance and safeguard measures provided for in Regulation (EEC) No 1025/70 may be applied not only for the reasons set out in the Regulation but also if the security of the Community's hydrocarbon supply justifies their application.

The compulsory statements by Member States to the Commission on imports for the current and the following year only apply to crude oil and natural gas and not to refined products for which the surveillance and protection measures in Regulation (EEC) No 1025/70 can be effectively applied.

But above all the Economic and Social Committee does not share the Commission's faith that knowledge of import data will effectively help to ensure security of supply.

Rather, if the trend of crude oil and natural gas imports were to cause a security of supply problem for the Community, the measures provided for in Regulation (EEC) No 1025/70 would offer no remedy whatever since the Community would have no real possibility of altering the amount and the source of the imports which in a free market are dictated by a set of objective factors.

In a situation which for a long time yet will not offer viable alternatives either within the oil sector or within the overall energy sector measures for improving security of supply cannot be improvised at the end of any given year for the following year. Knowledge of the imports programmes freely established by undertakings does not even constitute an adequate basis for working out a long-term supply policy where Community interests and objectives reach far beyond the admittedly important aspect of security.

In the special case of natural gas, the Economic and Social Committee must emphasize that imports correspond every year to the amount specified in long-term supply contracts. On the basis of these contracts, very expensive transport infrastructures (and, for liquid gas, processing plants) are built and also consumer allocation programmes are drawn up which cannot be altered without compromising both the profitability of the operation and the coverage of market requirements. Accordingly, concern for security should be shown when contracts are being concluded for gas supplies and not at any moment during their performance.

Whether for crude oil or natural gas, security of supply must be sought by means of an appropriate hydrocarbon policy to which instruments like Regulation (EEC) Nos 1055/72 and 1025/70 cannot make substantial contribution.

Done at Brussels, 27 June 1973.

*The Chairman of  
the Economic and Social Committee*  
Alfons LAPPAS

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## CONSULTATION OF THE ECONOMIC AND SOCIAL COMMITTEE

on a proposal for a Council Directive on mountain farming and farming in certain other less-favoured areas

### A. REQUEST FOR AN OPINION

At its 231st meeting held on 5 and 6 March 1973, the Council decided to exercise its option of consulting the Economic and Social Committee on the above proposal for a Directive.

The request for an Opinion was sent by the President of the Council to the Chairman of the Economic and Social Committee on 5 March 1973.