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REPORT

on the Communication from the Commission on the European Union's oil supply
(COM(2000)631 – C5-0739/2000 – 2000/2335(COS))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Rolf Linkohr

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PROCEDURAL PAGE

By letter of 12 October 2000 the Commission forwarded to the European Parliament its Communication on the European Union's oil supply (COM(2000)631 – 2000/2335(COS)).

At the sitting of 15 January 2001 the President of Parliament announced that she had referred the communication to the Committee on Industry, External Trade, Research and Energy as the committee responsible and to the Committee on Economic and Monetary Affairs, the Committee on Regional Policy, Transport and Tourism, on 18 January 2001 to the Committee on the Environment, Public Health and Consumer Policy, and on 1 February 2001 to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy for their opinions (C5-0739/2000) .

The Committee on Industry, External Trade, Research and Energy had appointed Rolf Linkohr rapporteur at its meeting of 7 November 2000.

It considered the Commission communication and the draft report at its meetings of 27 February 2001, 26 March 2001 and 25 April 2001.

At the latter/last meeting it adopted the motion for a resolution by 35 votes to 4, with no abstentions.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Renato Brunetta and Peter Michael Mombaur, vice-chairmen; Ward Beysen (for Elly Plooij-van Gorsel), Guido Bodrato, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Willy C.E.H. De Clercq, Harlem Désir, Concepció Ferrer, Francesco Fiori (for Umberto Scapagnini), Colette Flesch, Christos Folias, Glyn Ford, Per Gahrton (for Caroline Lucas), Lisbeth Grönfeldt Bergman (for Anders Wijkman), Michel Hansenne, Malcolm Harbour (for Christian Foldberg Røvsing), Roger Helmer, Eryl Margaret McNally, Nelly Maes, Elizabeth Montfort, Hervé Novelli (for Paul Rübig), Reino Paasilinna, Samuli Pohjamo (for Astrid Thors), John Purvis, Godelieve Quisthoudt-Rowohl, Alexander Radwan (for Werner Langen), Bernhard Rapkay (for Norbert Glante), Daniela Raschhofer, Mechtild Rothe, Ilka Schröder, Konrad K. Schwaiger, Esko Olavi Seppänen, Jaime Valdivielso de Cué, W.G. van Velzen, Alejo Vidal-Quadras Roca, and Dominique Vlasto.

The opinions of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, the Committee on Economic and Monetary Affairs, the Committee on the Environment, Public Health and Consumer Policy and the Committee on Regional Policy, Transport and Tourism are attached.

The report was tabled on 30 April 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Communication from the Commission on the European Union's oil supply (COM(2000)631 – C5-0739/2000 – 2000/2335(COS))

The European Parliament,

- having regard to the Commission communication (COM(2000)631 – C5-0739/2000),
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy and the opinions of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, the Committee on Economic and Monetary Affairs, the Committee on the Environment, Public Health and Consumer Policy and the Committee on Regional Policy (A5-0163/2001),
- A. whereas it is estimated that, by 2020, world oil consumption will stand at some 115 m barrels per day, as compared with some 77 m barrels in 2000,
- B. whereas the high level of dependency on oil imports will increase still more steeply, from some 75% at present to over 85% in 2020,
- C. whereas, on current forecasts, 71% of end-user demand for oil in 2020 will be accounted for by the transport sector, 7% by industry, 8% by the service sector and 14% by private households,
- D. whereas high oil prices and price fluctuations affect the poorer sectors of the population disproportionately,
- E. whereas it is impossible to make predictions about the price of oil and whereas further price instability must be expected: between late summer and December 2000 alone, the price ranged between US\$ 37 and \$ 24 per barrel of crude oil,
- F. whereas it is possible to save large quantities of oil using existing technology: for example, simply by installing better windows it would be possible each year – projecting the figures to cover the whole of Europe – to save some 65 m tonnes of oil, worth around EUR 25 m, in other words 20% of total oil production in Europe,
1. Calls on the Commission and Council to establish effective dialogues with the major oil producing groupings, in particular OPEC, the Russian Federation and Caspian Sea States; such dialogues to be ongoing whether the market is favourable to buyer or seller and framed within the broader political and economic issues of mutual concern;
 2. Urges the EU institutions and Member States to coordinate as much as possible their political, economic and energy supply strategies vis-à-vis the major oil producers and thereby speak with one really effective voice;
 3. Calls for this dialogue to take the interests of developing countries into consideration;

4. Wants the EU, in dialogue with the OPEC and non-OPEC countries, to endeavour to reduce the EU's increasing dual dependence on prices per barrel expressed in dollars and on the dollar itself, and to prepare the way for payment in euros;
5. Calls, in the light of Europe's strategic interest in a stable energy supply, for the development of long-term strategies for the Persian Gulf, Caspian Sea and Caucasus regions seeking to guarantee the diversification of EU energy imports, to limit the market power of OPEC and to contribute to the stabilisation and development of these regions;
6. In this connection, and in view of the close links with the Mediterranean and the Middle East, welcomes the Commission's energy initiatives relating to Euro-Mediterranean cooperation and calls for an intensification of the dialogue between the Union and the non-European members of the Barcelona Process which was initiated by means of the Euro-Mediterranean Energy Forums;
7. Calls for the EU to make greater efforts to replace oil as far as possible with other sources of energy;
8. Considers that nuclear energy, given the current safety conditions in modern power stations, may help to provide a substitute for a portion of oil consumption, if the problem of waste is resolved;
9. Considers that renewable energy sources and biofuels may go some way to providing a substitute for the consumption of oil and its derivatives, and that investment in technological research into energy efficiency, renewable energy sources and biofuels will have a positive impact in the medium and long term;
10. Calls on the Commission and the Member States to remove distortion of competition on the energy market, in particular through internalising external costs and through fair transit tariffs for electricity from renewables to enable the latter to develop, as Parliament also called for on 16 November 2000;
11. Points out that taxation of energy in the EU is 2.1% of GDP compared with 0.9% in Japan and 0.5% in the USA and urges the Commission to strive for a more even sharing of the burden towards achieving the Kyoto emissions targets;
12. Due to the lack of progress in the Council on the directive on taxation of energy products, suggests that the levels of energy taxes in EU Member States should be left to tax competition in a truly open and fair single market for transport and for motor fuels;
13. Stresses that the use of fiscal instruments to offset the increase in world oil prices must be consistent with economic policy objectives and commitments on budget consolidation; urges the Council to take a decision on the proposal for a directive on the taxation of energy products, which has been shelved since 1997;
14. Calls on the General Affairs Council, the ECOFIN Council and the Council of Transport Ministers, to develop and put in place, in cooperation with the Commission, a coordination mechanism making it possible in future to respond, in a coordinated way, to a short-term increase in the price of oil;

15. Urges a debate to take place on whether harmonised oil taxes, once they exist, might be adjusted to take account of the fluctuating oil price;
16. Calls for the discrepancies between the levels of taxation on transport firms in the EU to be eliminated;
17. Calls on the Commission to speed up the liberalisation of the gas market, so as to give more of a boost to competition than originally planned;
18. In the context of liberalisation of gas markets, asks the Commission to study the necessity for the continued close coupling of oil and gas prices in the EU and to make recommendations;
19. Stresses that, even though in the long term natural gas will be unable to meet the rising demand for energy, it will help to provide a substitute for a portion of oil consumption and diversify energy sources and their origin;
20. Suggests that the feasibility of constructing oil and gas pipelines from the Middle East and West Africa to Europe should be investigated with an eye to potential strategic supply benefits in the longer term;
21. Welcomes the Commission's intention to reduce energy consumption in the transport sector and recommends that research in this area should be given priority under the 6th Framework Programme;
22. Calls on the Commission to take measures, together with the industry, to improve the energy efficiency of buildings;
23. Supports the Commission's proposal to submit to the Gothenburg Council a plan for energy savings and diversification of energy sources which will aim both at more efficient use of energy – particularly in buildings – and at promoting the development of a new generation of vehicles;
24. Calls on the Commission to work out new energy saving programmes for the rational use of energy and to retain the existing SAVE II and ALTENER II programmes;
25. Calls on the Commission to intensify its efforts to improve the terms of competition in the oil sector and to ensure compliance with existing competition rules. Particular emphasis should be placed on investigating and combating oligopolies and cartels in refining and distribution to points of consumption.
26. Asks the Commission to study and report on the relationship between price margins at the petrol pump and resulting levels of profitability, investment and concentration in downstream activities;
27. Urges the Commission to enhance the level of oil production, especially from indigenous EU oilfields, by promoting research and investment in improved oil recovery techniques;
28. Notes that oil is a costly, non-renewable resource required for important areas of life such as the manufacture of medicines, for example. For environmental protection reasons alone, and also because of further threats of supply bottlenecks, the wasteful use of oil is a cause for concern. Calls therefore on the Commission and the Council to develop a strategy for

economical use of this resource;

29. Shares the Commission's view that without an effective policy to increase energy efficiency and promote renewable energy sources, and without any structural changes in the sectors with high energy consumption, there will be a substantial increase in domestic consumption of oil in the European Union. Calls therefore on the Commission, the Council and the Member States to take speedy and effective action, particularly in the transport and construction sectors;
30. Calls on the Member States in future to plan housing developments with a view to high energy efficiency and, in particular, to adapt them to transport structures with low oil dependence;
31. Instructs its President to forward this resolution to the Council and Commission and the governments of the Member States.

EXPLANATORY STATEMENT

From February 1999 to late summer 2000 oil prices rose rapidly. This price rise had a shock effect in many countries and led to uncoordinated action in some EU Member States. However, unlike the first oil crisis in 1973, this was a speculative price increase rather than a genuine supply crisis. Moreover, since 1973 three parameters have changed:

1. The oil-exporting and oil-consuming countries are seeking cooperation rather than confrontation. There therefore exists a basis for a fruitful dialogue.
2. Other customers have now emerged on the oil market: Europe and Asia are competing for the same energy sources.
3. The European Union committed itself at Kyoto to reduce its greenhouse gas emissions by 8% in relation to 1990 levels by the period 2008 – 2012.

The autumn 2000 price rise will probably not be the last. In the longer term we will probably have to adjust to higher rather than lower oil prices. This amounts to a new economic and political situation. However, prices may fall again, as they did at the end of 2000. Consequently efforts should be made to stabilise prices at a level acceptable to both sides.

Price stabilisation

Pronounced price fluctuations present a major problem for oil supply. Sudden fluctuations entail significant economic and social risks for our society. Both politics and the economy have much interest in a stable and predictable oil price policy. Higher oil prices also have a detrimental effect on the balance of trade. The Commission estimates that the year 2000 will show a balance of trade deficit in the energy sector of some EUR 114 m, or 1.4% of GDP. This would be EUR 52 m or 0.6% of GDP higher than in 1999.

Reasons for the price rise

In 1998 crude oil supplies were well in excess of world demand, and this led to a sudden drop in crude oil prices. After some hesitation, OPEC reacted by reducing crude oil supplies, even though world demand was rising at the same time. OPEC showed surprisingly good discipline in keeping to the supply levels it had agreed, in spite of increasing oil requirements following the end of the Asian crisis. To that extent OPEC's restrictive supply policy may be regarded as the main reason for the price increase. Other reasons include increased demand, the weakness of the euro and speculation on spot markets. Lack of refinery capacity was only a marginal, temporary factor.

In general it may be stated that price levels are dependent on the following factors:

- Economic growth in the importing countries;
- Progress in controlling demand;
- Opening up of new reserves;
- Tightening of environmental regulations.

Overly high prices would also have negative consequences from the point of view of the supplier countries. For example, non-OPEC countries would produce more oil. Demand would fall

drastically, which would not be in OPEC's interest. A heavy burden would also be placed on the economies of the oil-importing countries. Accordingly, the price which OPEC is seeking to achieve, of between US\$ 22 and \$28 per barrel is in the interest of both sides.

Geopolitical influences

It was not only the reduction of supplies coinciding with increased demand which influenced price developments. External events such as the most recent problems with the peace process in the Middle East, the embargo against Iraq, and the uncertainty of developments in Iran and Libya played an important part. In view of the EU's significant dependency on oil imports, energy policy is more and more becoming for external policy.

The routing of pipelines is also of major importance for foreign policy. The successful INOGATE programme (Interstate Oil and Gas Transport Europe) should be supported, as it is a model of good relations with supplier countries. The supply situation in an enlarged European Union may in the long term be improved by repairing and making best use of the former Soviet Union's oil and gas networks. It should be our aim to make the resources of Russia and the Caspian region more easily available for Europe. The interest is mutual, since the Russian Federation also stands to gain from this programme.

In view of the major external policy significance of energy policy it is essential for there to be an **ongoing dialogue** between the EU and the OPEC states. Relations between the European Union and the oil producing countries must be enhanced and to some extent institutionalised. The EU is after all one of the world's main economic powers and the second-largest consumer of mineral oils.

Although the days of confrontation are over, such a dialogue is necessary to improve understanding between oil-producing and oil-consuming states. This constructive dialogue should permit more intensive cooperation and create the conditions for greater market transparency and long-term price stabilisation.

To that end it is necessary for Europe to speak with a single voice. The decisive question is whether the EU is prepared to appoint an individual to speak on its behalf. A first step has already been made in this direction, when the Commissioner responsible for energy represented the EU at the 7th International Energy Forum in Riyadh on 16 and 17 November 2000. It is also conceivable that OPEC might negotiate with the International Energy Agency (IEA) with the European Union appearing as a part of the IEA.

The logical conclusion of the geopolitical influences and their consequences for trade outlined above is that there should be a European external energy policy. Next time the Treaty is amended, therefore, a chapter on energy must be incorporated.

Transport and the Environment

According to current forecasts the transport sector will account for 71% of demand for oil by 2020. Transport is therefore the key area for reducing dependence on oil. It is not easy to find a substitute for petrol, but it is not impossible. The search for new fuels (gas, hydrogen, methanol etc.) must therefore be pushed forward. More money must be made available for this. The longer-term aim should be the extraction of hydrogen from non-fossil energy sources.

Alongside research on alternative power sources it is essential to consider other forms of transport. The revival of rail transport plays a vital role in this context. In 1970, for example, less than half of the traffic volume was accounted for by road transport; the figure is now 80%. The rationalisation of individual transport in town centres and the promotion of environmentally-friendly urban transport networks are also of great importance.

It is high time in the transport sector to bring about harmonisation of direct and indirect taxes and other burdens on the transport industry, since the distortions of competition in the European Union are enormous. Transport policy should also, as a matter of urgency, be geared towards greater integration between transport markets and the different modes of transport (intermodal transport).

According to current figures, emissions from the consumption of mineral oil products will account for more than 50% of total CO₂ emissions by 2010. In the transport sector alone, emissions are expected to rise by 35% (in relation to 1990 figures). These forecasts show that something urgently needs to be done. Energy efficiency must be increased and renewable sources of energy must be promoted.

Harmonisation of oil taxes

In autumn 200 we saw Member States going their own way on taxation in reaction to strong public pressure. However, tax reductions, even when they are carried out on an ad hoc basis, are not automatically in conformity with Community legislation (e.g. the EU's objectives in environmental, energy and transport policy). Moreover, softening the effect of high oil prices by reducing taxes would be a licence to the oil-exporting countries to impose high prices. It would be much better to approximate the taxes of the Member States at a high level. A harmonised energy tax could be a flexible instrument acting as a buffer on serious price fluctuations. In the longer term a common mineral oil tax would be a conceivable substitute for vehicle taxation.

However, the finance ministers have as yet not managed to reach agreement on a harmonised energy tax. Instead, the Swedish Presidency has proposed a special arrangement, limited to a 2-year period, on a degressive basis. This arrangement would provide for individual Member States to act on their own, even though oil prices have now fallen again sharply and the reason for this aid has disappeared. For reasons of domestic policy, EU law is being wilfully disregarded, distortions of competition are arising and the Commission is turning a blind eye. Strictly speaking there is a breach of Treaty obligations here.

It will be recalled that the basic structure for excise duty on mineral oils (heating and fuels) in the Community was laid down in Directive 92/81/EEC. In its original proposals for rates of excise duty on mineral oil the Commission provided for complete harmonisation on the basis of average rates. The Commission considered, given the greater danger of distortions of competition in this sector than in the alcohol and tobacco sectors, that either uniform rates or rate bands should be applied to mineral oils.

In spite of this Directive 92/82/EEC set only minimum rates, as for alcohol and tobacco.

In 1997 the Commission submitted a proposal for a directive 'restructuring the Community framework for the taxation of energy products' (COM(97)030). In that proposal the Commission

sought to build on the existing mineral oil taxation system by suggesting the extension of these minimum excise duties to cover all energy products, thus including those which could replace mineral oils directly or indirectly (coal, coke, bitumen, gas and electricity). This proposal was rejected by the Council.

Alongside the harmonisation of mineral oil taxes, it is also desirable to create a genuine internal market for refinery products. This would make it possible to carry out a systematic comparison of the prices for mineral oil products in the Member States. Inequalities within the Community could be more easily identified and any exploitation of a dominant market position could be prevented and punished. The lack of competition in the distribution sector is currently a major cost factor. Price agreements are made and the profit margins for refining and distribution do not always reflect the increases in the crude oil price.

Security of supply

The European Union is highly dependent on oil imports. In 2000 it had to import as much as 75% of its total oil requirements, of which 43% came from OPEC countries. By 2020 as much as 85% of the oil will have to be imported, because North Sea oil reserves are gradually running out.

The EU's overall strategy must seek to reduce Europe's dependence on energy imports. On 29 November 2000 the Commission adopted a Green Paper 'Towards a European strategy for the security of energy supply' (COM(2000)769). The 6-pillar strategy referred to there seems to be a good basis for a common policy.

OPINION of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

for the Committee on Industry, External Trade, Research and Energy

on the Commission Communication entitled 'The European Union's oil supply' (COM(2000) 631 – C5-0739/2000 – 2000/2335(COS))

Draftsman: Emilio Menéndez del Valle

PROCEDURE

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy appointed Emilio Menéndez del Valle draftsman at its meeting of 23 January 2001.

It considered the draft opinion at its meetings of 19 March and 10 April 2001.

At the latter meeting it adopted the following conclusions by 44 votes to 1 with 1 abstention.

The following were present for the vote: Elmar Brok (chairman), William Francis Newton Dunn and Catherine Lalumière (vice-chairmen); Alexandros Alavanos (for Andreas Brie), Ole Andreasen (for Bertel Haarder), Danielle Auroi (for Daniel Cohn-Bendit), Alexandros Baltas, Bastiaan Belder, Gunilla Carlsson, John Walls Cushman, Joseph Daul (for The Lord Bethell), Rosa M. Díez González, Andrew Nicholas Duff (for Paavo Väyrynen), Giovanni Claudio Fava (for Linda McAvan), Francesco Fiori (for José Pacheco Pereira pursuant to Rule 153(2)), Monica Frassoni (for Matti Wuori), Michael Gahler, Per Gahrton, Gerardo Galeote Quecedo, Jas Gawronski, Vitaliano Gemelli (for Franco Marini), Alfred Gomolka, Vasco Graça Moura (for Hugues Martin), Klaus Hänsch, Magdalene Hoff, Giorgos Katiforis (for Ioannis Souladakis), Efstratios Korakas, Alain Lamassoure, Pedro Marset Campos, José María Mendiluce Pereiro (for Mario Soares), Philippe Morillon, Pasqualina Napolitano, Raimon Obiols i Germà, Arie M. Oostlander, Reino Paasilinna (for Jan Marinus Wiersma), Hans-Gert Poettering, Jacques F. Poos, Jacques Santer, Jacques Santkin, Jürgen Schröder, Ursula Stenzel, Ilkka Suominen (for José Ignacio Salafranca Sánchez-Neyra), Gary Titley, Johan Van Hecke, Geoffrey Van Orden, Christos Zacharakis.

CONCLUSIONS

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following points into its motion for a resolution:

Paragraph 1a

Calls for special emphasis to be placed on this dialogue in parts of the world which are of particular importance to the Union's energy supply, in which the Union has a major economic presence and in which it should also have a major political presence, as is the case with the Middle East. In this connection, and taking into account the fact that, in the light of recent events, the situation in the above region could worsen and have a detrimental effect on price stability and the supply of oil, calls on the Council to launch appropriate initiatives in order to strengthen the Union's political presence in the Middle East by means of a strategy which excludes unilateral measures that are contrary to the nature of the CFSP.

Paragraph 1 b

Calls, in the light of Europe's strategic interest in a stable energy supply, for the development of long-term strategies for the Persian Gulf, Caspian Sea and Caucasus regions seeking to guarantee the diversification of EU energy imports, to limit the market power of OPEC and to contribute to the stabilisation and development of these regions.

Paragraph 2

In this connection, and in view of the close links between the Mediterranean and the Middle East, welcomes the Commission's energy initiatives relating to Euro-Mediterranean cooperation and calls for an intensification of the dialogue between the Union and the non-European members of the Barcelona Process which was initiated by means of the Euro-Mediterranean Energy Forum.

Paragraph 2a

Calls on the Council and the Commission to take action in order to enable the EU and its Member states to have appropriate access to energy resources in Russia and the states bordering the Caspian Sea by making optimum use of the oil and gas pipeline network and taking into account the mutual interests of the EU and the third countries concerned; considers it important for the EU and its Member States not to become excessively dependent on any particular region of supply, and urges them to diversify energy resources through the development of alternative, and more self-sufficient, sources of energy as well as application of oil and gas resources in the Barents Sea area.

Paragraph 2b

Calls on the Commission to implement a plan which will enable petroleum stocks to be communitarised within a short space of time.

11 April 2001

OPINION of the Committee on Economic and Monetary Affairs

for the Committee on Industry, External Trade, Research and Energy

on the communication from the Commission on the European Union's oil supply
(COM(2000)631 – C5-0739/00 – 2000/2335 (COS))

Draftsman: Ioannis Marinos

PROCEDURE

The Committee on Economic and Monetary Affairs appointed Ioannis Marinos draftsman at its meeting of 27 November 2000.

It considered the draft opinion at its meetings of 6 March 2001, 21 March 2001 and 11 April 2001.

At the last meeting it adopted the following conclusions unanimously with one abstention.

The following were present for the vote: Christa Randzio-Plath, chairman; José Manuel García-Margallo y Marfil and Philippe A.R. Herzog, vice-chairmen; Ioannis Marinos, draftsman; Richard A. Balfe, Luis Berenguer Fuster, Armonia Bordes, Hans Udo Bullmann, Richard Corbett (for Robert Goebbels), Jonathan Evans, Ingo Friedrich (for Marianne L.P. Thyssen), Michael Gahler (for Karl von Wogau pursuant to Rule 153(2)), Lisbeth Grönfeldt Bergman, Christopher Huhne, Liam Hyland, Pierre Jonckheer, Othmar Karas, Giorgos Katiforis, Piia-Noora Kauppi, Alain Lipietz, Astrid Lulling, Peter Michael Mombaur (for Christoph Werner Konrad), Simon Francis Murphy, Ioannis Patakis, Manuel Pérez Álvarez (for Alejandro Agag Longo), Fernando Pérez Royo, Mikko Pesälä (for Carles-Alfred Gasòliba i Böhm), José Javier Pomés Ruiz, John Purvis (for Theresa Villiers), Alexander Radwan, Bernhard Rapkay, Amalia Sartori, Olle Schmidt, Peter William Skinner, Charles Tannock, Helena Torres Marques, Bruno Trentin, Jaime Valdivielso de Cué (for Alain Madelin), Ieke van den Burg (for Pervenche Berès).

SHORT JUSTIFICATION

1. If the European Union is to continue to develop, it must have an adequate and uninterrupted supply of energy products at relatively stable prices. With demand set to rise over the coming years, the adoption of an effective long-term strategy is a matter of urgency.
2. Oil will continue to play a leading role for many years to come. The Union will therefore have to rely primarily on the OPEC countries for its supply and, simultaneously, seek to achieve gradual self-sufficiency. The key elements of the strategy should be a reduction in the demand for oil, the promotion of new sources of energy, and diversification of the sources of supply; in all three cases, substantial investment is required.
3. A reduction in the demand for oil can be achieved either by energy-saving or by developing renewable sources of energy, or, even better, by pursuing both objectives simultaneously, which will also help reduce pollution. Energy-saving applies both to homes and to industry and requires the adoption of programmes to reduce household, commercial and industrial waste of energy. Research into and the application of new technology (such as the EU's auto oil programme in collaboration with the ACEA and other industrial organisations) will facilitate the production of a new generation of vehicles with substantially reduced emissions of carbon dioxide and exhaust gases in general. Moreover, achieving a balance between modes of transport by promoting the railways and sea transport over short distances should reduce the large slice of energy consumed by road transport. Appropriate administrative measures should not be ruled out either.
4. To promote new energy sources, support must be provided for the development of sun and wind energy, atomic fusion, fuel cells, power/heat co-production, and the use of biomass for heat, etc.
5. In order to diversify its supply sources for oil and gas, the Union should encourage and exploit the greater opportunities in Russia and other countries of the former Soviet Union (such as Kazakhstan). Land and sea prospecting in Europe might also create another potential source of supply (such as the recent discovery of large underwater oil deposits off the coast of Cyprus).
6. Obviously, an open and constructive dialogue should be maintained with the OPEC countries, taking into account their particular characteristics and the structure of their economies. It would be in the interests of all parties to reach agreement on an indicative price band (e.g. 22-28 dollars per barrel), which could be adjusted in response to changing conditions. Given the interdependence of economies, the problem should not be tackled in isolation but by concerted action, or at least consultation and a pooling of information with the Union's main trading partners.
7. Crisis management is dependent on the implementation of a uniform and more effective system for maintaining major strategic reserves. At present, each country in fact has its own system and irregularities occur in maintaining reserves owing to the method used and the distribution among the organisations concerned. Furthermore, it is difficult to carry out checks.

8. It is imperative to improve the competitive conditions for petroleum products not only at national but also at Union level. It appears that the lack of competition in distribution is frequently due to agreements between regional distributors. In addition, the refining and marketing margins of vertically integrated companies are dependent on many factors, including competition, which helps reduce them.
9. Taxation can also play a significant role and, given the appropriate structure, can help to achieve several, often contradictory Union objectives. As regards taxation of energy products, debate in the European Parliament is frequently confined to the environmental aspects. Nevertheless, other aspects which constitute fundamental objectives of the Union should not be neglected, e.g. competition, combating smuggling, employment, reduction of inflation, social solidarity, and the minimisation of the potentially negative impact of a sharp rise in the price of oil on the income of the financially most vulnerable groups in society.
10. In general terms, the problem of supplies and combating the adverse effects of oil crises on the economy and society call for a global approach using both short-term and long-term measures. The Commission's communication may form the basis for a broad and fruitful dialogue with all parties concerned and lead to useful decisions. What is required as noted above, is a rigorous review of the oil supply problem and it is of particular importance to avoid severe price fluctuations.
11. Your draftsman considers that the strategy and the basic principles contained in the communication are very useful and can be endorsed. He also welcomes the Green Paper on the security of energy supplies and awaits with interest the White Paper on transport.

CONCLUSIONS

The Committee on Economic and Monetary Policy calls on the Committee on Industry, External Trade, Research and Energy as the committee responsible to incorporate the following points in its report:

New forms of energy and energy-saving

1. Calls on the Commission to encourage through appropriate funding and the provision of incentives, the quest for new sources of energy, including atomic fusion. In promoting the use of new energy sources for vehicles, one such incentive could be to promote electric vehicles and, in general, cars using sources of energy other than oil products.
2. To the same end, it would be useful for the European Union to provide incentives, e.g. through subsidies or tax concessions, for coordinated research between the automobile industries and the relevant technological and research institutes to promote the development of vehicles with lower consumption of traditional liquid fuels and/or which use new forms of energy. At the same time particular emphasis should also be placed on systematic support for promoting the use of natural gas for vehicles, as it is cheaper and less pollutant. The EU would then be in a position to meet its Kyoto commitments to reduce its pollutant emissions, which are mainly caused by transport using oil products for fuel.
3. Reducing the vehicle speed limit through appropriate legislation would also have a positive impact on energy-saving, while also contributing towards other objectives such as reducing pollution and the number of road accidents.
4. Urges the Commission to enhance the level of oil production, especially from indigenous EU oilfields, by promoting research and investment in improved oil recovery techniques;

Achieving a balance between modes of transport

5. Stresses the particular importance of rail and sea transport in achieving a balance between modes of goods transport and the ensuing energy-savings. Calls for the encouragement of the revitalisation of rail by pushing ahead with the modernisation of quality public services; also proposes that the use of public transport be developed, especially those forms which do not consume oil products, with particular emphasis on rail and sea transport, where that is possible, over short distances, and particularly in island regions; points out that it is essential to make the necessary investment in infrastructure in order to develop a genuine trans-European rail network. At the same time transportation of passengers and goods by public transport rather than private vehicle should be systematically encouraged.
6. Supports all initiatives aimed at diversifying the sources of supply of crude oil. Considers that the possibility should be investigated of an agreement with Kazakhstan and distributing companies to supply crude oil by pipeline from Russia and/or Iran. Calls for the encouragement of land and sea prospecting in Europe.
7. Considers it important for the European Union to continue dialogue with the OPEC countries with a view to securing greater price transparency and, in the longer term, price stability, which is in the interest of both consumer and producer countries; reiterates its appeal to all producer countries, in particular OPEC and Russia, to agree to conclude contracts in euros with European consumer countries;

Strategic reserves

8. Considers it desirable, in order to improve the system of stock maintenance, to establish a common system of managing the reserves of refineries, companies and the Member States.

Competition

9. Calls on the Commission to intensify its efforts to improve the terms of competition in the oil sector and to ensure compliance with existing competition rules. Particular emphasis should be placed on investigating and combating oligopolies and cartels in refining and distribution to points of consumption.
10. Stresses that the use of fiscal instruments to offset the increase in world oil prices must be consistent with economic policy objectives and commitments on budget consolidation; urges the Council to take a decision on the proposal for a directive on the taxation of energy products, which has been shelved since 1997;

Taxation

11. Considers that taxation of oil and other energy products, including kerosene used as aviation fuel, should be structured in support of Union policies, especially in the environment and development sector, and in attaining objectives such as competitiveness, combating inflation and boosting employment;
12. Stresses the importance of incentives for energy-saving, both for environmental reasons and in order to reduce costs in the Union, particularly in relation to the USA where oil prices are considerably lower than those which consumers have to pay in the Member States;

13. Considers that the Member States should be encouraged to adjust VAT rates in the event of a major rise in crude oil prices in order to avoid increases in production costs which reduce the competitiveness of industry and services in the European Union and inflationary pressure which undermines consumers' purchasing power, particularly among financially vulnerable groups;

11 April 2001

OPINION of the Committee on the Environment, Public Health and Consumer Policy

for the Committee on Industry, External Trade, Research and Energy

on the communication from the Commission on the European Union's oil supply
(COM(2000) 631 – C5-0739/2000 – 2000/2335 (COS))

Draftsman: Hans Kronberger

PROCEDURE

The Committee on the Environment, Public Health and Consumer Policy appointed Hans Kronberger draftsman at its meeting of 27 February 2001.

It considered the draft opinion at its meetings of 22 March and 10 April 2001.

At the last meeting it adopted the following conclusions by 34 votes to 0, with 3 abstentions.

The following were present for the vote: Caroline F. Jackson, chairman; Guido Sacconi, vice-chairman; Hans Kronberger, draftsman; Per-Arne Arvidsson, Maria del Pilar Ayuso González, Jean-Louis Bernié, David Robert Bowe, John Bowis, Hiltrud Breyer, Philip Bushill-Matthews, Martin Callanan, Dorette Corbey, Chris Davies, Avril Doyle, Jillian Evans, Carlo Fatuzzo, Robert Goodwill, Françoise Grossetête, Christa Klauf, Eija-Riitta Anneli Korhola, Paul A.A.J.G. Lannoye, Peter Liese, Minerva Melpomeni Malliori, Rosemarie Müller, Riitta Myller, Giuseppe Nisticò, Karl Erik Olsson, Mihail Papayannakis, Marit Paulsen, Dagmar Roth-Behrendt, Jacques Santkin, Horst Schnellhardt, Jonas Sjöstedt, Dirk Sterckx, Robert William Sturdy, Nicole Thomas-Mauro, Antonios Trakatellis, Phillip Whitehead.

SHORT JUSTIFICATION

- a) whereas over the last two years the price of crude oil has more than trebled - perhaps not simply because of specific restrictions on production but also because oil resources are becoming more scarce - and has caused economic and social problems in the European Union, such as strikes and an enormous burden on socially weaker persons,
- b) whereas the price of crude oil can become more critical at any moment,
- c) having regard to studies¹ warning of a serious shortage of oil resources and concluding that the world production ceiling will shortly be exceeded with a resultant fall in production, which may lead to further price rises,
- d) whereas the European Union's heavy dependence on crude oil imports is likely to rise from 75% in 2000 to over 85% in 2020,
- e) having regard to the enormous environmental costs caused by the combustion of oil and also transport accidents,
- f) whereas the price of natural gas is linked to the price of crude oil and consequently in the long term natural gas is not a cheap alternative,
- g) whereas even improved technologies such as deep-sea exploration and producing oil from sand shale cannot disguise the fact that crude oil is not a finite resource,
- h) stressing that most discoveries of oil were made in the 1960s and fewer discoveries have been made since then; according to experts, only 20 - 25% of annual oil consumption is being replaced by new discoveries²; also pointing out that 90% of our oil production is from fields more than 20 years old and 70% from fields more than 30 years old.

CONCLUSIONS

The Committee on the Environment, Public Health and Consumer Policy calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Stresses that it is extremely unlikely that the Commission's forecast of world-wide oil consumption of 115 million bbl/day in the year 2020 can be met by an increase in daily production of this magnitude. Even John Browne, Chairman of BP, regards the maximum production capacity as 90 million bbl/day which he estimates will probably be reached in about ten years' time³;

¹ For example: Jörg Schindler and Werner Zittel: 'Weltweite Entwicklung der Energienachfrage und der Ressourcenverfügbarkeit', Ludwig-Bölkow-Systemtechnik GmbH, Ottobrunn, October 2000; Colin Campbell and Jean Laherrere: 'The end of cheap oil', March 1998; Basler Prognos Institut, Peter Hofer, Die Zeit no. 4, 29 October 1998; Ken Chew, IHS-Energy Group, Geneva; L.B. Magoon: 'Are we running out of oil?', US Geological Survey

² Ludwig-Bölkow-Systemtechnik GmbH: 'Ölfunde und Produktion'; C.J. Campbell: 'Die neue Energiekrise, wann werden wir endlich daraus lernen?'

³ *Independent*, 29 January 2001

2. Stresses that it is virtually impossible for OPEC to meet 50% of this demand with a level of production estimated at 55 million bbl/day compared with 32 million bbl/day in 2000; even though the future production potential of OPEC is the greatest unknown factor, this would mean an increase for OPEC alone of 1 - 2 million bbl/day per annum;
3. Stresses that it is virtually impossible for the European Union, together with Norway, to produce almost 6 million barrels in the year 2020; to achieve this rate of production as much oil would have to be found in the North Sea in the next 20 years as in the previous 35 years. In fact, according to the Royal Bank of Scotland's statistics, Britain's production in 2000 was at the lowest level since 1993. Norway is also probably close to maximum production;
4. Stresses that doubling oil production in the countries of the former Soviet Union from 7.8 million bbl/day in 2000 to 14 million bbl/day in 2020 is virtually impossible. Since reaching a maximum in 1989 production has fallen by ca. 40% and it would be extremely difficult to get back to the maximum level, while there is no chance of doubling output; calls for environmental aspects to be taken into account in cooperation on energy between the EU and Russia; draws attention to the importance of ensuring safety at oil terminals and in oil transport, and of taking full advantage of the investments already made in the Baltic region;
5. Notes that oil is a costly, non-renewable resource required for important areas of life such as the manufacture of medicines, for example. For environmental protection reasons alone, and also because of further threats of supply bottlenecks, the wasteful use of oil is a cause for concern. Calls therefore on the Commission and the Council to develop a strategy for economical use of this resource;
6. Stresses that, even though in the long term natural gas will be unable to meet the rising demand for energy, it will help to provide a substitute for a portion of oil consumption and diversify energy sources and their origin;
7. Considers that nuclear energy, given the current safety conditions in modern power stations, may help to provide a substitute for a portion of oil consumption, if the problem of waste is resolved;
8. Shares the Commission's view that without an effective policy to increase energy efficiency and promote renewable energy sources, and without any structural changes in the sectors with high energy consumption, there will be a substantial increase in domestic consumption of oil in the European Union. Calls therefore on the Commission, the Council and the Member States to take speedy and effective action, particularly in the transport and construction sectors;
9. Considers that renewable energy sources and biofuels may go some way to providing a substitute for the consumption of oil and its derivatives, and that investment in technological research into energy efficiency, renewable energy sources and biofuels will have a positive impact in the medium and long term;
10. Calls on the European Council in particular to adopt as soon as possible the Commission's action plan for improving energy efficiency in view of the energy savings potential of 18%, with binding targets for the Member States, as called for by the Environment Committee in its opinion of 23 February 2001;

11. Calls in particular on the Council to include in the directive on the promotion of electricity from renewable energy sources binding targets for the Member States and to transpose the directive speedily, as called for by Parliament on 16 November 2000¹;
12. Calls on the Commission and the Member States to remove distortion of competition on the energy market, in particular through internalising external costs and through fair transit tariffs for electricity from renewables to enable the latter to develop, as Parliament also called for on 16 November 2000;
13. Calls for special measures - in view of the fact that the transport sector accounts for 93% of the forecast increase in oil - to allow support for alternative fuel and propulsion technology and greater research in this area through the granting of financial aid; stresses in particular the pioneering development of hydrogen and fuel cells and calls for effective action to promote public transport;
14. Calls for an increase in appropriations for renewable energies, in particular for the SAVE and ALTENER programmes.
15. Calls for the speedier implementation of measures to support the production of biofuels.

¹ A5-0320/2000, Minutes of 16.11.2000 -Provisional Edition

24 April 2001

OPINION of the Committee on Regional Policy, Transport and Tourism

for the Committee on Industry, External Trade, Research and Energy

on the Communication from the Commission - The European Union's oil supply
(COM(2000) 631 – C5-0739/2000 – 2000/2335 (COS))

Draftsman: Hannes Swoboda

PROCEDURE

The Committee on Regional Policy, Transport and Tourism appointed Hannes Swoboda draftsman at its meeting of 24 January 2001.

It considered the draft opinion at its meetings of 20 March and 24 April 2001.

At the latter meeting it adopted the following conclusions by 23 votes to 17, with 3 abstentions.

The following were present for the vote: Konstantinos Hatzidakis, chairman; Emmanouil Mastorakis and Rijk van Dam, vice-chairmen; Hannes Swoboda, draftsman; Sir Robert Atkins, Emmanouil Bakopoulos, Rolf Berend, Freddy Blak, (for Garrelt Duin), Theodorus .J.Bouwman, Philip Charles Bradbourn, Felipe Camison Asensio, Alain Esclopé, Giovanni Claudio Fava, Jacqueline Foster, Jean-Claude Fruteau (for Danielle Darras), Mathieu J.H.Grosch, Ewa Hedkvist Petersen, Mary Honeyball, Juan de Dios Izquierdo Collado, María Izquierdo Rojo (for Carmen Cerdeira Morterero), Georg Jarzembowski, Dieter-Lebrecht Koch, Giorgio Lisi, Sérgio Marques, Erik Meijer, Rosa Miguélez Ramos, Francesco Musotto, Juan Ojeda Sanz, Josu Ortuondo Larrea, Karla M.H Peijs, Wilhelm Ernst Piecyk, Samuli Pohjamo, Alonso José Puerta, Reinhard Rack, Isidoro Sánchez García, Dana Rosemary Scallon, Ingo Schmitt, Elisabeth Schroedter (for Reinhold Messner), Brian Simpson, Renate Sommer, Diana Wallis (for Marieke Sanders-ten Holte), Mark Francis Watts, and Jan Marinus Wiersma (for Ulrich Stockmann).

CONCLUSIONS

The Committee on Regional Policy, Transport and Tourism calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Calls on the Commission to ensure that there is fair competition not only between the different forms of energy but also within the oil sector, which is all too often characterised by oligopolies in certain Member States and which leads to distortion of competition;
2. Wants the EU, in dialogue with the OPEC and non-OPEC countries, to endeavour to reduce the EU's increasing dual dependence on prices per barrel expressed in dollars and on the dollar itself, and to prepare the way for payment in euros;
3. Calls on the General Affairs Council, the ECOFIN Council and the Council of Transport Ministers, to develop and put in place, in cooperation with the Commission, a coordination mechanism making it possible in future to respond, in a coordinated way, to a short-term increase in the price of oil
4. Regards it as necessary for the price of oil to be kept at a level which will enable alternative energy sources - which are still costly - to make a successful entry into the market in order to create, in the long term, a sustainable 'mix' of energies, in particular for the transport sector. This is of particular importance in the light of enlargement of the EU, since experience shows that transport intensity increases in proportion to the growth of the economy;
5. Is aware that the transport sector is required to make special efforts to reduce the EU's dependence on oil; calls therefore on the Commission to do everything in its power to speed up the availability of alternatives to conventional fossil fuels so that the quantified environmental objectives – following the integration of the climate protection obligations according to the Kyoto Protocol 12/97 into the transport sector - can be realised as soon as possible;
6. Regards as particularly urgent, in view of the often precarious state of the environment on the one hand, and the expected rapid growth on the other, a strategy to develop energy-saving transport and regional policy and to promote alternative sources of energy for the accession countries:
7. Calls on the Commission , for its part, to urge Member States as a matter of urgency to change to energy-efficient modes of transport, particularly with regard to goods transport and local public transport; in general residential areas should be planned with a view to high energy efficiency and in particular should be tailored to transport structures with low energy dependence;
8. Advocates extending existing mechanisms to reduce the impact of fluctuations in the price of crude oil on the transport and introducing new mechanisms, such as:
 - further harmonisation of Member States' mineral oil taxes through the introduction of dynamic upper and lower limits,

- continuous alignment of competitive conditions both between modes and between Member States
- creating intelligent, interoperable transport systems by using the technologies of the Information Society;
- closer integration of transport systems which are still organised on a modal basis;

9. Calls on the Member States in future to plan housing developments with a view to high energy efficiency and, in particular, to adapt them to transport structures with low oil dependence;